

<https://blog.en.erste-am.com/aint-no-mountain-high-enough-update-from-the-investment-division/>

„Ain't no Mountain High Enough“ – Update from the Investment Division

Erste AM Communications



© (c) unsplash

What has occurred since yesterday?

Marvin Gaye and Tammi Terrell landed a hit in 1967 with their song „Ain't no Mountain High Enough“. Also the debt mountains, which the governments pile up to finance the stimulus measures do not know any limits. According to the OECD the government debt of their member states will on average increase from ca. 109% to 137%. That is a similar level as we have now in Italy.

Also on the level of the European Union new economic programs and therefore debt is in discussion. On Thursday the Spanish foreign minister asked several fiscally conservative states (including Austria) to “act fast” to approve the proposed EU rescue packages of EUR 750 billion. The French finance minister said the same and asked that “in the next weeks” an agreement has to be achieved.

It is now certain that the whole world will have higher debt after Covid-19. The question arises who should pay for it (we have quoted already once Gus Backus)?

We believe there are three options:

- Financial repression: that is not a new development, at least in Europe. The central banks keep the interest rates low and buy government debt. Regulatory guidelines force banks, insurers and pension funds to buy government bonds, which also depresses yields. Those lower yields are forwarded to savers who share the higher debt burden with the taxpayers.
- Higher taxes: there can be many different types of new taxes. E.g. on large trans-national companies or technology firms. A digital tax was already in discussion before the pandemic.
- Slightly higher inflation: that can lead to nominally higher economic activity and debt will decrease in relation to GDP.

From our view it is in such an environment important for investors to diversify widely. That is not only limited to different asset classes (equities, bonds). It has to be diversified also over different countries and regions and different investment styles.

After three very good days in the markets, yesterday there was a small setback. US equity markets closed slightly in negative territory due to the tension between China and the USA around the new national security law in Hong Kong. Yields of investment grade government bonds decreased slightly and gold gained 0,5%.

Legal note:

Prognoses are no reliable indicator for future performance.

Legal disclaimer

This document is an advertisement. Unless indicated otherwise, source: Erste Asset Management GmbH. The language of communication of the sales offices is German and the languages of communication of the Management Company also include English.

The prospectus for UCITS funds (including any amendments) is prepared and published in accordance with the provisions of the InvFG 2011 as amended. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH pursuant to the provisions of the AIFMG in conjunction with the InvFG 2011.

The currently valid versions of the prospectus, the Information for Investors pursuant to § 21 AIFMG, and the key information document can be found on the website www.erste-am.com under “Mandatory publications” and can be obtained free of charge by interested investors at the offices of the Management Company and at the offices of the depositary bank. The exact date of the most recent publication of the prospectus, the languages in which the key information document is available, and any other locations where the documents can be obtained are indicated on the website www.erste-am.com. A summary of the investor rights is available in German and English on the website www.erste-am.com/investor-rights and can also be obtained from the Management Company.

The Management Company can decide to suspend the provisions it has taken for the sale of unit certificates in other countries in accordance with the regulatory requirements.

Note: You are about to purchase a product that may be difficult to understand. We recommend that you read the indicated fund documents before making an investment decision. In addition to the locations listed above, you can obtain these documents free of charge at the offices of the referring Sparkassen bank and the offices of Erste Bank der oesterreichischen Sparkassen AG. You can also access these documents electronically at www.erste-am.com.

N.B.: The performance scenarios listed in the key information document are based on a calculation method that is specified in an EU regulation. The future market development cannot be accurately predicted. The depicted performance scenarios merely present potential earnings, but are based on the earnings in the recent past. The actual earnings may be lower than indicated. Our analyses and conclusions are general in nature and do not take into account the individual characteristics of our investors in terms of earnings, taxation, experience and knowledge, investment objective, financial position, capacity for loss, and risk tolerance.

Please note: Past performance is not a reliable indicator of the future performance of a fund. Investments in securities entail risks in addition to the opportunities presented here. The value of units and their earnings can rise and fall. Changes in exchange rates can also have a positive or negative effect on the value of an investment. For this reason, you may receive less than your originally invested amount when you redeem your units. Persons who are interested in purchasing units in investment funds are advised to read the current fund prospectus(es) and the Information for Investors pursuant to § 21 AIFMG, especially the risk notices they contain, before making an investment decision. If the fund currency is different than the investor's home currency, changes in the relevant exchange rate can positively or negatively influence the value of the investment and the amount of the costs associated with the fund in the home currency.

We are not permitted to directly or indirectly offer, sell, transfer, or deliver this financial product to natural or legal persons whose place of residence or domicile is located in a country where this is legally prohibited. In this case, we may not provide any product information, either.

Please consult the corresponding information in the fund prospectus and the Information for Investors pursuant to § 21 AIFMG for restrictions on the sale of the fund to American or Russian citizens.

It is expressly noted that this communication does not provide any investment recommendations, but only expresses our current market assessment. Thus, this communication is not a substitute for investment advice, does not take into account the legal regulations aimed at promoting the independence of financial analyses, and is not subject to a prohibition on trading following the distribution of financial analyses.

This document does not represent a sales activity of the Management Company and therefore may not be construed as an offer for the purchase or sale of financial or investment instruments.

Erste Asset Management GmbH is affiliated with the referring Sparkassen banks and Erste Bank.

Please also read the "Information about us and our securities services" published by your bank.

Subject to misprints and errors.



Erste AM Communications