

INVESTMENT OPPORTUNITIES

Our View on Financial Markets

July 9th, 2013

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As co-founder and co-owner of Albin Kistler AG, André Kistler regularly publishes views and expectations on financial market developments.

The periodically appearing views on financial markets are also available on Albin Kistler's website as downloadable PDF.

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Economy

The increased anxiety on the global financial markets illustrates the uncertainty regarding the gradual scaling back of quantitative easing in the US and the end of the 30-year interest rate reduction process.

Objectively speaking, however, the main issue is the highly uncertain economic outlook. With an ongoing recession in southern Europe and a perceptible slowing of the growth rate in the large emerging markets, we must assume that economic growth will be weak for many years to come, despite the odd ray of hope.

In view of these conditions, it is not expected that the central banks in industrialised countries will noticeably scale back their ultra-expansive monetary policies or implement a long-term change in interest rates for the time being. In addition, politicians in Europe in particular are obstinately refusing to permit the necessary structural reforms.

This means that the danger of a loss of trust and, consequently, spiralling inflation in individual currencies is increasing over the long term. In contrast, the US is once again displaying its strength.

The liberal mood on the markets, advantageous energy costs and a strong increase in productivity are stimulating the largest national economy and underlining its central role. However, the deleveraging process is also having a negative impact on future growth rates here.

Despite the debt crisis, the positive effects of globalisation are extensive and sustained. Through knowledge transfer, more and more people from the emerging markets are obtaining access to the work process.

Growing competitiveness, sustained growth and increased purchasing power are all positive consequences of this innovation and advances in productivity are also flourishing through the intensive competition. This environment offers the world's leading companies excellent opportunities and possibilities for development.

Investment Policy

Even after the pleasing development of the western equity markets over the past 18 months or so, stocks are still an essential investment.

With an earnings yield of over 6% in a low-inflation environment, the fundamental valuation is still attractive.

The major risks are the unstable economy and uncertain monetary policy of the central banks. We are retaining our neutral equity weighting and focusing on security and the highest-quality companies.

Despite the short-term rise in yields, deflationary risks have not disappeared. In this respect, selected fixed-income investments offer optimal protection and offer a not unattractive real yield in Swiss francs.

Several interest rate spikes in recent times have proven not to be sustainable. The uncertain environment offers good investment opportunities for the long-term investor, but careful selection of investments will remain key.