Stock market mood brightens

Anyone who does not regularly follow economic developments has recently been surprised by an improvement in economic and, above all, stock market sentiment. Indeed, the brightened mood may at first seem surprising, since the general problems of recent months and years have by no means dissipated.

The world may even be facing a whole new set of problems in China in view of the local protests against the communist government and its zero-covid policy. At any rate, the devaluation of money, most recently at 10% in November, is proceeding faster than it has in seventy years, and war is raging again in Europe. The demographic situation in Germany, which is visibly and famously deteriorating, is having an increasingly detrimental effect. On top of that, the state's finances are heading for disintegration, because the many subsidiary budgets and debts - in Berlin these are now referred to as 'special assets' - cannot hide the direction in which the debt and tax burden are heading.

Despite all this, there has been a substantial sigh of relief on the financial markets in recent weeks, as evidenced not least by sharply falling interest rates for long-dated bonds and rising share prices. The reason for the upswing in share prices was inflation figures, which were not as bad as the market had feared. In addition, the head of the US Federal Reserve, Jerome Powell, announced that the central bank would adopt a slower pace in the upcoming key interest rate hikes. In fact, there is much to suggest that inflation has peaked. Falling energy prices in particular have recently provided relief. There has also been talk of an easing in transport and logistics costs. The same applies to the previously very strained supply chains.

This proves once again the old stock market adage that crisis-price developments usually bring the best opportunities to enter the market. An old Chinese proverb characterizes the situation on the stock markets quite aptly. It reads:

"The fisherman who waits on the shore until all the waves have subsided will never catch a fish."

The pessimism of the crisis, which has taken hold since the outbreak of war in Ukraine on February 25, brought attractive entry prices in the course of the summer months, which are actually very rare otherwise. The stock market is looking ahead instead of running in sync with the present. The current fiscal year

© LOYS – All Rights Reserved. Issue 12/22

2022 has already been ticked off. The focus is now on the next twelve months and beyond. Against this background, it is not surprising that the LOYS funds have already been running almost fully invested for months. This was also the case in the winter of 2009, when the stock market faced a severe financial crisis. One of the striking features of recent weeks has been the observation that many European companies have recently been characterized by robustness. No less striking is the fact that the euro has crossed the dollar parity line. Given fairly high weightings of European equities in LOYS funds, the current brightening of sentiment should lead to further tailwinds.

Sincerely yours,

Fund managers and co-investors

Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

© LOYS – All Rights Reserved. Issue 12/22

Contact us

Frank Trzewik

Managing Partner Sales

trzewik@loys.de

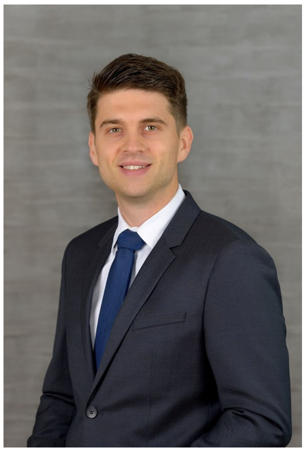
Tel. +49 (0) 441 92586-0

Raphael Riemann

Managing Partner Organization / Sales

riemann@loys.de

Tel. +49 (0) 69 2475444-01



Matthias Gindert

Sales Manager

gindert@loys.de

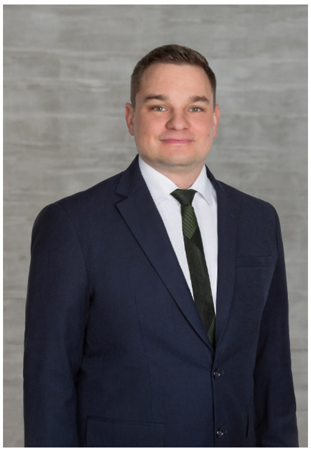
Tel. +49 (0) 69 2475444-02

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) 69-2475444-0
info@loys.de

Responsible person:

Frank Trzewik
Managing Partner LOYS AG
www.loys.de

© LOYS – All Rights Reserved. Issue 12/22