

Slight correction on stock markets



Over the past four weeks, stock prices have been as unpredictable as the weather. Overall, April can be classified as a month of correction, now that hopes of a rapid fall in key interest rates have evaporated.

Given the persistent upward pressure on prices in general, the US Federal Reserve in particular is finding it difficult to rush into a cycle of interest rate cuts. Nevertheless, we anticipate such action to be taken within this year.

Things are somewhat different in Europe, although the old continent has experienced problems with declining inflation as well. At the same time, the overall economic trend in Europe is significantly worse than overseas. The weak economy - including in Germany - is prompting central bankers from the Mediterranean countries in particular to call for key interest rates to be cut. However, the European Central Bank (ECB) is not mandated to bolster the economy. Instead, as per its statutes, the ECB is solely committed to maintaining monetary stability. In view of the prevailing majority in the central bank, however, there is much to suggest that the eurozone will witness its first in-

terest rate cut in early summer. Those recalling the handling of the Maastricht Treaty within the eurozone and then contemplating the ECB's pressured involvement in government financing via massive bond purchases may not place unwavering trust in the ECB in Frankfurt to stick to its principles.

However, the slight stock market correction was not only due to disappointed expectations of interest rate cuts, but also to a litany of quarterly results from listed companies. Once again, the performance of American mega-companies stood out. Driven by the trend towards artificial intelligence, which has been dominant for months, Alphabet and Microsoft, for example, were able to present strong three-month figures. Conversely, Tesla, the world's priciest car manufacturer, reported less favorable figures. In view of an ageing vehicle range and other problems, the company

had to report significant declines in sales and profits.

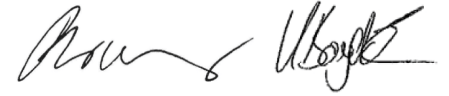
Europe witnessed a mixed bag of results as well, with variations even within sectors. In the luxury goods sector, Kering came under heavy pressure after its main brand Gucci was a bitter disappointment. Market leader LVMH also reported a slower pace of product sales. The situation was quite different for the French Hermès and the Italian Prada. Both companies reported good customer demand. The situation was difficult in the chemicals sector, where market leader BASF reported subdued industry dynamics. Meanwhile, car manufacturers VW, BMW and Mercedes complained about a more difficult environment in China. It should be borne in mind that China is of central importance to the companies mentioned. One of the conspicuous features of the month was the weak performance of ASML. The Dutch manufacturer

of machines for the semiconductor industry should have benefited from the soaring demand for AI applications, but presented disappointing figures. Contrastingly, Süss Microtec from Garching, operating in the same sector, had a different tale to tell, with its order books full and management remaining optimistic for the forthcoming months.

Overall, it's undeniable that the semiconductor sector has entered a corrective phase. The stock price performance of Intel, Micron, Texas Instruments, and Taiwan's TSMC underscores this trend. Japan's chip sector also experienced a retreat, as evidenced by the stock price performance of Renesas, Advantest, and Tokyo Electron.

Sincerely yours,

Fund managers and co-investors



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This text was originally published in German.

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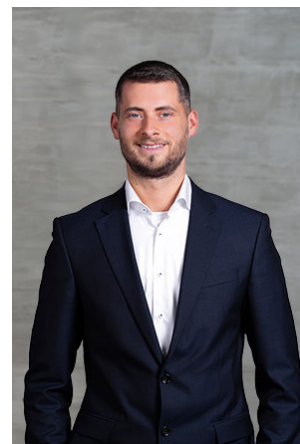
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