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REVIEW

In the period under review, the Western stock markets ended their upward trends that has started at the beginning of the year and have been consolidating since the end of April. By contrast, interest rates on longer-dated government bonds in the USA and the EU countries have fallen further. At the end of the month, 10-year yields were as low as 2.17% in the USA and -0.16% in Germany. Earlier concerns about a further weakening of the global economy have diminished, after the release of unexpectedly positive economic first quarter data in the USA. They, however, could not help stabilizing the equity markets, as political tensions and trade worries in Europe, Asia and the USA came to the fore again. First and foremost stands President Trump's foreign policy with its tougher stance towards Persia and China.

The unilaterally denounced nuclear agreement and the embargo imposed on Persia and the still pending trade agreement and the implementation of new tariffs on China do not yet reveal any solutions. These are the President's powerful tools to prosecute his aggressive foreign political goals against everybody, who is opposing his policies as recently witnessed with the handling of the pending immigration problem against Mexico. In Europe, the Brexit chaos and the results of the European elections have contributed equally to the fall of the equity markets.

OUTLOOK

These uncertainties should determine throughout the summer the course of events on the stock markets until solutions emerge. Economic development should only play a role if the tensions from the trade war with China would increase. The tariff increases are now having an effect not only in China but also on the emerging economies and on various European export markets. The question is gradually emerging, which countries economically and socially are most flexible in dealing with these attacks. China with its one party system and their citizens with their historical experience of economic hardship could possibly cope much better with these tensions than other civilizations. America and the West run the risk that this policy could become a boomerang for them later on. The world community can only hope that economic rationality will return to the USA and will help to ensure that the arch will not be spanned at the end of the day.

Indeed, the political objectives that the American President is pursuing towards Persia with a new nuclear agreement of his own choice that would be satisfactory to all, and towards China with a trade agreement that is fair to all sides, also apply to Europe. However, opinions between the US and Europe differ diametrically on how to address and solve these problems. However, the Europeans, primarily England, France and Germany, have not yet agreed on a common diplomatic strategy with which they themselves could contribute to resolving these issues. Therefore, Europe

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is out of the game and must leave the important terrain “nolens volens” to Mr. Trump with his idiosyncratic and risky foreign policy mthods.

The European elections have clearly highlighted the problems citizens have with the political and social development in the European Union and with their parties. First, it is positive to note that the high turnout is a clear commitment by the voters to a democratically lead Europe and that fears of a threatening increase in the right-wing spectrum have not materialized in Strasbourg. On the other hand, voters in France, England and especially in Germany have made it clear to their people's parties and policy makers that the citizens do not feel to be understood in their social and personal needs, ideas and priorities. This applies to England, which stumbled into a crisis of understanding of democracy, after the Brexit debacle of the Tories, and to Germany, which after the elections plunged with the exception of the Greens into a crisis of the people's parties. That is a heavy burden to master the upcoming tasks in Europe and abroad.

CAPITAL MARKET OUTLOOK

More than ever, the capital markets, both national and international, will be influenced by political distortions or solutions to conflicts in one direction or another. Bad economic and corporate news will only disrupt the stock markets if the continuation of the American trade war would have a lasting negative impact on the global economy. We must consider this environment in our investment decisions over the summer. Against this conflict-laden political background, the central banks will have to stick to their previous interest rate and monetary policy. This will not only continue to benefit the bond markets, but should also support the stock markets during their current market corrections. The risk of further stock price losses, however, should be calculable because the valuations of cyclical stocks in particular have become attractive at these levels. These assumptions find support in the technical market analysis. The stock markets again at their 200 days moving averages are heavily oversold since the start of the market correction early in the month of May. A change towards more positive news from politics and the economy should therefore create a considerable potential for a stock market recovery.

The investment policy in our **Millennium Global Opportunities Fund** considers medium to long term maturities in bonds with a cash position of 10-15%. The investment ratio for equities, at present, is neutral at approx. 60% and will be raised again in the further course of the market correction. Our investment themes based on sustainability remain the same as before. The buildup of the G5 networks and infrastructures, digitization in all sectors of the economy, the restructuring of auto mobility and climate protection will remain our investment focus alongside less cyclical companies from the consumer and healthcare sectors, despite their relative high valuations.

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