

MONDAY MARKETS MAIL

Key topics at a glance.

2022 - will everything be different?

Kathrein statement



This year's Christmas program includes not only the classic "Three Hazelnuts for Cinderella" by Božena Němcová, but also "Three Interest Rate Increases for Investors" by Jerome Powell, head of the U.S. Federal Reserve. Not surprisingly, given the record inflation rates in the U.S., he announced three interest rate hikes in the U.S. for 2022. At the end of 2022, we can therefore expect key interest rates of 0.75% in the USA. On the other hand, the Bank of England's 0.15% increase in key interest rates came as a little more of a surprise. And what is the ECB doing? So far, it has reacted cautiously. This raises the question, are there completely different assessments of the inflation trend on the part of economists? Should we assume a permanently high price increase or is it really just a temporary phenomenon? Which scenarios should investors prepare for?

At first glance, the Fed and the ECB give different answers to the question of whether inflation will become a permanent problem. However, this is also due to the fact that the eurozone comprises 19 countries that are not managing the crisis at a uniform pace. So the ECB still has good reason to be a bit more cautious. However, the development is also being discussed controversially within the ECB bodies. There are voices that expect the European central bank to raise interest rates for the first time before the end of 2022. What does this mixed picture mean for the stock markets?

Historically, three interest rate hikes have usually been a development that has negatively impacted equities. Numerous tech stocks that benefited from speculation of future gains have already suffered significant losses in the wake of the interest rate discussion. So is the trend now finally moving from growth to value stocks? Not necessarily. It is true that stocks benefiting from rising inflation, including the financial and energy sectors, have been among the winners in the recent past. However, even after hikes, interest rates will still be far below inflation, which means stocks will remain attractive. Looking back, it is clear that only a rise in yields on 10-year US government bonds above 3% dampened the positive stock market trend. We are still a long way from that in the current environment.

This is our last issue of MondayMarketsMails for 2021. We wish all our readers a Merry Christmas and a successful 2022. We will be back on Jan. 10, 2022.



Business sentiment in Germany on lowest level since February

- Sixth decline in a row
- Services and trade pessimistic

Munich (APA/dpa) - Sentiment in the German economy deteriorated again in December. The Ifo business climate, Germany's most important economic barometer, fell by 1.9 points to 94.7 points compared to the previous month, the Ifo Institute announced on Friday. After the sixth decline in a row, the indicator is at its lowest level since February. Analysts had on average expected a more moderate decline to 95.3 points.

"The intensified pandemic situation is hitting consumer-related service providers and retailers hard," Ifo President Clemens Fuest commented. Accordingly, the business climate in the service and retail sectors clouded over significantly. Sentiment improved somewhat in industry, but deteriorated in construction. The companies surveyed assessed both the current business situation and the outlook more unfavorably.



Inflation in Euro-zone reaches record high of 4,9 %

- Energy prices as main driver
- Peak soon reached, however
- 3.2% average inflation expected for 2022

Luxembourg (APA/Reuters) - Sharp rises in energy prices in November pushed inflation in the euro zone to its highest level since surveys began in 1997. Within a year, the cost of living rose by 4.9 percent, as the European statistics office Eurostat announced on Friday, confirming an initial estimate. Inflation is thus more than twice as high as the target set by the European Central Bank (ECB).

The ECB is aiming for 2.0 percent inflation as the ideal value for the economy in the medium term. At 4.1 percent, inflation was also well above the ECB target in October. According to the French central bank chief Francois Villeroy de Galhau, however, inflation in the currency area is likely to have peaked soon. ECB President Christine Lagarde expects it to remain high in the short term, but to weaken over the course of the coming year. ECB economists now expect inflation to average 3.2 percent in 2022.

The strongest price driver in November was energy, with an increase of 27.5 percent. Without energy and unprocessed food, inflation would only be 2.6 percent.

Airbus beats Boeing in short-haul aircrafts



- Air France-KLM ordered 100 short-haul jets
- Qantas to replace its domestic fleet with Airbus

Paris/Toulouse (APA/Reuters) - A setback for Boeing: European arch-rival Airbus has prevailed in several major orders. Air France-KLM ordered 100 short-haul jets from Airbus on Thursday - more aircraft than ever before. For Airbus, it was the second major order within a few hours:

Earlier, Australian carrier Qantas had awarded the European manufacturer the contract to replace its domestic fleet.

The order from Air France-KLM comprises A320neo and A321neo aircraft. They are to be deployed by KLM and its low-cost subsidiary Transavia, where they will replace aging Boeing 737s. The order is larger than originally anticipated. In addition, Air France-KLM signed a letter of intent for the purchase of four A350 freighters. Neither side commented on the exact size of the order. However, analysts estimate that it is worth billions.

For Airbus, the orders mean that production will be further increased. Christian Scherer, the board member responsible, said the orders support the estimate that

more A320 family aircraft will have to leave the factories. Airbus is currently struggling with suppliers to increase production of the best-selling aircraft. The aircraft maker wants 65 planes a month to leave the hangars by summer 2023.

Qantas had previously placed firm orders with the European company for 20 A321XLR and 20 A220-300 aircraft each, in addition to securing purchase options for 94 more. "This is a clear sign of our confidence," said Qantas CEO Alan Joyce.



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