

QUALITY FOCUS

Our view

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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/en/profile/#markteinschaetzung

Quality focus

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Economy

Global economic performance has been increasing since the dawn of industrialisation and the start of political liberalisation. It is human nature to continuously strive to advance further and it is now easier than ever before to access knowledge thanks to the Internet and globalisation. This constant transfer of knowledge means that first-class companies can develop without interruption and increase their revenue base. It therefore comes as no surprise that price gains are recorded in three out of four stock market years and that we focus on the equities of these first-class companies.

Inflation as the most harmful economic factor

High inflation is synonymous with recessions, crises and poverty. Up until the 1980s, global inflation was difficult to keep in check. Since then, however, inflation growth has fallen. Over the past ten years, alongside low interest rates, monetary stability in Switzerland has allowed for a strong currency, a productive corporate landscape and a high level of prosperity. We believe that price stability will also continue to prevail in Switzerland in the coming years.

Unresolved high levels of government debt

When debt bubbles burst, however, crises can emerge if there is no collateral in place for the debts. Here, government debt is offset by fiscal capacity, any commodities or available infrastructure. Those highly indebted countries that do not possess sufficient real assets or fiscal policy flexibility rely on monetary sovereignty, thereby delaying higher interest rates and the bursting of debt bubbles. The fact that almost 30% of all government debt is now held by central banks in the wake of global bond-buying programmes is the most striking evidence that the debt problems of many countries remain unresolved.

Outlook

While we believe that the risk of a global economic crisis over the coming years is low, you can never fully rule out such events. Most equity market corrections are, however, offset much more quickly than people commonly think. In the majority of cases, it only takes a few quarters for the book losses of high-quality investments to be made up for. It is only in the event of severe economic crises and price losses of up to 50% that the recovery process can take significantly longer. The recipe for an optimal recovery process is always the same: provide a sufficiently long investment horizon, give preference to high-quality investments and Swiss francs, stay calm during fluctuations and, last but not least, remain invested.

Investment policy

Free markets always find their way to the correct price over the long term and reward success and excellence. Those who focus on quality gain the greatest possible security for their investments and in the long run therefore also achieve the best investment success. In contrast, those who place an emphasis on timing, short-term opportunities and turnarounds and focus exclusively on cheap valuations will achieve below-average results in the long term.

We see no reason to adjust our slight overweight position in equity investments at the expense of bonds and from a Swiss-franc investment perspective increasingly prefer globally leading and high-quality Swiss companies. We are convinced that disciplined investments that are made in accordance with clear principles will be rewarded with success in the long run. Securities selection with a focus on excellence remains more important than emotions.