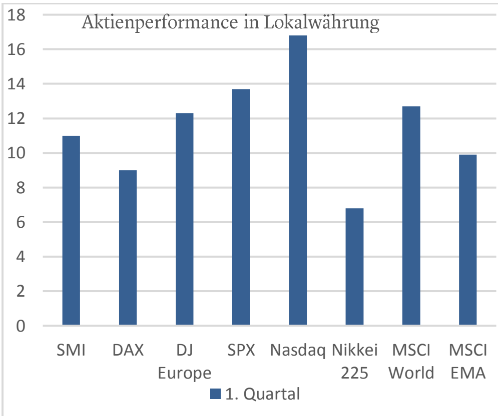
Quarterly report March 2019

- While 2018 ended on a disappointing note, the advances on the equity markets in the first quarter of 2019 were surprisingly strong. The NASDAQ Index remains the leader in this bull market. The performance difference between the USA and Europe is otherwise no longer as pronounced and the emerging markets also did not put on a poor show.
- According to sporadic reports from negotiators, the Sino-American negotiations recorded progress. There was a growing impression that both parties were interested in reaching an agreement so that the negotiating period was extended and further punitive tariffs were suspended.
- The global economy became more overcast, particularly in Europe, while the leading indicators for the USA signalled almost unbroken momentum. The growth forecasts were accordingly revised downwards.
- The European Central Bank announced its intention to leave key interest rates unchanged and generously supply the banking system with liquidity so that the credit cycle should finally pick up.
- More surprising was the announcement by the US Fed that it would be foregoing further interest rate hikes for the time being due to the economic downturn abroad. (see our commentary of 26 March)
- The bond markets as measured against the major indices gained around 2%, as the longer-term yields on government bonds fell and risk premiums declined despite the economic slowdown.



- Brexit remained a disaster when the departure date was missed, with no plan so far put forward concerning the strategy to adopt to avoid an undesired withdrawal without an agreement. Sterling was volatile but on balance gained 1.9% against the USD. Currency developments regarding the main currencies were otherwise relatively calm.
- The commodity index gained 4% and was driven by the crude oil price that rose by 27% (Brent) as well as non-ferrous metals such as nickel (22%). Silver and gold stagnated, while agricultural goods indices declined slightly.

Outlook

Stable interest rates, a slightly more expansive fiscal policy in the EU, tax cuts in China and the stimulation of credit growth for SMEs should serve to strengthen the global economy in the second half of the year. Should an agreement also be reached in the foreseeable future in the trade conflict between China and the USA, this should offer good conditions for a sustained rally on the equity markets, albeit naturally accompanied by volatility and uncertainties. It can accordingly be assumed that profits in the first quarter will be significantly lower and entrepreneurs’ forecasts for the year as a whole downgraded again.

Wangs, April 2019