Bear market rally slowed down

The stock markets initially had a good start into August. Despite the many problem areas, the bond and stock markets rose significantly in the first weeks of the month. Underlying this was the view among market participants that inflation may have peaked and that, as a result, people in America could prepare for falling short-term interest rates in the coming year.

This view led to strong gains in bonds and subsequently in equities, even though the quarterly reporting season there made it clear that the earnings estimates of many analysts were significantly too high.

So it was the Fed chairman who poured cold water on the sweet dreams of market participants during a speech at Wyoming's Jackson Hole. In any case, there was no talk of potential interest rate cuts. On the contrary. Jerome Powell made it clear that America's central bank now takes the inflation problem very seriously and is willing to fight it vigorously by further raising interest rates. Whereas the same Jerome Powell had spoken a year ago at the same venue of only a temporary flare-up of inflation, this time the audience heard a completely different tone. In front of the assembled international central bank elite - Ms. Lagarde from the European Central Bank had other things to do - the Fed president stated unequivocally that it would take great determination and higher interest rates to put the level and persistence of monetary devaluation in check.

On the stock markets, this seemingly surprising message was met with chagrin. The U.S. stock indices quickly lost about 4% of their price level. And, as always, the international financial markets dutifully followed suit. On balance, the illusion that the Fed - as in the past - would come to the aid of long-suffering stock market players with interest rate cuts in the foreseeable future has thus been dispelled for the time being. As a result, the stock markets will have to resort to 'earnings momentum' or 'valuation' to find current microeconomic impulses and catalysts for rising prices. Falling central bank interest rates and thus the much-invoked "Fed put" have failed as price drivers for the time being.

Of course, the general macroeconomic situation is not free of risks and opportunities. Currently, the focus of most observers lies on the high inflation data and energy prices. Recently, there has been little good news to digest in this area. However, the commodity markets have seen signs of easing lately. Crude oil particularly plummeted in August, after recessionary tendencies and unchanged high oil production in

Russia ensured a balanced supply/demand situation in the short term. Nevertheless, it can hardly be denied that the entire energy sector is facing exciting years with great opportunities but also real risks in view of the world's growing hunger for energy. Similar findings apply to other sectors. When we think of digitalization, for example, it immediately becomes clear that this sector presents growth opportunities and risks as well. The management of the LOYS funds is geared to positioning itself precisely with the winning candidates in these sectors.

Sincerely yours,

Fund managers and co-investors

Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

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