

# WYSS & PARTNER

## Falling markets – a buying opportunity?

China's stock exchange is entering a downward spiral, pulling the global equity markets along with it. Within the space of two weeks, stock markets have lost around 20 per cent, or even more in some cases. We are expecting this to be a temporary correction rather than a lengthy bear market. The panic we are seeing at present is opening up an opportunity for some selective purchases.

There are concerns over a hard landing for the Chinese economy as well as fears of a currency war. The global stock markets have fallen over the past few days in response to the unexpected devaluation of the renminbi, with European and US stocks mirroring the sell-off on the Chinese equity markets. Some are saying, the forced depreciation of the renminbi is a sign for a sharp slowdown in China's economic growth. A few market observers are expecting China's central bank to continue this devaluation policy. China is not alone, however – other countries are also attempting to breathe life into their economies by devaluing their currencies.

Meanwhile, the global economic data is painting a different picture. Although the IMF revised its growth forecasts downwards in July, it is still forecasting growth of 3.3 and 3.8 per cent for 2015 and 2016 respectively. And, whilst falling energy and raw material prices are curbing growth in the emerging markets, it is precisely these low prices that are boosting many other economies, particularly in the US and Europe.

We are confident that the US Federal Reserve will raise interest rates only slightly this year, if at all, in view of the latest upheaval on the currency and stock markets. The US has no intention of adding any more fuel to the fire. Price corrections have pushed valuations downwards, with US and European blue chips once again delivering dividend yields between 3 and 6 per cent. Many stocks are attractively valued with stable profits forecast.

We believe that the upheaval and panic we are seeing at present are temporary and that the markets will stabilise before too long. With the markets in the state they are, Wyss & Partner is taking the opportunity for some selective purchases. In light of the fragile global situation, however, a low valuation alone is not sufficient. We are therefore focusing on financial, healthcare and technology companies with a strong cash flow and stable profits.

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