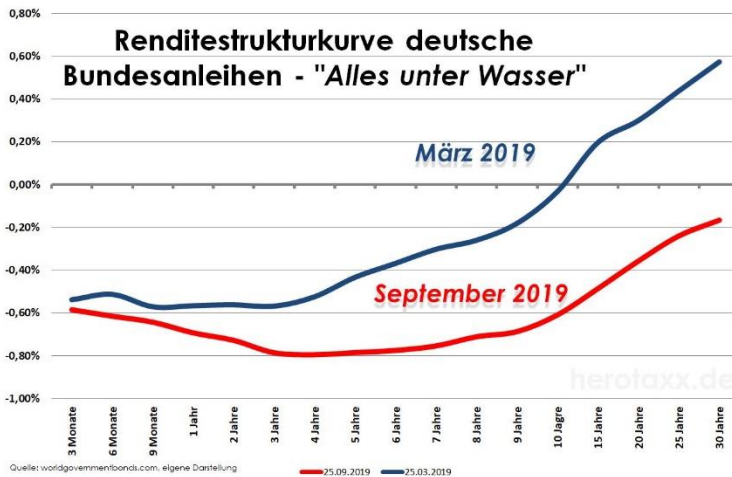


Capital Market Report Q3 2019

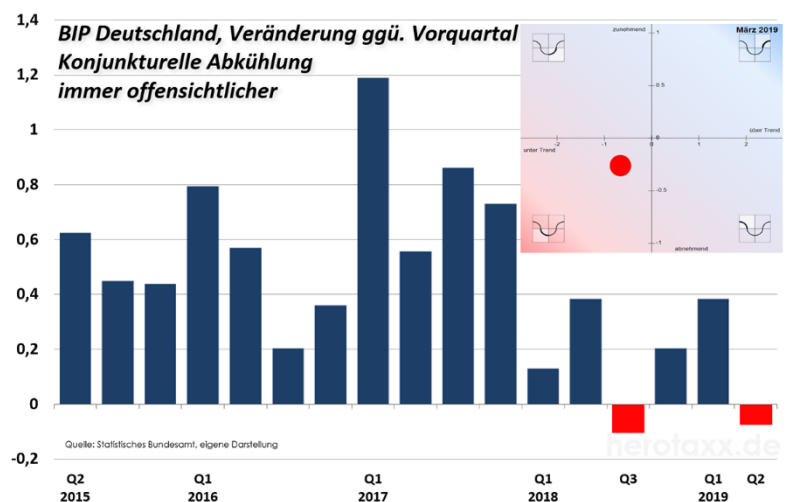
The third quarter of 2019 was characterised above all by a sharp rise in volatility. In August, the global stock markets appeared to be at a crossroads at times. The DAX lost a good 12% within a few weeks. Then, in mid-August, the turning point. The markets were able to use the last weeks of the quarter to make up for the losses. This means that many indices are on the same level as at the beginning of the quarter. As in the previous quarters, price gains were also recorded on the bond side in the last three months. Especially in the USA, yields came under pressure after the announced interest rate cut.



But Bund yields in Germany are also setting further (negative) records. In the meantime, the entire yield structure curve of 3 months to 30 years residual term is in the negative yield curve. And the central banks are not letting up. Monetary policy in both the USA and Europe remains expansive. The Norwegian central bank shows that there is another way. In Oslo, the key interest rate was raised by 0.25% to 1.25% on the grounds of a better-performing economy. On the other hand, the economic situation in Germany is worse. GDP is also showing a marked

slowdown in the second quarter. The downturn is therefore becoming increasingly obvious here, as various indicators show. A simple look at the automotive sector shows that these effects are rather homemade. The German motor vehicle sales figures have been on a dramatic retreat

since 2018. The triggers, of course, are the diesel scandal or topics relating to electric mobility. A "Friday for Future" movement fits perfectly into the current zeitgeist. However, it should not be forgotten that the automotive sector is an essential pillar of our prosperity and Germany's economic past. The impact on other sectors is enormous. A large-scale government subsidy could help the German automotive industry regain its former strength and innovation leadership. This would not only help us from an economic but also from an ecological point of view. The international economy is also cooling down. In the meantime, 10 countries have a completely



inverse yield curve. These include Canada, Hong Kong and Iceland.

To the outlook: From the end of October we will know more about the Brexit case. A "no deal" would not be desirable for any of the parties. Furthermore, political and geopolitical news will of course continue to follow us in the last quarter. It is possible that the trade war between the US and China will calm down somewhat. Strategically, Mr. Trump must slowly start to position himself for his possible second term in office. And here the "carrot and stick" mentality may not always be appropriate. In Thuringia, the state elections will take place at the end of October. Survey results already confirm how much the current socio-political issues divide the population. Against

the background of falling interest rates, however, all this is hardly disturbing the stock markets at the moment. The lack of alternatives to "real assets", including equities, is once again made clear.

From a technical point of view, the German stock market was able to save itself back to "neutral" territory. As long as the DAX remains above the key level of 11,800 points, there is still a chance of a conciliatory end to the year. Should the 12,700 even be taken, prices around 13,200 could also be considered.

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