

<https://blog.en.erste-am.com/2016/02/05/losses-reflect-economic-worries/>

Losses reflect economic worries

Gerhard Winzer



© © iStock.com

The losses on the stock exchanges and in other risky asset classes unsettle investors. The additional expansive signals sent by the central bank support markets, albeit only by a minor degree. From an economic perspective there are no convincing signs for a trend reversal. The current correction is due to permanently low growth and to the risk of further deterioration.

The indicators suggesting sustainably low economic growth are increasing in numbers, both with respect to real economic growth and to inflation (and thus nominal growth). The expectations/estimates for global economic growth are only gradually adjusted to these lower levels. In fact, the trend of downward revisions for economic growth is an ongoing one.

The downside risks have increased

This is due to the adjustment process in the wake of the boom years in the emerging markets and to the increase in the risk of recession in the USA. The **transformation of the growth drivers in China towards the service sector** has caused **commodity prices to slump**, setting off global ripples. Commodity-producing countries and sectors are in recession. Also, credit growth is falling as we speak. This environment weighs heavy on economic growth, industrial production, exports, and prices of goods worldwide.

In the **USA economic growth has decreased substantially**. Also, the balance sheet ratios in the corporate sector, especially gearing, have deteriorated. At the same time banks have tightened their lending conditions for companies. Both industrial production and new orders taken in the long-term capital goods segment are already sliding. Most recently, the service sector has been sending weaker signals as well. At least private housebuilding and private consumer spending are still going strong.

This environment explains the **widening of spreads demanded for default and equity risk**. This means the stress in the financial system has increased. And it also applies to European banks. The risk of negative feedback from the banking sector and the real economy has increased. Therefore the rate of inflation priced into bond yields is continuously falling to new lows. The **risk of deflation is elevated**.

Further interest rate hikes in the USA are unlikely

The “big” central banks accommodate these developments in their strategies. The Japanese central bank has joined the ranks of those central banks pursuing a **negative interest rate policy**. The European Central Bank issued clear signals of further **loosening** in March. The US Fed is monitoring these developments very closely and currently shows no intention of raising the Fed funds rate further. A rate hike by the Fed this year is unlikely. The stagnating monetary base in the USA is already restrictive enough for the global economy.

Seen from a positive angle, markets tend to price in recessions more often than they actually occur. Any slightly sustainable stabilisation of the Chinese currency, the oil price, inflation expectations, and lending conditions as well as further supporting measures especially in China could trigger a temporary recovery of equity and credit markets.

From a negative perspective, the conclusion would be: economists very rarely predict a recession. This means that it would catch many economists off-guard.

Wichtige rechtliche Hinweise

Hierbei handelt es sich um eine Werbemitteilung. Sofern nicht anders angegeben, Datenquelle ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH, RINGTURM Kapitalanlagegesellschaft m.b.H. und ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. Unsere Kommunikationssprachen sind Deutsch und Englisch.

Der Prospekt für OGAW-Fonds (sowie dessen allfällige Änderungen) wird entsprechend den Bestimmungen des InvFG 2011 idGF erstellt und im „Amtsblatt zur Wiener Zeitung“ veröffentlicht. Der vereinfachte Prospekt der ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. wird entsprechend den Bestimmungen des ImmoInvFG 2003 idjF erstellt und im „Amtsblatt zur Wiener Zeitung“ veröffentlicht. Für die von der ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH, RINGTURM Kapitalanlagegesellschaft m.b.H. und ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. verwalteten Alternative Investment Fonds (AIF) werden entsprechend den Bestimmungen des AIFMG iVm InvFG 2011 „Informationen für Anleger gemäß § 21 AIFMG“ erstellt.

Der Prospekt, die „Informationen für Anleger gemäß § 21 AIFMG“, der vereinfachte Prospekt sowie die Wesentliche Anlegerinformation/KID sind in der jeweils aktuell gültigen Fassung auf der Homepage www.erste-am.com bzw. www.ersteimmobilien.at abrufbar und stehen dem interessierten Anleger kostenlos am Sitz der jeweiligen Verwaltungsgesellschaft sowie am Sitz der jeweiligen Depotbank zur Verfügung. Das genaue Datum der jeweils letzten Veröffentlichung des Prospekts bzw. des vereinfachten Prospekts, die Sprachen, in denen die Wesentliche Anlegerinformation/KID erhältlich ist sowie allfällige weitere Abholstellen der Dokumente sind auf der Homepage www.erste-am.com bzw. www.ersteimmobilien.at ersichtlich.

Diese Unterlage dient als zusätzliche Information für unsere Anleger und basiert auf dem Wissensstand der mit der Erstellung betrauten Personen zum Redaktionsschluss. Unsere Analysen und Schlussfolgerungen sind genereller Natur und berücksichtigen nicht die individuellen Bedürfnisse unserer Anleger hinsichtlich des Ertrags, steuerlicher Situation oder Risikobereitschaft. Die Wertentwicklung der Vergangenheit lässt keine verlässlichen Rückschlüsse auf die zukünftige Entwicklung eines Fonds zu.

Da es sich hierbei um einen Blog handelt, werden die in den jeweiligen Einträgen angegebenen Daten und Fakten sowie Hinweise nicht aktualisiert. Diese entsprechen dem Redaktionsstand zum oben angeführten Datum. Die jeweils aktuellen Daten und Hinweise in Bezug auf Fonds entnehmen Sie bitte den Angaben unter dem Menüpunkt „Fondssuche“ auf www.erste-am.at.



Gerhard Winzer

Gerhard Winzer has worked at Erste Asset Management since March 2008. Up until March 2009, he was Senior Fund Manager in Fixed Income Asset Allocation; he has been Head Economist since April 2009.

He holds a degree from a polytechnical college and studied economics and business at Vienna University with a special focus on financial markets. He holds a CFA charter and participated from 2001 to 2003 in the doctoral programme for finance at the Center for Central European Financial Markets in Vienna.

From July 1997 to June 2007, he worked in research at CAIB, Bank Austria Creditanstalt, and UniCredit Markets & Investment Banking. His last position was as Executive Director for Fixed Income / FX Research and Strategy. He was responsible for research on asset allocation at Raiffeisen Zentralbank (RZB) in Vienna from July 2007 to February 2008.