LOOKING AHEAD

Our view
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Economy

No historical parallels can be drawn when it comes to the speed and severity of the economic slump seen in the first half of the year. At the same time, it must be emphasised that never before have so many economies been idle for a period of months due to government regulations.

The extent of the recession will be different for each country, depending on the course of the virus, the severity and duration of the implemented lockdown measures, the economy's dependency on certain sectors (e.g. tourism) and the government support.

Nevertheless, many economists are currently looking at the forecasts for the coming quarters and the course of the "coronavirus economy". Here, it should be clear to everyone that neither the waves of coronavirus case numbers nor regional differences and successes with respect to medical coronavirus research can be estimated at present.

But one thing is clear: this economic shock will also be followed by a recovery. The world will bring the pandemic under control through adapted behaviour and thanks to a medical breakthrough. Similar to the course of the recession, the recovery will also take place at different speeds and to differing degrees for each country, sector and company.

For this reason, it will not be the economic developments seen over coming quarters that will primarily be of importance for our activities. Much more important will be the answer to the question of whether the previously dominant growth factors or the framework conditions for first-class companies have changed.

The framework conditions relevant for us can be summarised as follows: price stability, credit market, labour market, digitalisation, education, innovation, competition, market access, legal certainty, social peace and politics.

Outlook

Growth rates remain subdued following the recovery: a continued increase in already existing mountains of debt, overcapacities and the aging of society are weighing too greatly on consumer spending and the willingness to invest. In contrast, the continuing acceleration of digitalisation and the large emerging regions of the world are providing for positive impetus and rising corporate earnings for agile and first-class companies.

Inflation and thus also interest rates will remain at close to zero. Even the monetary and fiscal policy measures, which are unique in their scope, will hardly be able to change this. On the contrary, the enormous injection of liquidity will virtually anchor the deflationary influencing factors.

Conclusion for our investment policy

In a world with historically unparalleled low interest rates and a lack of inflation, growing or largely stable corporate earnings and dividend yields are highly attractive. For high-quality companies, we do not see a decoupling of the real economy and equity prices. For this reason, we are maintaining a neutrally weighted equity component despite continuing uncertainties.

There is still a lot of scepticism among numerous market participants and the liquidity reserves of many investors have risen further. The equities of solid companies offer the greatest potential for value growth over the long term. Our rigorous quality focus during the securities selection process remains decisive for us. Should opportunities arise on the financial markets due to a resurgence in coronavirus concerns owing to more marked fluctuations, we will use the liquidity provided in May to make selective additional purchases.