EXCESSIVE SCEPTICISM

Our view
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Economy

The major economies are growing close to or above their potential and the labour markets are characterised by a strong employment situation. Although the economic upturn is continuing, a palpable increase in nerves is once more being observed. A global recession has been anticipated for years by numerous economists in light of the following problem areas:

- Advanced economic cycle
- Rate hikes by central banks
- Reduction of quantitative easing
- Unresolved government debt
- Expansion of trade conflicts
- Political crises in Europe
- Rising commodity prices
- Upcoming Brexit

Of course, no upturn lasts forever and we are undeniably at an advanced stage of the current economic cycle. However, both inflation rates and the associated interest rates are considerably lower in almost all parts of the world than has been the case during comparable phases in the past. Clear and independent opinions are a scarce commodity. The investment decisions of many investors are being influenced by empty phrases that are rarely questioned:

Crisis, recession or simply a levelling off of growth?

Viewed in a long-term context, levelling-off periods and recessions are temporary outliers. What is crucial is that upswings last longer and are more marked than periods of flattening growth and recessions.

Political market influences are short-lived?

Many events are unique and have to be assessed on a case-by-case basis. There are indeed political events that impact corporate profits and thus also influence the stock markets over the long term. The boom observed over the past nine years, for example, is based on the globalisation and opening up of enormous countries.

Outlook

While there are always economic risks, they are usually exaggerated. A possible slight downturn in global economic growth does not give us cause for major concern. Such a development would reduce inflationary pressure and thus also concerns about rising interest rates. Higher interest rates are not bad per se for the equity markets, provided they reflect the growing economy. (Ill-considered) rate hikes become dangerous during phases of exaggeration or stagnation as well as against the backdrop of overpriced real estate markets.

The current trade conflict will ultimately lead to more stable and sustainable trade relations, with global trade picking up momentum once more following the necessary shifts. Long-term partnerships and relationships will, however, no longer be renewed automatically and will instead be scrutinised and restructured. The days in which existing trade relations were rarely questioned appear to be numbered. Greater emphasis is now being placed on openness, fairness and performance.

Investment policy

Investors with a long-term focus also need to be able to ride out economic dips and the associated stock market fluctuations. In an environment of price stability and low interest rates, bonds remain underweighted. Consequently, we are slightly overweight equities and are focussing on first-class companies.

These also include an increasing number of small and medium-sized Swiss companies that can hold their own in an environment shaped by globalisation, digitalisation and transparency as well as the relatively attractive Swiss franc. As regards the corporate landscape, the political and economic framework conditions represent the central point of reference. Little has changed in this regard and the long-term economic outlook remains positive.