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REVIEW

Despite the economic and political uncertainties, Western stock markets have continued their positive upward trends over the past two months. Since the middle of the month, this development has also been accompanied by a renewed bull market on the Western bond markets, after the US central bank announced that it would no longer raise interest rates this year. Led by the USA, yields on 10-year German government bonds fell below 0% for the first time after 2016. Behind this is the concern of investors that the EU economies and Germany could slide into recession in the course of the year beyond the global slowdown. It is noteworthy that the European stock markets have also continued to recover since January, albeit to varying degrees. This leads to the conclusion that after last year's losses, future equity market risks are already largely priced in.

OUTLOOK

On the global stage, however, at least between the USA and China, an agreement in the trade dispute seems to be in the offing. It was probably born out of the realisation that otherwise not only both countries but also the rest of the industrialised world could suffer economic damage. However, the European community of values has not yet come to comparable conclusions in the dispute over Britain's withdrawal and the reorganisation of the EU. The national parliaments and their parties are obviously too busy solving their own internal problems. The majority of European professional politicians no longer seem to be aware of the socio-political and economic dangers of the failure of the European project. The outcome of the Brexit and the EU elections at the end of May will bear witness to where the peoples of Europe currently stand politically and what threatens to come to them in the coming years. This is not only about the possible loss of democracy, but also about the weakening of internal and external security and the dangers of lasting losses of prosperity. But one thing should already be clear: even without England, the Community will have to redefine itself in principle after the elections not only in Brussels, but also in its home countries, and reposition itself politically and administratively.

These risks should not be underestimated, especially as the global growth expectations of the various economic institutes have already been substantially revised downwards into 2020, with recessions in some parts of the industrialised world not being ruled out. These are also the reasons why the central banks, now also the ECB, have adopted a milder tone and are increasingly demanding fiscal policy initiatives from the federal states. The Chinese delegation's discussions with EU leaders during their trip to Italy and France were also along these lines. Infrastructure and industrial investments with state support and in joint cooperation are not only desired, but also necessary to revive global growth. The potential is enormous, just think of the construction of 5G or the reorientation of the automotive industry and climate protection. For Germany, this marks the end of the "black zero"

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budgetary policy, and for the rest of the EU member states it means a further increase in budget deficits.

CAPITAL MARKET OUTLOOK

The strong recovery of the stock markets since the beginning of the year in conjunction with the clouding of the global economy and the irritating bull market of the Western bond markets since mid-March suggest the probability of a consolidation of the stock markets in the coming months with increasing price volatility. This assumption is also supported in the more frequent seasonal weakness period during the summer months.

Although last year's very optimistic estimates indicate that corporate earnings for 2019 and 2020 have already been largely adjusted to current economic expectations, it is still too early to predict a significant recovery for the coming year. This applies in particular to the USA, where the inversion of the yield curve has occurred. Some financial analysts are now pointing out that in the past, the Fed has responded to an incipient recession by cutting interest rates and expanding monetary policy. In my opinion, today's environment can hardly stand comparison with previous periods. Important for the recovery of the global economy are the conclusion of the US-China Trade Agreement, China's future economic stimulus package and the European investment efforts in the various infrastructure programs (e.g. electromobility and 5G).
During this uncertain period, which will be dominated for some time by the media by the issues of recession, Brexit and EU elections, it is important to keep a cool head and be invested in government bonds of various maturities and in high-growth, high-grade international companies. As in the past, investors with an actively managed investment policy should be able to survive the summer months well before long-term investment horizons open up again after the recession fears have subsided.

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