

All-time highs everywhere you look - also for Corona infections



Many stock markets trended to new all-time highs last week - driven by the positive development of corporate earnings, good job figures in the U.S. and the well-worded announcements of the upcoming taper, i.e. the scaling back of bond purchases by central banks. At the same time, new Corona infections are also reaching record highs, driven by the new more contagious Delta and Delta Plus variants. This pair run will not be able to continue.

After stock markets weakened in October, the reporting season has boosted equity markets again. This is not surprising; of the companies in the U.S. S&P 500 index, 85% have beaten earnings expectations - 80% had submitted their reports by the end of last week. In Europe, not even 50% have presented their figures, but here, too, 60% of the companies were able to exceed forecasts. Another positive impulse in the USA was the labor market data, which, after recent negative surprises, were much stronger than expected this time. As was to be expected, the US Federal Reserve announced the scaling back of its bond purchases - by 15 billion a month. This means that liquidity - a key driver of stock market development - will decrease. However, it also announced at the same time that it would adjust this tapering if the effects were too drastic. So the era of cheap money is not over yet.

The most obvious negative development is the rising Corona numbers. The last weeks brought a multiplication of new infections in some Eastern European countries, but also Belgium, the Netherlands and last but not least Austria were affected by a dramatic increase of case numbers. The reasons for this development are on the one hand the colder weather, on the other hand lack of vaccination coverage or decreasing effect of vaccination. Countries with high vaccination coverage, such as Spain or Italy, are less affected. Whether this development will curb optimism in the short term - we will see. In the medium term, this flare-up of the pandemic may exacerbate existing problems such as supply bottlenecks, but this was to be expected for 2022 anyway. In this respect, it is to be hoped that rising case numbers will drive up vaccination rates and actually put an end to the pandemic.

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