

## Stock markets off to a mixed start to the year



Despite initial momentum, January proved to be a volatile stock market month with an overall downward trend, especially towards the end of the month. This was mainly due to some curious price excesses in third tier U.S. stocks. Furthermore, a certain sobriety regarding vaccination capacities dampened expectations in that a slower recovery of the economy - especially in Europe - is now expected.

However, the mismanagement of certain hedge funds that were involved as short-sellers in stocks such as Game Stop, AMC, and others, generated many headlines. These stocks, which were hardly known to a wide stock market audience, experienced a furious price rally after respective Internet forums had called for people to buy them. Rocketing share prices, in turn, ensured that those professional market participants who had bet on falling share prices had to cover their losses by buying back the shares they had previously borrowed and sold at a higher price on the market, thus strongly fuelling the fulminant share price increase. The role of online brokers is also dubious in this context, as they often do not charge any transaction

costs, but earn money by lending stocks held in customer portfolios and thus making them available for short selling. It remains to be seen whether the retrieval of lent shares is successful given the exorbitant volume or whether imbalances within the clearing system have arisen.

However, it is evident that those hedge funds and speculators threatened by extraordinary losses have had to and will have to sell other shares to raise money for covering the damage that have been created. In this respect, the story about Game Stop and Co. is not over yet. Admittedly, the speculative activities mentioned have nothing in common with classic investment, such as LOYS AG operates. But the mat-

ter is by no means solved because the U.S. Securities and Exchange Commission (SEC) has already taken up the matter and politicians would like to get involved as well. It will be interesting to see whether we will once again hear from 'system-relevant' market participants.

Speaking of politics, things have been pleasantly quiet around former President Trump after his Twitter account was suspended. The new Biden administration has been busy at work, issuing numerous presidential decrees that revise Trump's policies. However, it is worth noting that US politics will be more unpredictable than ever if presidents make a habit of always putting the opposite of their predecessor into action.

The seven LOYS funds were only slightly affected by the capriciousness towards the end of January. All funds reported a successful start to the new stock market year. This applies not least to the new LOYS Premium Deutschland fund, which has already posted a lively gain of around 5% in the first four weeks of its existence. Concerning the rest of the year,

much will depend on when the economy will be able to return to normal. The key to a rapid normalization is vaccination. Despite the initial frictions surrounding vaccine availability, it is to be hoped that the high pressure with which work is being carried out on the arisen problems will lead to widespread availability in the coming months.

Sincerely yours,

Fund managers and co-investors



Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

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