



# NEUE BANK

Liechtenstein Private Bank  
independent and consistent since 1992

**Our Opinion**  
April 2022

## Editorial

Dear Readers

In our article entitled "Endless" on page 4, we discuss how when investing money, long-term thinking is the key to long-term success.

We wish you a pleasant read.

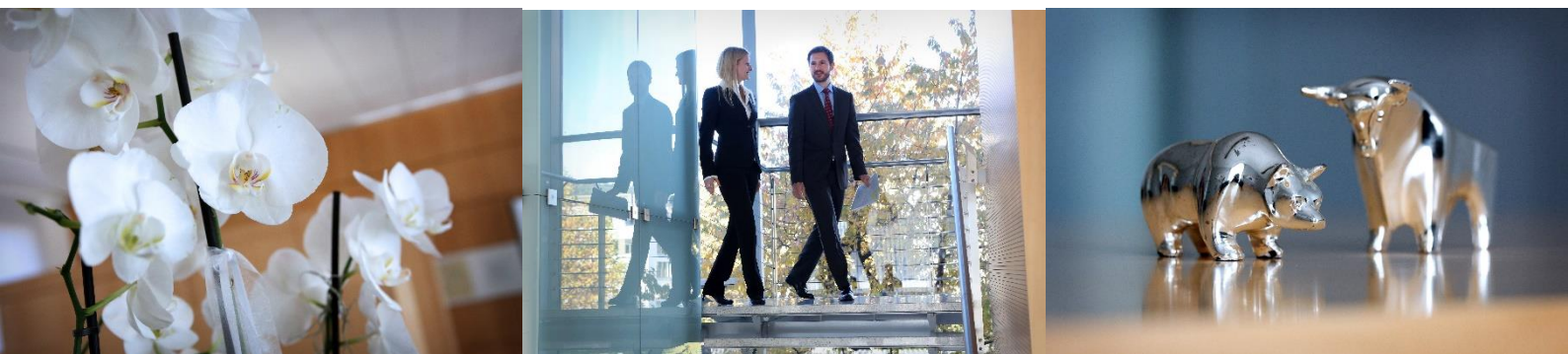
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# NEUE BANK

## Today:

### Endless

#### Equities

A task that never ends requires an endless mindset. This mindset is especially important when it comes to investing. Where will the equity markets be at the end of 2022? Will there be stagflation? Which investments will perform best this year? No one can answer these questions with absolute certainty, because no one knows. Financial experts try to answer questions like these using forecasts, but only with moderate success. Such a finite, event-driven approach to investing usually does not lead to success. Investors should think "endlessly" and not allow themselves to be driven crazy by forecasts and overexcited scenarios.

#### NEUE BANK TRAFFIC LIGHT



slightly bullish

Investing money is not about just a few months, but rather about years. Time is the investor's strongest ally. Investors who have time can sit out price setbacks and recognise them for what they are: the normal course of the equity market. "Endless" may sound abstract, but it's an important key to understanding that the equity markets are themselves endless. What can change, accelerate, or reverse on the equity markets is their direction, or trend. Using our quantitative investment approach, we strive to identify long-term trends. In the short term, this may lead to deviations – but in the long term, it has a positive effect on portfolio performance. We also use the Neue Bank traffic light to try to identify whether the equity markets are in an upward or downward trend. In the month under review, the traffic light jumped from neutral (amber/yellow) to slightly bullish (light green), despite the uncertain environment. Consequently, we have added equities and are now slightly overweight.

#### Economy

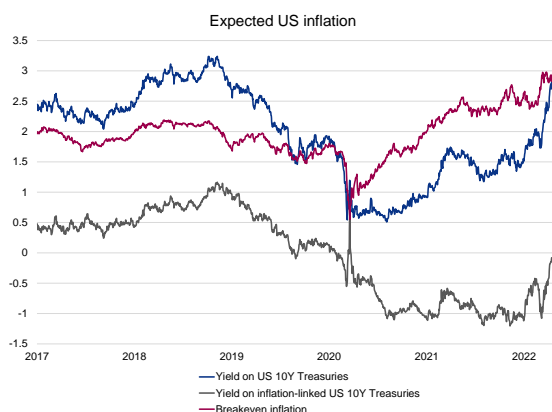
Because of the war in Ukraine and the resulting sanctions, economic concerns are rising among investors in Europe. This is confirmed by the Sentix survey of institutional and private investors conducted at the beginning of April. Economic expectations for the next six months have fallen to the lowest level since the start of the coronavirus pandemic in March 2020. In contrast to investors, companies are still much more optimistic. Although the purchasing managers' index for manufacturing in the Eurozone fell from 58.2 to 56.5, it is still significantly above the growth threshold of 50. While our indicators also point to declining economic momentum, they are still clearly not signalling a recession.

#### Bonds

The coronavirus pandemic and the war in Ukraine are pushing national debt to increasingly high levels. The accumulated debt can be paid only if interest rates remain low – ideally lower than inflation. With the help of negative real interest rates, these huge mountains of debt can slowly be "inflated away". The precondition is that inflation does not get completely out of hand and that people do not lose confidence in the monetary system. Inflation in the United States is at 8.5% – higher than it has been since the beginning of the 1980s. Despite this current high level of inflation, the markets do not yet fear a scenario of sustained high inflation, given that expected inflation for the next ten years is still 2.97%. This figure can be derived from the difference between the yields of ordinary and inflation-linked US government bonds, i.e. breakeven inflation:



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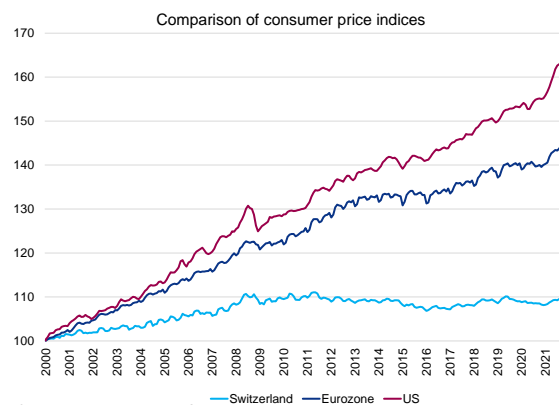
Source: Bloomberg and NEUE BANK AG

Monetary devaluation measured in terms of breakeven inflation is not yet completely out of control. Moreover, the Federal Reserve is attempting to slow down inflationary momentum by discontinuing securities purchases and raising interest rates for the first time this cycle. In this environment, yields may continue to rise, but no longer at the same pace. We are maintaining our underweight in bonds.

## Currencies

Inflation is also on the rise in Switzerland, but compared with the Eurozone and the US at a significantly lower level of 2.4%. The main reason for this is the Swiss franc, which acts as a barrier to inflation. For decades, the CHF has been appreciating steadily, especially in times of crisis – such as the current war in Ukraine – which in turn are usually accompanied by a higher oil price and consequently more inflation. The appreciation of the national currency buffers price increases in Switzerland, strengthens

purchasing power compared with other countries, and causes export companies to keep their prices low.



Source: Bloomberg and NEUE BANK AG

## Alternative investments

In light of the disturbing images from the Ukrainian town of Bucha, the European Commission put together its fifth sanctions package against Russia at the beginning of April. With the proposal to ban coal imports, the energy sector would also be covered by the sanctions for the first time. Russia would be hit much harder by a ban on oil and gas imports, however. Substituting crude oil – unlike natural gas – would be possible on short notice. But no agreement has been reached yet at the government level in the EU. Germany, Italy, Austria, and Hungary in particular do not want to or cannot do without Russian gas entirely, given their fears of economic collapse due to the strong dependency on Russia. As long as the war continues and there is no solution regarding oil and gas, the price development of these commodities will remain volatile.

## PRIMUS-ACTIVE

With the PRIMUS-ACTIVE mandate, we offer you the opportunity to invest your assets according to traditional insights of well-known portfolio theories. We place particular emphasis on broad diversification, both in the strategic definition of asset classes and in the selection of securities. We also take into account that the financial markets are subject to long-term cycles and trends, and we strive to use these fluctuations to your advantage. The client advisors of NEUE BANK AG look forward to showing you the special features of this asset management solution in a personal consultation.

### Key performance indicators for PRIMUS-ACTIVE Balanced in CHF<sup>1</sup>

	2017	2018	2019	2020	2021	31.03.2022
PRIMUS-ACTIVE Balanced	11.38%	-5.89%	15.18%	5.51%	15.06%	-5.32%
Peer group	8.68%	-7.20%	11.75%	2.98%	7.21%	-5.18%

<sup>1</sup>Past performance is not an indicator of future performance and offers no guarantee of success in the future. The presentation of performance is gross without taking into account your individual tax liability. The net performance is lower due to fees. You can also find Our Opinion on our website: [www.neuebankag.li](http://www.neuebankag.li) S.E.& O.