

<https://blog.en.erste-am.com/2016/03/04/investors-are-focussing-on-the-usa/>

Investors are focussing on the USA

Gerhard Winzer



The United States are currently in the spotlight, given the primary elections for the US presidential election in November. But what does the US economy look like at the moment?

Solid private housebuilding

Real GDP increased marginally in Q4. On the upside, private consumption is strong, supported by moderate employment growth and a slight rise in real wages. In addition, private residential building has seen a solid development.

Decline in exports and investments

On the downside, we have a decline in capital expenditure in the corporate sector, in exports, in inventories, in industrial production, and in productivity growth. Also, the economy has to deal with the heightened level of stress in the financial system, the sharp rise in corporate debt, falling company sales and earnings, the strong [US dollar](#), and the tightening of the lending standards for companies by banks. The weakening of the service sector has just joined that negative list.

Overall, the leading indicators suggest a slight acceleration of economic growth in Q1, and a slight decline in growth in the coming quarters. It is important to point out that economic indicators hardly ever predict recessions.

Interest rates in the USA 2011 – 2016



Source: Thomson Reuters Datastream

No interest rate increase in the USA

The longer the negative developments last, the more likely the companies are to curb employment growth. This would cause the last areas that are going well, i.e. consumption and housebuilding, to sputter. The markets have started to price in such a tendency. It is important for investors to remember that markets tend to price in recessions more frequently than they actually occur. The US Fed will leave the Fed funds rate unchanged at close to zero percent in the foreseeable future, given the current environment. While this would not lend additional support to the equity market, it would not undermine it either.

Legal disclaimer

This document is an advertisement. All data is sourced from ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH and ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. unless indicated otherwise. Our languages of communication are German and English. The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH and for ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. pursuant to the provisions of the AIFMG in connection with the InvFG 2011 and regarding ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. published in Amtsblatt zur Wiener Zeitung or at the web site www.ersteimmobilien.at. The fund prospectus, Information for Investors pursuant to § 21 AIFMG and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com or www.ersteimmobilien.at or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document/KID is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com or www.ersteimmobilien.at. This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation and risk appetite. Past performance is not a reliable indicator of the future performance of a fund.



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.