SYSTEMIC CRISIS

Our view of the financial markets
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The market assessments, which appear on a periodic basis, are available to download in PDF format on the Albin Kistler website: www.albinkistler.ch

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Our opinion on current market developments is decidedly different to the prevailing consensus view and stands in contrast to the headlines frequently published by the media. We believe that the strength of globalisation and market forces are continuously underestimated:

Facts

1 For years, we have observed falling rates of inflation and declining interest rates
2 For years, we have watched on as monetary supply has increased unabated
3 For years, there has been a lack of reform worldwide aimed at reducing government debt
4 For years, we have seen global growth forecasts being revised

Our conclusion

1 Interest rates are so low because inflation is so low
2 Rates of inflation are so low because the economy is stagnating
3 The economy is stagnating because there is a lack of confidence in the future and governmental actions
4 Confidence is at such a low level because countries are neither saving nor implementing reforms
5 There appears to be no salvation in sight: countries flop, companies top
6 There is no doubt that the industrialised countries find themselves in the midst of a systemic crisis

What doesn't work in times of systemic crisis

The systemic crisis is being intensified by demographic developments and is not an issue that can simply be resolved:

The financing of social programmes is only possible via the assumption of further debt. Tax increases are not politically viable and would serve to undermine the tax base yet further.

Additional central bank interventions in the form of "quantitative easing" or "helicopter money" are not solving the problem. Even the infrastructure programmes called for in many places ultimately only generate further government debt and do little to foster confidence.

Summary

It comes as little surprise that neither inflation nor growth can emerge in this environment. Due to the enormous mountains of debt, significantly higher interest rates would be disastrous for both the industrialised countries and – following a certain delay – the emerging markets.

Massive existing overcapacities and global competitive pressure are likewise preventing inflation and a sustained rise in interest rates. It is for this reason that there is little prospect of an end to the "muddled" approaches of numerous countries or a reduction in the mountains of debt and floods of money.

Investment policy

We are living in a world characterised by extremely low interest rates and insufficient growth. As such, bonds, real estate and equities remain an attractive choice when viewed in light of lacking inflation and negative interest rates.

The coming 20 years will also see sustainable growth in the overall global population, which will offer first-class companies great opportunities.

Thanks to the spread of technology, national borders will become even less significant for investors. The only thing that matters are the companies and the opportunities at their disposal to respond to global developments.

We find ourselves in the pleasant situation that we can independently and actively select those companies and issuers that generate significant added value for investors even in the current market environment.

Securities selection thus remains at the core of our investment policy.