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REVIEW

Following the fall consolidation the stock markets have continued their renewed upward movement since the month of November. This again included the Asian stock markets led by the US. During this period, US long rates rose and the US dollar weakened slightly against major currencies. The background to this development was the expectation of capital investors that things would soon return to normal and that the recession would be overcome. Several factors came together and played an overriding role despite the dramatic continuation of the pandemic. The market readiness of the vaccine and the start of its use as early as December combined with the expectation of overcoming and controlling the disease during the year, were crucial. The new beginning and the return to moderate national policies of President Joe Biden and his new administration also reinforced hopes for the revival of international relations between the US, China and Europe. Statements by central banks to continue their policies into 2021 and by policymakers to stimulate the economy through structural investment and fiscal stimulus then led to expectations that global economic growth would pick up as early as the spring.

OUTLOOK

The lessons learned from the Covid-19 pandemic and the encouraging approaches of the new Biden administration could transform world politics with a new global-impact profile that would bring sustained growth momentum, economic health, and prosperity to the industrialized world over the long term. This would require the willingness of China and the US, together with the EU, to develop a new G3 concept. This concept would deal with the solution of global existential challenges that all civilizations will have to face sooner or later anyway. A start could already be made after the summit in Davos. The agenda should include the following complexes, as Xuewu Gu, a professor at the University of Bonn, recently put it: a pandemic agenda, a climate agenda, an agenda for reforming world trade, a 5G agenda for a globally free and secure Internet, and a human rights agenda. These would be shared nationally overarching goals that would help to unravel and eventually overcome today's political rigidities and tensions. If they can be implemented in the next 10 years, the future of the global community living in peace, freedom and prosperity would become more realistic. It does, however, require insight, a new awareness and understanding on the part of those involved of their responsibilities to their peoples. If the EU wanted to be an equal partner, the members would have to redraft the existing EU treaty in principle. They will have to do so at some point anyway if the EU is not to end up slipping into irrelevance in terms of world politics.

From today's perspective, this vision does not seem realistic, but it is clear to everyone what additional economic forces would be unleashed by such a concerted global agenda. For the moment, however, the measures taken are sufficient to get

the economy back on track once the pandemic is over. Leading the way so far is China with a GDP growth of about 2.5%, while the world ended the year at -3.3% and the EU at about -7%. For 2021, forecasts assume a global synchronous economic growth spurt of approx. 4-6% depending on the region and the end of pandemic restrictions. For corporate profits, this would mean a return to pre-Corona growth rates. Corporate profits, especially of cyclical companies dependent on the economy, should then exceed their old levels, owing to increased productivity and pent-up demand for consumer and capital goods. This trend should continue in 2022. The revival of inflation and a change in central bank targets are not yet an issue in the foreseeable future.

CAPITAL MARKET OUTLOOK

Global equity markets should benefit and continue their upward trend, which began in the fall, throughout the year. However, speculative exaggerations in some market segments on the part of private players and institutional investors have recently raised the dangers of a technical correction. Via the online platform Robinhood, millions of private speculators and gamblers have launched targeted attacks on companies such as Gamestop or Nokia in recent months, triggering price excesses on an unprecedented scale by bundling spot orders and options. Ailing companies with high short positions on the part of institutional investors were the target, some of which suffered considerable losses through forced liquidations. The Porsche options strategy was the trigger for the hype in VW shares a few years ago and fits into this picture.

The manipulations, which are also part of hate and fury against the establishment, have not failed to have their effect on stock market activity in recent weeks and have already put stock market regulators on notice to get a grip on the potential financial risks that may result. Platforms like Robinhood and crypto currencies are a reality and are part of the evolution of the Internet and cloud computing. While Robinhood may soon be an episode, Bitcoin and Ethereum are the new reality as transactional currencies and payment systems. They will drive the next wave of the Internet as the number of users continues to grow rapidly.

The world is changing. The impact on society, politics, the economy and financial systems is visible everywhere, creating uncertainty. The nervousness on the capital markets is a reflection of this and may trigger technically induced corrections on the stock markets in the coming weeks. However, they are a healthy part of bull markets.

After Corona, the economies will be on the verge of a sustained upswing as a result of pent-up demand and the support and economic stimulus programs that are starting up. They will also be boosted by the technological reorientation. Investors should therefore take advantage of this phase and swap excess low-yielding money and interest-bearing investments for attractive equities.

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