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REVIEW

With the exception of the USA, currencies, capital market interest rates and stock markets have reacted differently to the cooling of the global economy and to political tensions and changes in the Middle East, Europe and America. The euro has weakened slightly against the dollar and the Swiss franc in the last two months. After a brief recovery against the dollar, the British currency has returned to its lows of recent years. The change of power in Downing Street and Mr. Johnson's decision to leave the EU by 31 October even with a No Deal cast their shadows ahead.

Despite this, yields in the euro zone continued to fall to record lows. In the meantime, 10-year bonds have reached -0.4% in Germany, -0.65% in Switzerland, -0.5% in Japan and -0.10% in France, too. The trend was reinforced following the announcements by the US Fed and the ECB to lower interest rates again. The deflationary tendency that has existed for years continues, to the chagrin of savers.

Despite contradictory news from the global economy and the opaque international political situation, the stock markets were able to free themselves from the technically oversold positions after the slide in May, as predicted in the last report, and have recovered sustainably since the beginning of June until today. Under the leadership of the USA again, which recorded new all-time highs at the end of the month, the European stock markets were also pulled along, albeit to varying degrees. The less cyclical Swiss stock market ranked first, also with a new all-time high, followed by several stock exchanges such as the UK, which to a large extent were able to make up for their previous losses.

This also applies to the growth and technology stocks listed in the TECDAX, but not to the DAX Index with its cyclical and heavy weight public stocks of the Old Economy, which have been lagging behind since 2015 and continue to be in bear markets. The reasons for this are becoming more and more visible, and they are serious.

OUTLOOK

Before we turn our attention to the economic and political development abroad, it seems appropriate to take a closer look at the current situation in Germany after 10 years of GROKO (Grand Coalition). The German economy and society will from now on have to face the political, economic, technological and regulatory failures and challenges. Against the background of a weakening EU, the coming Brexit, the irreversible and accelerating Internet revolution and the reorientation of world trade by the USA, to name just a few points, politics in Berlin and its federal states and the economic elites will therefore have to reposition themselves in order to secure the country's existential future. Where are we today? The drama can also be metered in the fall in prices of former stock market

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heavyweights, which have lost up to 80% of their highs since then. Politics has always had a hand in regulatory policy, which has affected the entire spectrum of the German formerly strong old economy: banking, the electricity industry, the automotive industry, their suppliers and large parts of the chemical industry, telecommunications and Internet expansion, transport and traffic. In contrast, German citizens, after 50 years of the welfare state, have to cope with a misguided housing policy, outdated transportation systems and with a pension system in which over 50% of pensioners have to make their living with a gross monthly pension of only 904 euros, just above the minimum living wage.

As long as there are no fundamental changes, investor interest in equity investments in Germany will remain limited. Politics, therefore, should primarily focus on the modernization of infrastructure, an internationally competitive regulatory and tax policy and a capable and lean administration, in order to get back on track. It is to be hoped that before the end of this year a more competent government will be formed to face up to these challenges and solve them in the years ahead. The staff of this GROKO is no longer up to these challenges.

The reorganization of the EU after the elections and England's resignation are additional new building sites that could become a Trojan horse for the EU and above all for the new British government without Plan B. So far, however, the British stock market has reacted with further index gains, also because of the renewed weakness of the pound, especially against the US dollar, and the prospect of a new trade agreement from the USA.

In the USA, the stock markets are continuing their upward trend, supported by the continued good economic situation, which the current quarterly earnings' reports also reflect. The expected turnaround of the US Federal Reserve towards a lighter interest rate and monetary policy should also be a major driving force in the future. American capital does not seem to mind the attitude and discriminatory word attacks of the President against the opposition and many of his fellow citizens.

CAPITAL MARKET OUTLOOK

Apparently, business and politics go their separate ways and they drift further and further apart. The US stock markets have clearly decided so far this year which side they have favored. Investors are looking for an amicable solution to the trade dispute with China and only for a mild global economic slowdown, ignoring international tensions in the Middle East, America and elsewhere. We expect this trend to continue over the course of the year with the expectation of a seasonal market consolidation after the end of the reporting season.

With Brexit investors should return to the British equity market. They will prefer to invest in companies that have a large proportion of their assets abroad and are benefiting from the emerging long-term weakness of the pound. In addition, corporate takeovers could again come to the fore in this positive global interest and monetary environment. German equities, on the other hand, should continue to be a wallflower, with the exception of the growth and technology segment. The **Millennium Global Opportunities Fund** will take into account the changes in its investment policy, with our investment themes remaining unchanged.
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