

## New Year, Old Patterns



The new trading year began on the stock markets much like the old one ended. American technology stocks once again captured the attention of many investors.

The trends of the previous year continued with vigor on the Japanese exchange. As in 2023, the Tokyo Stock Exchange showed the other stock trading centers its tail lights. There are strong indications that the previous highs from 1989 could be surpassed this year, potentially bringing Japan on par with other leading stock markets. No less interesting is the question of whether the Japanese yen, after its prolonged decline against the dollar and euro, can reverse its course. In recent years, the yen has been shunned due to significant interest rate differentials between yen-denominated investments and those in dollars or euros, putting considerable pressure on the currency. This trend has been welcomed by the Bank of Japan as it has led to imported inflation, particularly in energy commodities.

Additionally, the Bank of Japan has maintained its zero-interest-rate policy, leaving little incentive for interest-rate investors in Japan. However, the prospect of narrowing interest rate differentials is now fueled by two factors. Firstly, there is a possibility that the Bank of Japan may abandon its zero-interest-rate policy and seek normalized interest rates in response to established inflation. Secondly, financial markets anticipate declining central bank interest rates in Europe and the USA.

In China, the trends from the previous year continued seamlessly. The Hong Kong stock exchange slumped in January, experiencing a 9 % decline. The economic slowdown and the collapse of the massive real estate developer, China Evergrande, dampened sentiment. Despite efforts by the

communist government to stimulate the economy, results have been elusive.

In the interest rate market, patterns in January mirrored those of the preceding months, with yields on ten-year government bonds declining both in America and Europe. Certain countries stand out in this context. Notably, Greece, once at the epicenter of the euro crisis in 2011, now faces a mere 3.2 % interest rate for its ten-year government bonds, only one percentage point higher than that of the Federal Republic of Germany. Presently, the capital markets demand a 2.15 % interest rate from the German government for ten-year bonds, a remarkably low figure considering the 2.9 % inflation rate in January. Accumulating real wealth with such bonds seems increasingly improbable. It

is noteworthy how diminished the yield expectations of interest-rate investors have become, seemingly accepting negative real interest rates.

The outlook for the stock markets appears more promising, especially following the recent upward revision of the global growth forecast by the International Monetary Fund in Washington. However, what is far more significant is the adaptability of companies as dynamic entities capable of adjusting to evolving circumstances. Enhanced productivity, for instance, can be achieved through the adoption of novel technologies, with digitalization and arti-

cial intelligence playing pivotal roles. Accordingly, the six LOYS funds anticipate a positive trajectory for the stock markets in the coming year. Particularly advantageous would be the revival of segments that have long been overlooked.

Sincerely yours,

Fund managers and co-investors

Handwritten signature in black ink, appearing to read 'Bruns & Ufuk Boydak'.

Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

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