

GLOBAL DRIVE

Our View on Financial Markets

March 21st, 2013

André Kistler

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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Globalisation

The global economy is now performing in line with the scenario we have been forecasting for some time. In contrast to the media's perception of the economy, which tends to focus on the debt crisis, the real economy is in much better shape.

Globalisation has been the engine powering the stock market's strong upturn in recent months and the mostly solid corporate earnings reports. For this reason, we have a positive view on investments for the long run.

Some enormous and sustainable forces are driving the global economy. These forces include the more than four billion Asians who are willing to work and eager to learn, an environment featuring a political liberalisation and opening, and the continued expansion of new technologies.

According to studies, another one billion Asians will reach the middle class over the next 20 years, which is equal to the total population of the United States and Europe.

The words of Japan's new prime minister Shinzo Abe are important in this regard. Abe said that Japan can no longer isolate itself, and in the age of globalisation it must open up its economy.

The changes coming from globalisation will also eventually force Europe to introduce reforms to boost its productivity and make it more competitive at the global level. This will likely come about only with a transformation of the single currency.

This process is wrought with many problems, however, and it will take many more years.

Investment Policy

In contrast to the situation many countries find themselves in, the corporate world is in excellent shape. It is benefiting the most from global drivers such as Asia, liberalisation and technical progress.

Corporate earnings are solid, stock valuations are attractive and the central banks are providing plenty of liquidity. Although there may be bumps on the road ahead, the global economic expansion cannot be held back.

In the European Union, the high level of government debt is slowing down growth, triggering social tensions and generating the risk of an inflation shock long term. But Europe is not the whole world, and an inflationary spiral is nowhere in sight.

It is not our job to worry about the long-term problems of Europe's nations, however. We have a more important task, which is to make diligent, well thought-out, top-quality, high-return investments.