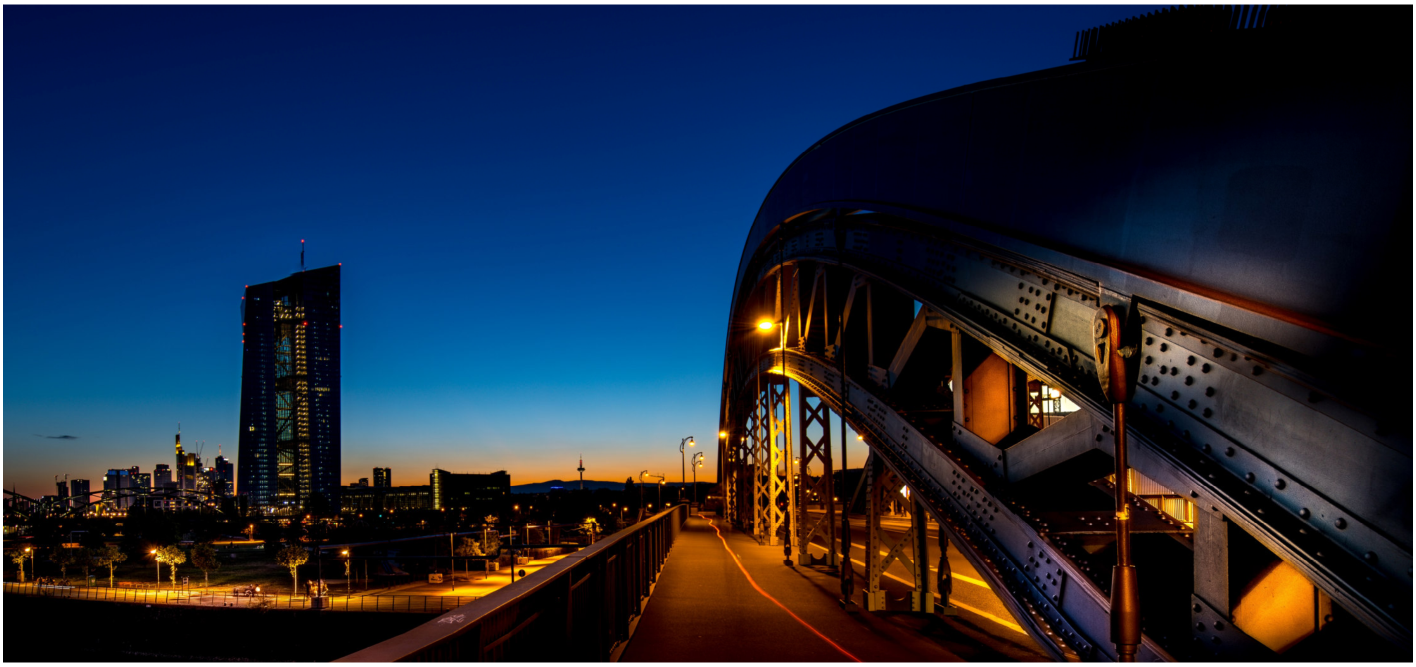
“Conditions for interest rate increase in 2022 not met”



The President of the European Central Bank has made it clear that a departure from the negative interest rate policy which has been in place for years is unlikely in the coming year. The reason is that the conditions for an interest rate hike have not been met. Thus, the former French finance minister is also publicly heralding a departure from the goal of monetary stability. Other goals have long been more or less visibly at the forefront of European central bank policy. Above all, top priority is given to government financing through the printing press. In this area, the ECB has achieved significant successes. The central bankers also have ambitions in climate policy.

However, the ECB has been far less fortunate in fighting inflation. So far, it has watched impassively at sharply rising consumer prices. Import prices in particular are soaring. This shows that policies aimed at devaluing one's own currency, as has long been the tradition in Italy and France, for example, lead to currency devaluation and a loss of prosperity for citizens. In fact, the common currency, the euro, has been sliding downward on the currency market for weeks. But whether the weak currency policy will lead to the desired global export successes remains to be seen.

However, as always with financial market trends, the first look should go to America. Over there, the Federal Reserve has just caused astonishment by abandoning the vocabulary of "transitory" with regard to the upward trend in the value of money. Fed President Jerome Powell thus admitted that the U.S. central bank had been mistaken about the inflation trend, or had knowingly pursued a policy of appeasement. The citizens can be indifferent to this, because the damage to their assets has long been done by the hefty price increases. It will be interesting to see whether Europe will follow the American example, as it has done for the most part.

Even soon-to-be Chancellor and still Finance Minister Olaf Scholz could not resist expressing concern about inflation. He puffed himself up with the announcement that in his new office he would not stand idly by as demonetization deprives citizens of their savings. But since the Federal Republic of Germany has ceded its monetary sovereignty to the European Central Bank, the only way to dampen inflationary pressure is to cut taxes. So will

Olaf Scholz want to lower the exorbitantly high energy taxes or, say, the value-added tax, which itself was raised from 16% to 19% under Mrs. Merkel? If one looks at the large expenditure programs of the coalition agreement, then reliefs of the citizens - although actually overdue - are not on the agenda, similar to the situation under Chancellor Merkel.

Citizens would probably do well to prepare themselves for inflation as a permanent companion, like the Corona virus. For savers, this means giving preference to real assets in their investment decisions, as we at LOYS have been doing consistently for almost seventeen years.

Sincerely yours,

Fund managers and co-investors

Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

Contact us

Frank Trzewik

Managing Partner Sales

trzewik@loys.de

Tel. +49 (0) 441 92586-0

Raphael Riemann

Managing Partner Organization / Sales

riemann@loys.de

Tel. +49 (0) 69 2475444-01

Matthias Gindert

Sales Manager

gindert@loys.de

Tel. +49 (0) 69 2475444-02

Chris Thiere

Sales Manager

thiere@loys.de

Tel. +49 (0) 69 2475444-16

Alexander Piira

Sales Manager

(LOYS Suisse AG)

piira@loys.de

Tel. +41-41 766 77 35

Impressum - Company Details

Publisher:

LOYS AG

Heiligengeiststr. 6-8

26121 Oldenburg

Contact us:

Telephone: +49 (0) 441-925 86-0

info@loys.de

Responsible person:

Frank Trzewik

Managing Partner LOYS AG

www.loys.de