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ZINNECKER BIMONTHLY – OCTOBER / NOVEMBER 2020

## REVIEW

**The consolidation of the capital markets began under the leadership of the USA in early September. Yields on long-term government bonds rose slightly in the period under review, the dollar recovered somewhat and the stock markets closed almost unchanged compared with their indices. Only gold has consolidated somewhat more strongly at 5% after the rapid rise in recent months.** The issues influencing the markets were the continuation of the economic recovery in the industrialized countries after the surprisingly good quarterly results of many companies and the effects of the second corona wave now underway into the winter, especially in Europe. Above all, however, investors were preoccupied with the question of the uncertain outcome of the forthcoming presidential elections in the USA.

## OUTLOOK

**Besides Corona, the US elections have been the central topic of German media for months. With their transfigured notion of a liberal and social America, they have for years conveyed to the public a picture that is out of touch with reality of the average mentality of white citizens and the way American politics functions.** The United States has been fighting for years to maintain world supremacy over China, and the dwindling majority of whites are doing the same in their own country. This is why Mr. Trump has become president. He will try with all tricks and demagogic means to score a second term or to force it in a stalemate situation, even if he will not have achieved the majority of votes. In this respect, the race remains completely open, perhaps even into New Year. However, if he wins, hard times could lie ahead for continental Europe and for the political and economic future of the already torn EU.

Regardless of the second corona wave that is about to roll in, the global economy will continue to slowly recover through the consistent use of state funds. The increasing national debt is politically accepted in all countries and its financial consequences and their solutions will be postponed far into the future. The only thing that matters now in politics is to guide the populations through the winter by means of understandable and acceptable government regulations and commandments and to hope that the citizens on a broad scale will support them through their public behavior. The renewed closure of the borders or another lockdown are no longer options.

We know that the world has been in transformation for years. The changes in global political power constellations, the technological revolution and climate change are the main drivers. Covid-19 acts as an accelerator in this process. The road to the New normal is becoming ever sharper in its contours, but we will only have clearer ideas about the direction industrial production, service industries and consumer habits will take after the pandemic. One thing is clear, however, and that is that the Internet, the

achievements of information technology and the findings of financial science from previous crises have made a major contribution to limiting the negative economic impact of the pandemic.

## **CAPITAL MARKET OUTLOOK**

**In the future, this development will determine the direction of the capital markets and their sustainable investment returns more than ever before. This applies to all market segments. The future performance drivers will become apparent in the current correction, especially on the stock markets.** However, the heated discussion about valuation differences and the relative attractiveness of investments in growth and/or value stocks does not get to the heart of the matter. Investors' focus will be on the potential of future and sustainable corporate earnings' momentum and profitability as the most important investment criterion. This applies to all companies from both camps equally and worldwide. Basically, the following applies to investment decisions: Which companies will manage the intellectual and financial adjustment and transformation of their business models and production facilities in relation to the changed demand profiles for goods and services according to Corona? Investments in cloud computing, automation, the use of the industrial Internet of Things (IIoT) and in cybersecurity are prerequisites for the development of new and high-quality products and for increasing productivity. Microsoft, Apple, Google and Amazon have been pioneers for years and their products will accompany and benefit from this transition. They are today's market leaders and growth drivers, as the oil companies, General Electric and IBM were exemplary in the last century.

The current consolidation of the stock markets should give investors in the fourth quarter the opportunity to align their long-term investments accordingly. The month of October, in which the majority of third-quarter profits will be also published, is traditionally an unsettled month for the stock markets. However, a further plunge in stock prices like that of the first half of the year should not be expected, even though the elections in the USA could cause additional unrest. Regardless of the outcome of the elections, the existing orientation of American economic policy should be continued in the new term of office. A Democratic election victory could become an additional performance driver over the course of the year. In this channel, the European stock markets should also overcome their old resistance. Since interest rates have settled at current levels and there are no surprises on the inflation front, the bond markets are considered relatively unattractive.

30.9.2020