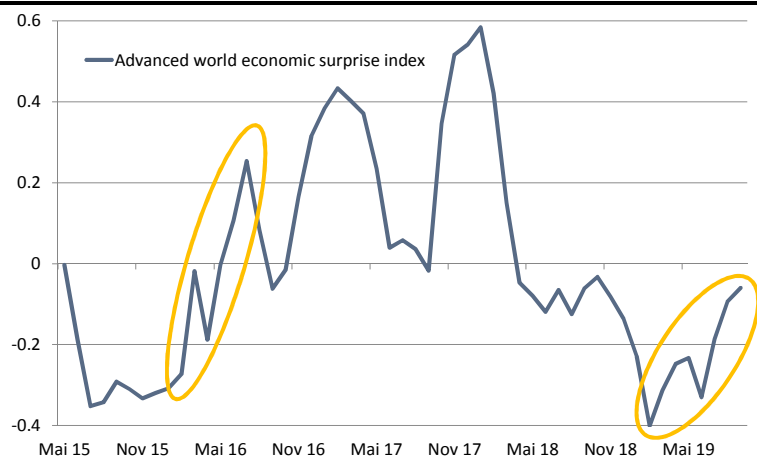


... CHART OF THE WEEK ... CHART OF THE WEEK ... CHART OF THE WEEK ... CHART OF THE WEEK

13 September 2019

Approaching the bottom?

The economic surprise index for the advanced world



GDP-weighted average of Bloomberg economic surprise indices US (57%), Eurozone (36%) and UK (7%). September 2019 based on 12 September data. Source: Bloomberg, Berenberg

- **Getting used to the bad news:** A string of negative surprises cannot last forever. Even if the situation does not improve, expectations adjust. The advanced world may be reaching this stage. Amid a serious downturn in global trade and global manufacturing output, forecasts for economic growth have come down significantly. Relative to these subdued expectations, the most recent data have no longer surprised to the downside. This turn is mostly driven by the US and the UK, but to a lesser extent also by the Eurozone over the past six months. This could be an early indicator of a potential economic upturn to come next year. Businesses, households and markets have braced themselves for serious political risks and a softer economic outlook. Unless trade tensions and the Brexit mess were to escalate dramatically beyond what is priced in already, global growth may bottom out around the turn of the year.
- **Boom and bust:** In a drastic reversal of fortunes, economic data in the western world has mostly surprised to the downside during the past 18 months after a globally synchronised boom before – see chart. Initially, the softness was focused in export-orientated Europe, where US President Donald Trump's trade wars, the slowdown in China, and intensifying Brexit uncertainties weakened demand for exports of investment goods. The softness elsewhere finally spread to US manufacturing as the fiscal stimulus of 2017/18 had worn off. In Europe, the industrial sector has entered recession, with some signs that the rot has started to affect parts of the service sector and the labour market.
- **No longer disappointing:** Day-to-day gyrations in financial markets largely reflect surprises in events or data relative to expectations, rather than the genuine strength of the data. We do not expect the data to improve before early 2020. Sentiment surveys and a weak inflow of orders suggest that the industrial recession in the western world may deepen further over the near term. However, if the data no longer disappoint relative to subdued expectations, the resulting more stable outlook for markets can eventually lift economic confidence. In turn, this can set the stage for a positive feedback loop to take hold.
- **The role of central banks:** Policy rates are so low across the western world that further rate cuts such as the one by the ECB on Thursday and the likely cut by the US Fed next Wednesday cannot raise consumer spending or business investment much. Nonetheless, central banks still play a vital role: by supplying ample liquidity at extremely generous conditions, they contain the risk that the economic downturn could trigger serious financial tensions in the equity or spread markets. Otherwise, such tensions could reverberate back into the real economy.
- **Political risks drive the cycle:** The current downturn in global trade and manufacturing differs from earlier episodes like the one in late 2015 and early 2016. This time, the weakness reflects bad policy choices such as trade wars and Brexit. Whereas the current risks may now be mostly priced in, the outlook depends very much on coming political choices: if trade tensions do not escalate much further, the situation could stabilise soon. If the US and China strike a deal next spring, as we expect, global trade and manufacturing could return to trend growth thereafter. If not, new negative surprises could still be ahead.

Holger Schmieding
Chief Economist
+44 20 3207 7889
holger.schmieding@berenberg.com

Kallum Pickering
Senior Economist
+44 20 3465 2672
kallum.pickering@berenberg.com

Florian Hense
European Economist
+4420 3207 7859
florian.hense@berenberg.com

Disclaimer

This document was compiled by the above mentioned authors of the economics department of Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as “the Bank”). The Bank has made any effort to carefully research and process all information. The information has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press. However, we do not assume liability for the correctness and completeness of all information given. The provided information has not been checked by a third party, especially an independent auditing firm. We explicitly point to the stated date of preparation. The information given can become incorrect due to passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. The forecasts contained in this document or other statements on rates of return, capital gains or other accession are the personal opinion of the author and we do not assume liability for the realisation of these.

This document is only for information purposes. It does not constitute investment advice or recommendation to buy financial instruments. It does not replace consulting regarding legal, tax or financial matters.

Remarks regarding foreign investors

The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons, into whose possession this document comes, should inform themselves about, and observe, any such restrictions.

United Kingdom

This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

United States of America

This document has been prepared exclusively by Joh. Berenberg, Gossler & Co. KG. Although Berenberg Capital Markets LLC, an affiliate of the Bank and registered US broker-dealer, distributes this document to certain customers, Berenberg Capital Markets LLC does not provide input into its contents, nor does this document constitute research of Berenberg Capital Markets LLC. In addition, this document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

This document is classified as objective for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 646 949 9000), if you require additional information.

Copyright

The Bank reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without the Bank's prior written consent.

© 2019 Joh. Berenberg, Gossler & Co. KG



JOH. BERENBERG, GOSSLER & CO. KG

Internet www.berenberg.com

E-mail: firstname.lastname@berenberg.com

EQUITY RESEARCH

GENERAL MID CAP

MID CAP - DACH

Carl-Oscar Bredengen	+44 20 3753 3160
Marta Bruska	+44 20 3753 3187
Charlotte Friedrichs	+44 20 3753 3077
Gustav Froberg	+44 20 3465 2655
James Letten	+44 20 3753 3176
Alexander O'Donoghue	+44 20 3207 7804
Gerhard Orgonas	+44 20 3465 2635
Benjamin Pfannes-Varrow	+44 20 3465 2620

MID CAP - EU core

Beatrice Allen	+44 20 3465 2662
Fraser Donlon	+44 20 3465 2674
Christoph Greulich	+44 20 3207 7861
Andreas Markou	+44 20 3753 3022
Anna Patrice	+44 20 3207 7863
Trion Reid	+44 20 3753 3113
Jan Richard	+44 20 3753 3029

MID CAP - UK

Joseph Barron	+44 20 3207 7828
Calum Battersby	+44 20 3753 3118
Joseph Bloomfield	+44 20 3753 3248
Robert Chantry	+44 20 3753 3017
Sam Cullen	+44 20 3753 3183
Ned Hammond	+44 20 3753 3017
Edward James	+44 20 3207 7811
Kieran Lee	+44 20 3465 2736
Lush Mahendrarajah	+44 20 3207 7896
Benjamin May	+44 20 3465 2667
Alex Medhurst	+44 20 3753 3047
Anthony Plom	+44 20 3207 7908
Eoghan Reid	+44 20 3753 3055
Owen Shirley	+44 20 3465 2731
Donald Tait	+44 20 3753 3031
Sean Thapar	+44 20 3465 2657

EQUITY SALES

SPECIALIST SALES

AEROSPACE & DEFENCE & CAPITAL GOODS

Cara Luciano	+44 20 3753 3146
--------------	------------------

AUTOS & TECHNOLOGY

Edward Wales	+44 20 3207 7815
--------------	------------------

BANKS & DIVERSIFIED FINANCIALS

Eleni Papoula	+44 20 3465 2741
---------------	------------------

BUSINESS SERVICES, LEISURE & TRANSPORT

Rebecca Langley	+44 20 3207 7930
-----------------	------------------

CONSUMER DISCRETIONARY

Victoria Mairgot	+44 20 3753 3010
------------------	------------------

CONSUMER STAPLES

Ramnique Sroa	+44 20 3753 3064
---------------	------------------

HEALTHCARE

David Hogg	+44 20 3465 2628
------------	------------------

MEDIA & TELECOMS

Jonathan Smith	+44 20 3207 7842
----------------	------------------

METALS & MINING, OIL & GAS AND UTILITIES

Jason Turner	+44 20 3753 3063
--------------	------------------

THEMATICS

Chris Armstrong	+44 20 3207 7809
-----------------	------------------

SALES TRADING

LONDON

Charles Beddow	+44 20 3465 2691
Mike Berry	+44 20 3465 2755
Joseph Chappell	+44 20 3207 7885
Stewart Cook	+44 20 3465 2752
Mark Edwards	+44 20 3753 3004
Tom Floyd	+44 20 3753 3136
Tristan Hedley	+44 20 3753 3006
Luke Holmes	+44 20 3465 2750
Peter King	+44 20 3753 3139
Simon Messman	+44 20 3465 2754

BUSINESS SERVICES, LEISURE & TRANSPORT

BUSINESS SERVICES

Zaim Beekawa	+44 20 3207 7855
Tom Burliton	+44 20 3207 7852

LEISURE

Roberta Ciaccia	+44 20 3207 7805
Jack Cummings	+44 20 3753 3161
Stuart Gordon	+44 20 3207 7858
Annabel Hay-Jahans	+44 20 3465 2720

TRANSPORT & LOGISTICS

William Fitzalan Howard	+44 20 3465 2640
Joel Spungin	+44 20 3207 7867
Adrian Yanoshik	+44 20 3753 3073

CONSUMER

BEVERAGES

Bavier Gonzalez Lastra	+44 20 3465 2719
Matt Reid	+44 20 3753 3075

FOOD MANUFACTURING AND HPC

Ebba Bjorklid	+44 20 3753 3247
James Targett	+44 20 3207 7873

FOOD RETAIL

Dusan Milosavljevic	+44 20 3753 3123
---------------------	------------------

GENERAL RETAIL

Michael Benedict	+44 20 3753 3175
Thomas Davies	+44 20 3753 3104
Oliver Anderson	+44 20 3753 3173
Graham Renwick	+44 20 3207 7851
Michelle Wilson	+44 20 3465 2663

LUXURY GOODS

Lauren Molyneux	+44 20 3207 7892
-----------------	------------------

ENERGY

OIL & GAS

Baha Bassatine	+44 20 3753 3158
John Gleeson	+44 20 3465 2716
Ilkin Karimli	+44 20 3465 2684
Edward Pizzey	+44 20 3753 3185
Henry Tarr	+44 20 3207 7827

SALES

BENELUX

Miel Bakker	+44 20 3207 7808
Bram van Hijfte	+44 20 3753 3000

FRANCE

Alexandre Chevassus	+33 1 5844 9512
Dallia Farigoule	+33 1 5844 9510
Kevin Nor	+33 1 5844 9505
Guillaume Viret	+33 1 5844 9507

SCANDINAVIA

Donata Leonova	+44 20 3753 3156
Marco Weiss	+49 40 3506 0719

UK

Thomas Baker	+44 20 3753 3062
James Burt	+44 20 3207 7807
Fabian De Smet	+44 20 3207 7810
Marta De-Sousa Fialho	+44 20 3753 3098
Katie Ferry	+44 20 3753 3041
Robert Floyd	+44 20 3753 3018
David Franklin	+44 20 3465 2747
Sean Heath	+44 20 3465 2742
Stuart Holt	+44 20 3465 2646
James Hunt	+44 20 3753 3007
James McRae	+44 20 3753 3036

LONDON (cont'd)

AJ Pulleyn	+44 20 3465 2756
Paul Somers	+44 20 3465 2753
Frans Van Wakeren	+44 20 3753 3079

PARIS

Vincent Klein	+33 1 58 44 95 09
---------------	-------------------

UTILITIES

Oliver Brown	+44 20 3207 7922
Andrew Fisher	+44 20 3207 7937
Lawson Steele	+44 20 3207 7887

FINANCIALS

BANKS

Adam Barrass	+44 20 3207 7923
Frederick Brennan	+44 20 3753 3171
Michael Christodoulou	+44 20 3207 7920
Andrew Lowe	+44 20 3465 2743
Eoin Mullany	+44 20 3207 7854
Peter Richardson	+44 20 3465 2681

DIVERSIFIED FINANCIALS

Panos Ellinas	+44 20 3753 3149
Chris Turner	+44 20 3753 3019

INSURANCE

Iain Pearce	+44 20 3465 2665
-------------	------------------

REAL ESTATE

Kai Klose	+44 20 3207 7888
-----------	------------------

HEALTHCARE

Scott Bardo	+44 20 3207 7869
Klara Fernandes	+44 20 3465 2718
Michael Healy	+44 20 3753 3201
Tom Jones	+44 20 3207 7877
Michael Ruzic-Gauthier	+44 20 3753 3128

INDUSTRIALS

AEROSPACE & DEFENCE

Andrew Gollan	+44 20 3207 7891
Ross Law	+44 20 3465 2692
George McWhirter	+44 20 3753 3163

AUTOMOTIVES

Cristian Dirpes	+44 20 3465 2721
Asad Farid	+44 20 3207 7932
Alexander Haissl	+44 20 3465 2749

CAPITAL GOODS

Jonathan Coubrough	+44 20 3465 2699
Philippe Lorrain	+44 20 3207 7823

UK (cont'd)

David Mortlock	+44 20 3207 7850
Bhavin Patel	+44 20 3207 7926
Kushal Patel	+44 20 3753 3038
Richard Payman	+44 20 3207 7825
Christopher Pyle	+44 20 3753 3076
Adam Robertson	+44 20 3753 3095
Joanna Sanders	+44 20 3207 7925
Mark Sheridan	+44 20 3207 7802
George Smbirt	+44 20 3207 7911
Sam Stannah	+44 20 3753 3157
Paul Walker	+44 20 3465 2632

GERMANY

Simone Armheiter	+49 69 91 30 90 740
Nina Buechs	+49 69 91 30 90 735
André Grosskurth	+49 69 91 30 90 734

SWITZERLAND, AUSTRIA & ITALY

Duncan Downes	+41 22 317 1062
Andrea Ferrari	+41 44 283 2020
Gianni Lavigna	+41 44 283 2038
Jamie Nettleton	+41 44 283 2026
Yeannie Rath	+41 44 283 2029

COO Office

Greg Swallow	+44 20 3207 7833
--------------	------------------

EQUITY TRADING

HAMBURG

David Hohn	+49 40 350 60 761
Lukas Niehoff	+49 40 350 60 798
Lennart Pleus	+49 40 350 60 596
Marvin Schweden	+49 40 350 60 576
Philipp Wiechmann	+49 40 350 60 346
Christoffer Winter	+49 40 350 60 559

LONDON

Christopher Brown	+44 20 3753 3085
Edward Burlison-Rush	+44 20 3753 3005

CAPITAL GOODS (cont'd)

Simon Toennesen	+44 20 3207 7819
-----------------	------------------

MATERIALS

CHEMICALS

Sebastian Bray	+44 20 3753 3011
Xian Deng	+44 20 3753 3014
Anthony Manning	+44 20 3753 3092
Rikin Patel	+44 20 3753 3080

METALS & MINING

Richard Hatch	+44 20 3753 3070
Laurent Kimman	+44 20 3465 2675
Michael Stoner	+44 20 3465 2643

TMT

TECHNOLOGY

Tammy Olu	+44 20 3465 2673
Tej Sthankiya	+44 20 3753 3099
Lou Ann Yong	+44 20 3753 3159

MEDIA

Robert Berg	+44 20 3465 2680
Keisi Hysa	+44 20 3207 7817
Laura Janssens	+44 20 3465 2639
Sarah Simon	+44 20 3207 7830

TELECOMMUNICATIONS

David Burns	+44 20 3753 3059
Usman Ghazi	+44 20 3207 7824
Laura Janssens	+44 20 3465 2639
Abhilash Mohapatra	+44 20 3465 2644
Carl Murdock-Smith	+44 20 3207 7918

THEMATIC RESEARCH

Steven Bowen	+44 20 3753 3057
Julia Schrameier	+44 20 3753 3172

ECONOMICS

Florian Hense	+44 20 3207 7859
Kallum Pickering	+44 20 3465 2672
Holger Schmieding	+44 20 3207 7889

CRM

Megan Connelly	+44 20 3753 3244
Laura Cooper	+44 20 3753 3065
Beau Dibbs	+44 20 3753 3048
Jessica Jarmyn	+44 20 3465 2696
Madeleine Lockwood	+44 20 3753 3110
Vikram Nayar	+44 20 3465 2737
Penella Neill	+44 20 3207 7868

CORPORATE ACCESS

Lindsay Arnold	+44 20 3207 7821
Sally Fitzpatrick	+44 20 3207 7826
Maz Gentile	+44 20 3465 2668
Robyn Gowers	+44 20 3753 3109
Dipti Jethwani	+44 20 3207 7936
Ross Mackay	+44 20 3207 7866
Stella Siggins	+44 20 3465 2630
Lucy Stevens	+44 20 3753 3068
Abbie Stewart	+44 20 3753 3054

EVENTS

Miranda Bridges	+44 20 3753 3008
Charlotte David	+44 20 3207 7832
Suzy Khan	+44 20 3207 7915
Natalie Meech	+44 20 3207 7831
Eleanor Metcalfe	+44 20 3207 7834
Sarah Weyman	+44 20 3207 7801

LONDON (cont'd)

Danny Carr	+44 20 3753 3360
Jack Clayton	+44 20 3753 3166

Contacts



BERENBERG

PARTNERSHIP SINCE 1590

BERENBERG CAPITAL MARKETS LLC

Member FINRA & SIPC

Internet www.berenberg-us.com

E-mail: firstname.lastname@berenberg-us.com

EQUITY RESEARCH

CONSTRUCTION

Robert Muir +1 646 949 9028
Daniel Wang +1 646 949 9025

GENERAL MID CAP - US

Samuel England +1 646 949 9035
Alex Maroccia +1 646 949 9033
Brett Knoblauch +1 646 949 9032

HEALTHCARE

BIOTECH/THERAPEUTICS

Shanshan Xu +1 646 949 9023

MED. TECH/SERVICES

Ravi Misra +1 646 949 9028

SPECIALTY PHARMA/BIOTECH

Patrick R. Trucchio +1 646 949 9027

CAPITAL GOODS

Andrew Buscaglia +1 646 949 9040

LEISURE

Brennan Matthews +1 646 949 9024

INDUSTRIAL MATERIALS

Paretosh Misra +1 646 949 9031

MULTI-CHANNEL RETAILING

Sumit Sharma +1 646 949 9034

REAL ESTATE

Nate Crosssett +1 646 949 9030
Connor Siversky +1 646 949 9037

SHIPPING & TRANSPORTATION

Donald McLee +1 646 949 9026

SOFTWARE & IT SERVICES

Gal Munda +1 646 949 9021
Joshua Tilton +1 646 949 9036

TECHNOLOGY HARDWARE

Andrew DeGasperi +1 646 949 9044

ECONOMICS

Mickey Levy +1 646 949 9099
Roiana Reid +1 646 949 9098

EQUITY SALES SALES

Albert Aguiar +1 646 949 9218
Daniel Claeys +1 646 949 31 44
Nate Emerton +1 617 292 82 11
Kelleigh Faldi +1 617 292 8288
Ted Franchetti +1 646 949 9231
Rich Harb +1 617 292 8228
Zubin Hubner +1 646 949 9202
Jessica London +1 646 949 9203
Anthony Masucci +1 646 949 9217
Ryan McDonnell +1 646 949 9214
Emily Mouret +1 415 802 2525
Peter Nichols +1 646 949 9201
Kieran O'Sullivan +1 617 292 8292
Rodrigo Ortigao +1 646 949 9205

CRM

Alexandra Angove +1 646 949 9211
Sammy Chea +1 646 949 9241

CORPORATE ACCESS

Adriane Klein +1 617 292 8202
Olivia Lee +1 646 949 9207

EVENTS

Meridian Della Penna +1 646 949 9208
Laura Hawes +1 646 949 9209

SALES TRADING

Isaac Carp +1 646 949 9107
Ronald Cestra +1 646 949 9104
Mark Corcoran +1 646 949 9105
Michael Haughey +1 646 949 9106
Christopher Kanian +1 646 949 9103
Lars Schwartzau +1 646 949 9101