

<https://blog.en.erste-am.com/rough-nice-and-easy-update-from-the-investment-division/>

## „Rough, nice and easy“ – Update from the Investment Division

Erste AM Communications



© (c) unsplash

### What has occurred since the long weekend?

The song „Proud Mary“ was written by John Fogerty, the front man of the rock band Creedence Clearwater Revival. There are many cover versions of this song. The best known is probably from Tina Turner. That version starts with the line „...we're gonna take the beginning of this song and do it easy, but then we're gonna do the finish rough“. It was different with the US-American equity markets yesterday. They started the trading day "rough" and closed "nice and easy". At the beginning of the trading session the S&P 500 traded in negative territory with ca. 1% and seemed to continue the trend of the last week. At the end of the trading day the mood of the market participants turned and the index closed with a gain of 0,4%. The reason for that mood change were news of lockdown loosening measures in California

The European equity markets were constantly in negative territory and the losses were around 3% and 4%.

The reason for the different developments in the USA and Europe was foremost that the European markets were closed on Friday and had a need to catch up the negative performance. The cause for the return of volatility over the last trading days was (as reported already) the comments by US-President Trump that he can imagine new punitive tariffs on Chinese imports..

Crude oil of the standard brand WTI traded clearly in positive territory with 7% after reports appeared that also US oil producers would cut production. Additionally there is hope that demand through the loosening measures in many countries will increase again. Investment grade government bonds and gold remained almost unchanged. The US-Dollar increased in value to the Euro by ca. 0,7%.

### What will we pay attention to over the next weeks?

After one of the strongest and fastest decreases on the markets for risky assets in March we have seen in April also one of the strongest and fastest moves in the opposite direction. How did the asset classes develop? We take a look at equity in developed markets (in local currency), European investment grade corporate bonds and European high yield bonds.

Global equity saw the low point in 2020 with a maximum loss of 33%, high yield bonds of 20% and investment grade corporate bonds of 8%. Due to the rally over the last weeks a considerable part of these losses could be made up again.

---

(Source: Bloomberg)

Corporate bonds could make up the larger part of their losses (compared to the other two asset classes).

The reason for that are the support measures of the Central Banks, especially the ECB and the US-American Fed. We also see the other two asset classes (equity and high yield bonds) within a well-diversified portfolio as an attractive investment. In the near future, as we have seen over the last few weeks, volatility in these markets will remain high. The factors which will influence the markets over the next weeks will be:

- The loosening measures and their impact on the number of newly infected.
- The economic data, in particular in countries which were effected before Europe and the USA by the pandemic as they could be an example for the recovery.
- The corporate results in the 1. Quarter
- The research results for a vaccine or pharmaceutical to treat Covid-19
- The lingering trade conflict between the USA and China
- The influence of increasing issuing volumes of the countries

#### 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](http://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](http://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](http://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](http://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