

Market Correction Temporarily Over



Four weeks ago, we reported on a downward correction in international stock markets. In the meantime, global markets have rebounded, highlighting how turbulent this year has been in the markets. In terms of substance, little has changed in May, although the trade conflict instigated by the U.S. president increasingly resembles the famous 'Echternacher Springprozession'.

New tariff announcements are fired off from the White House in Washington, only to be softened or rescinded a few days later. Market participants are gradually adapting to the familiar pattern, and stock market reaction patterns remain unchanged. New tariff announcements trigger sometimes significant market declines, while the subsequent withdrawal of such threats leads to corresponding rebounds. The volatility accompanying this zig-zag negotiation strategy offers opportunities for contrarian investors, especially when maintaining a robust liquidity position. Fortunately, the current dividend season is injecting fresh liquidity into investors' accounts. It is worth noting, by the way, that the German state is one of the main beneficiaries of this trend. From every euro distributed—and already taxed—the state takes an addi-

tional 26.37%. It would be wise for the newly installed Grand Coalition 5.0 to address whether Germany's high tax and levy burden is contributing to the ailing economy. In this context, one should also remember the ongoing irritation that the so-called solidarity surcharge, initially introduced for just one year, is now celebrating its 35th anniversary.

The situation in bond markets has proven to be more structurally complicated than in equities. Concerns about the undisciplined borrowing of many governments are particularly evident at the long end of the yield curve. The current budget negotiations in Washington have alarmed bond markets and driven up borrowing costs for the U.S. Additionally, the Federal Reserve has so far resisted the president's calls to lower interest rates further.

Meanwhile, the U.S. Supreme Court has ruled that Donald Trump cannot summarily dismiss the Fed chairman, citing the "quasi-private character" of the U.S. central bank as the reason. Nevertheless, we also expect further rate cuts in the U.S. later this year.

In Europe, the interest rate situation appears somewhat more relaxed. Years of anemic economic growth have prompted the European Central Bank to continue on its rate-cutting path. Progress in reducing inflation may provide further support. Also beneficial is the strengthening of the euro, as dollar-denominated goods like raw materials are becoming more affordable for European consumers due to the weakening greenback. It is no coincidence that falling energy prices have recently helped temper inflation, making it

less severe than in previous years. Sincerely yours,

Against this backdrop, LOYS funds have performed well in May. Moreover, with the launch of the LOYS Innovation Leaders fund, a new vehicle has entered the market, aiming to capitalize on the prior price declines of several particularly innovative companies.

Fund managers and co-investors

Handwritten signatures of Christoph Bruns and Ufuk Boydak in black ink.

Dr. Christoph Bruns Ufuk Boydak

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