Fund selectors in the news

Investors give their views on issues such as QE, the deflation threat and M&A activity

www.suedtirolbank.eu/

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Company: Südtirol Bank
Base: Bolzano

Will QE boost investing in financials?

I think so on the equity side. Here QE is "beating everything". Although its impact on the real economy is questionable, its effect on stock markets in the short run is in my opinion clear enough: asset price inflation and multiple expansion.

However, I think QE will not make any difference on the bond side. Here the continuous yields to maturity compression is impairing the market: there is no more relative convenience to investing in bonds. This is especially true in Europe, with more than 40% of sovereign bonds with negative yields.

This is obviously a distortion and I think that its consequences in the long run could be the source of serious problems.

www.bordier.com/en/

Name : Antoine Denis
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How would a rate hike from the Fed impact European markets?

Part of the Fed hike is already priced in on European equity markets through a strong US dollar against the euro, but the effective hike will probably deepen the effects.

First, volatility will rise and will pressure the European credit space: the interest rate differential will trigger liquidity outflows that will pour into US credit.

On the flip side, the weakening of the euro should help European growth and hence European equities. A moderate yield curve steepening should be expected as well.

A better European growth outlook and a higher inflation expectation should trigger the rise of medium and longer term rates. But would the ECB let it go so easily?

www.commerzbank.com/

Name: Jan Krämer
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Does rising German inflation suggest the threat of deflation is overcome?

There has never been a real threat of deflation in Germany, even though this been raised temporarily by the European Central Bank and hence was a topic for financial markets.

The key reason for the decline in inflation was the dramatic plummeting of oil prices in the second half of 2014. Such a movement is not a typical cause of deflation, which is to be understood as the mutually reinforcing effect of declining prices and income.

Another danger would be a default in the financial or banking system causing a gradual slowdown in the rate of money supply.

But these conditions are currently not applicable to the German context. Instead, after years of moderation, real wages have now seen a solid rise, which is more likely to increase a trend towards inflation.