KATHREIN PRIVATBANK

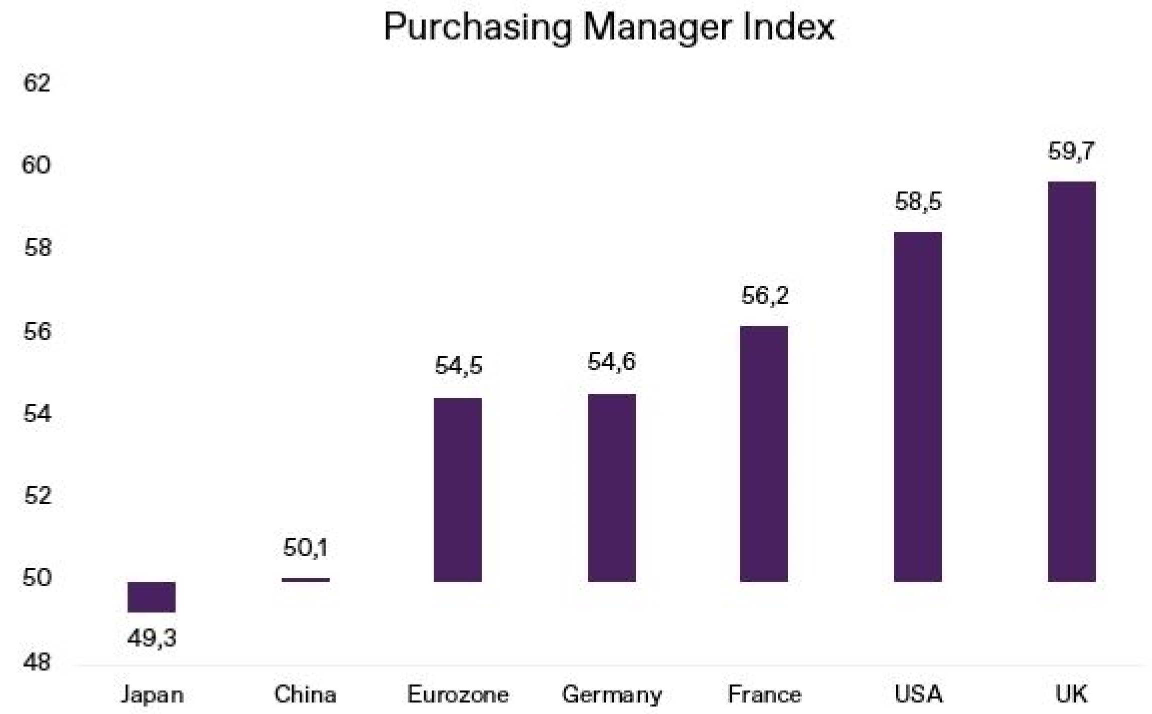
MONDAY MARKETS MAIL

Kathrein statement

Key topics at a glance.

Looking ahead - Purchasing managers' indices with positive signals

Kathrein statement



Source: Bloomberg

The war in Ukraine shocked the stock markets, for the time being, only briefly. The start of peace negotiations has brought about a significant recovery. It remains to be hoped that peace talks will quickly be crowned with success. However, this is not certain. The war remains the dominant factor influencing the markets. But we want to take a look beyond that. What about the economic indicators that will once again influence events on the capital markets in the medium term?

Investor sentiment was already very negative at the beginning of the year due to the prospect of interest rate hikes, the scaling back of bond purchases by central banks and record inflation. The Ukraine conflict has further dampened sentiment. However, economic indicators in Europe and especially in the U.S. were still very strong in February, before the war broke out. How has the military conflict affected them? The purchasing managers' indices now collected in March, which are an important economic parameter, paint a surprisingly positive picture.

The data published on March 24 were better than analysts had expected for both the USA and Europe. As a reminder, a value above 50 is considered a positive assessment. These positive figures can be seen as a surprise, especially for Europe, which means that there is no immediate risk of recession for the euro zone either. However, it should not be forgotten that some of the negative consequences of the war will not be felt until later (e.g. shortage of raw materials). Analysts surveyed by Bloomberg estimate the risk of recession within 1 year at 25% for the euro zone and 20% for the USA. However, if Russian gas supplies to

Europe were to be interrupted (either by the extension of sanctions, Russian counter-sanctions or the destruction of pipeline infrastructure), the probability of a recession in Europe would be abruptly higher. The U.S., on the other hand, is not dependent on Russian energy supplies and could therefore continue to show positive economic growth even in this scenario.

Inflation remains the biggest concern for the time being and will continue to be driven by the war, especially in the energy and food sectors. A stagflation scenario, i.e. price increases combined with stagnating economic output, is therefore a greater risk than a recession at the moment. We therefore remain defensively positioned in equities. However, the positive expectations of purchasing managers are a silver lining on the horizon.

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About us

Kathrein Privatbank AG, headquartered in Vienna's first district, was founded by Carl Kathrein in 1924 and is one of the leading private banks in the German-speaking countries. Our core competence lies in the management of private, corporate and institutional assets as well as the assets of private foundations. As a subsidiary of Raiffeisen Bank International AG, Privatbank offers the advantages of a flexible, independent as well as service-oriented institution and the security of a stable, international banking group.

NEWSLETTER ABBESTELLEN

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