

Aestas ante portas – summer at the doors



The first half of the year is over, and the balance on the stock markets is positive. The broad U.S. stock market as measured by the S&P 500 posted an overall gain of 15% at the end of June, while the broad European index STOXX Europe 600 even posted a gain of +16% since the beginning of the year.

So, what to expect in the upcoming summer weeks? We do not see the strong positive trend to continue to the same extent in the near future, but we still see upside potential for the international equity markets on a one-year horizon. Possible price setbacks are an opportunity to make additional purchases. The following three factors can be considered important influencing factors.

Reporting season

July marks the start of the reporting season. In the coming weeks, listed companies will report on their sales and earnings figures and provide an outlook for the rest of the year. Analysts expect strong figures here, as April and May last year were negatively impacted globally by hard lockdowns. We expect positive momentum here. However, there is also a risk that investors and portfolio managers will close out their equity overweights at the supposed peak, given the upcoming summer months and vacation season.



Summer slump

In general, stock markets often tend to be weak in the summer. Fund managers also go on vacation, risk positions are closed, trading volume decreases, and in the absence of positive news during the summer slump, the markets tend to move sideways or slightly downwards. We see that risk this year as well. We will also keep an eye on Corona news and the spread of the so-called delta variant. Possible negative headlines, i.e. the Sword of Damokles in the form of renewed lockdowns are likely to hit the minds of investors.

Inflation

The topic of inflation concern and possible monetary policy responses will be with us for a while. An environment of economic recovery and thus rising inflation is a positive for equities, which is why we continue to view equities as the best hedge against rising inflation. Nevertheless, statements by central bankers, news on rising commodity prices or the publication of inflation figures may cause uncertainty in the markets in the meantime.

Summer Summarum

We are looking forward to a hot summer despite summer slump. The topics corona and inflation development or monetary policy remain tone and tact-setting for short-term developments. On a one-year horizon, however, we see the economic recovery as the prevailing factor that should support the equity markets.

Our collected articles on the topic of inflation:

[Is gold a suitable hedge against inflation?](#)

https://www.kathrein.at/media.php?filename=download%3D%2F2021.06.13%2F1623583288679887.pdf&rn=Kathrein%20Statement_0706_en.pdf

[The evil I-word: An inflation update](#)

https://www.kathrein.at/media.php?filename=download%3D%2F2021.06.13%2F1623583806575827.pdf&rn=Kathrein%20Statement_2505%20-%20en.pdf

[Review to the webinar „The specter of inflation and the crypto boom - How do I invest properly?“](#)

<https://www.kathrein.at/?+Review-to-the-webinar-The-specter-of-inflation-and-the-crypto-boom-How-do-I-invest-properly+&id=2500,1012582>

[Investors' worries: From inflation to bankruptcy](#)

https://www.kathrein.at/media.php?filename=download%3D%2F2021.03.15%2F1615838087872746.pdf&rn=Kathrein%20Statement_1503FINALen.pdf

[A ghost is haunting](#)

https://www.kathrein.at/media.php?filename=download%3D%2F2021.03.01%2F1614630498577132.pdf&rn=Kathrein%20Statement_0103%20en.pdf

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