MONEYWORLD
Investment Consulting As It Should Be

Looking further into the future…

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Thursday 18 June 2020

As the real economy worldwide is following stock markets to their rebound, we want to take a blink further into the future and analyse the alternative scenarios we have at our disposal. As the stock markets are approaching pre-coronavirus peak levels, we must concentrate on the real economy expectations for 2021 as the future earnings are starting to be priced in today's stock prices.

We witnessed China's industrial production to be at pre-outbreak levels and Chinese exports to raise at typical levels in April. Both figures must relate to catching up with backlog rather than genuine growth, and we anticipate current macroeconomics measures to settle in lower levels compared with 2019 irrespective of the current soaring.

A lot of Market participants and analysts expected Central Banks to increase their stimulus packages, but as the recovery has been underway, several Central Banks scaled back from their asset purchases, a development which is very promising regarding future growth. This is because Central Banks are starting to trust that the current economic rebound is likely to evolve into new growth.

Swiss National Bank anticipates the inflation to move higher for both 2021 and 2022 which is also positive on the medium run for the global economy. At its monetary policy announcement earlier today, it stated that further loosening of containment measures is likely to contribute to a significant economic recovery in Q3.

Contrary to the Swiss National Bank, the Reserve Bank of Australia, anticipates Emerging Markets Economy Countries to see a peak in infection rate in near future. This is going to lead to global production capacity to remain underutilized and consumption and investment globally to be moderate for the time being.

On the one hand, this development might be negative, on the other hand, however, we can anticipate this economic slack to act as fuel to future economic growth and to be the main contributor to new raise of economies of scale.

To sum up, negative influences on the world economy are steaming from the fear of a second wave of infections later in the year and potential trade tensions after the coronavirus crisis is over. In contrast, expectations for a rigorous economic expansion in 2021 coupled with immense monetary and fiscal support are underpinning current upward moves in stock exchanges.