

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

## Father of value investing – Update from the Investment Division

Erste AM Communications



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### What has occurred since yesterday ?

Benjamin Graham focused on fundamental equity analysis and became widely known as the “father of value investing”. Equity should only be purchased at a discount to its fundamental value. In his book “The Intelligent Investor” Graham creates a character called Mr. Market, a fellow who turns up every day at the stock holder’s door offering to buy or sell his shares at a different price.

Usually, the price quoted by Mr. Market seems plausible, but occasionally it is ridiculous. The investor is free to either agree with his quoted price and trade with him, or to ignore him completely. Mr. Market doesn’t mind this, and will be back the following day to quote another price.

The point is that the investor should not regard the whims of Mr. Market as determining the value of the shares that the investor owns. He should profit from market folly rather than participate in it. The investor is best off concentrating on the real life performance of his companies and receiving dividends, rather than being too concerned with Mr. Market’s often irrational behavior.

Looking at the equity market for the last 24 hours one is reminded of Graham’s allegory. After the US Fed announced another large package of measures the US equity index S&P500 gained 4% compared to Friday’s close. After that the mood turned on the market and the S&P500 closed at -3%. Apparently Mr. Market became pessimistic again.

Also the prices of investment grade government bonds experienced quite some volatility yesterday, but traded in positive territory. The yield of 10Y US Treasuries is currently at ca. 0.8% and the yield of 10Y-German government bonds at ca. -0.4%. Also gold gained significantly yesterday.

In Great Britain the Prime Minister Johnson issued a stay-at-home order, a measure which will be reviewed after three weeks. US president Donald Trump warned on Monday that “Our country was not built to be shut down. We are going to be opening up our country for business because our country was meant to be open.” However, more and more US states announced stay-at-home orders. China delivered positive news by announcing that the isolation measures in Wuhan will end by 8 April.

Our dossier on coronavirus with analyses: <https://blog.en.erste-am.com/dossier/coronavirus/>

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