GENERAL INVESTMENT CLIMATE

The Economy

Economies worldwide have been largely opening up during the last quarter. Vaccination campaigns were kicked off, football stadiums are welcoming thousands of fans again and summer holidays are around the corner. Except for the Indian and some smaller Asia pacific economies, most economies showed strong confidence both on the consumer and producer side. Not surprisingly, inflation finally became a serious attention point for central banks after lumber and other raw material prices soared to stratospheric highs, shipping costs skyrocketed and pent up demand paired with a crippled supply chain caused shortages of all kinds. People who bought a second-hand car two years ago might even be able to sell it today for a nice 20% profit. That is telling for the shortages seen in many industries. Chinese exports grew around 30% year over year all through the second quarter and shipping containers have never been in higher demand. For now, the central banks define the rising CPI prints as "transitory". Market opinions on this topic are widely diverse.
Since the FED recently changed its framework to the 'average inflation rate of 2%, they can let inflation run hot before even thinking about tapering. Nevertheless, Jerome Powell's most recent Jackson Hole speech had markets spooked. Hints of tapering and rate hikes were uttered after which markets reacted instantly. The ECB is clearly still striking a different tone and tapering is out of the question for now. If anything, more support might be needed according to IMF chief Lagarde. The European green fund has been approved by the European parliament and Lagarde plans to buy up more bonds than in the first quarter of the year.
While all these inflationary pressures take hold, wages are not yet following. When they do, it will likely translate in higher prices in broader services industries as well. In the US, jobs aren't even getting filled as people are still enjoying stimulus cheques or have become more financially confident by investing that money in the markets.

The SPAC craze we saw during the last quarters has considerably but traditional IPO activity is still going strong. Inflows into the stock market have grown in parallel. In April, data showed that investors have put more money into the stock market in the 5 months before April than in the last 12 years combined or 569 billion dollars versus 452 billion dollars respectively.
Already listed companies have largely showed strong results over the Q1 quarter and expectations are that Q2 results will continue to be strong and likely even stronger as base effects accelerate. Especially companies active in what is generally called consumer cyclicals are posting impressive numbers. At the same time, governments are debating whether or not to extend covid support programs. Governments lean towards halting it while social partners are, not surprisingly, favouring an extension.

An interesting development for all kinds of companies but especially the most polluting ones has come from this year's price rise in carbon emission rights. They almost doubled since the beginning of this year and companies will need them ever more when environmental regulations slowly get stricter.
Another wild ride has been seen in the cryptocurrencies. They tumbled about 50% during the second quarter. While still on the rise, they got attention from central banks and regulators. So much so that central bank digital currencies have become a mainstream talking point. China has already launched its e-yuan, while European central bankers are still making up their minds. The idea is catching on though. One could argue that traditional banking models are under siege from all sides.

Currency and Money Markets
Based on the apparent different stances of central banks in the US and Europe, it might come as a surprise that the dollar has not gained much ground. The euro barely lost any value in June and now trades around 1,19 USD. It looks like the market is not believing the FED's tightening hints.

In the money markets things are moving. The yield on the Dutch note is still negative but rose significantly to -0.1%. The US 10-year yield has come down to 1,48% again as a second sign that the market doesn't necessarily believe the FED. Under the hood, it is clear that cash is flooding the system. At quarter end rebalancing, 74 financial institutions posted a trillion US dollar at the Fed in overnight repos, up 100% from three weeks earlier. This money seems to have nowhere else to go than earn a 0,05% annual yield provided by the reverse repo facility. Granted, it is definitely more productive than buying invisible art.

Stock Markets

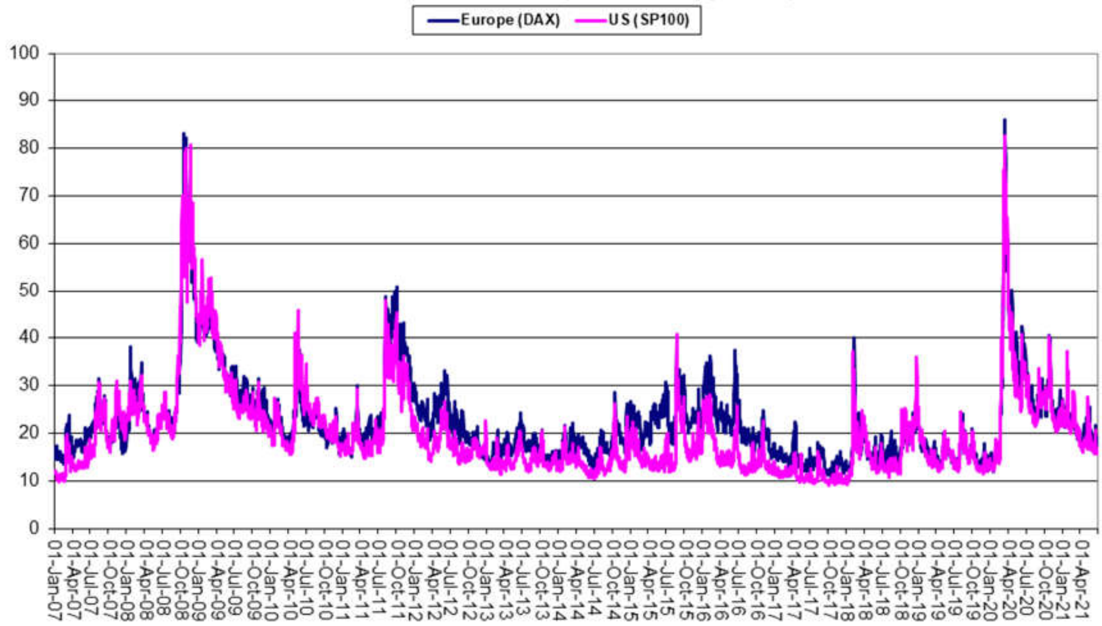
Table 1.1 - General

	30/jun/21	31/mrt/21 - 3 mnth	31/dec/20 - 6 mnth	30/sep/20 - 9 mnth	30/jun/20 - 12 mnth
AEX	729,52	4,24%	16,80%	33,20%	30,33%
BEL20	4125,95	5,81%	13,94%	27,52%	23,98%
DAX	15531,04	3,48%	13,21%	21,71%	26,16%
EU50	4064,30	5,13%	14,40%	27,26%	25,67%
DJ	34502,51	4,61%	12,73%	24,19%	33,66%
SP500	4297,50	8,17%	14,41%	27,79%	38,62%
Nasdaq	14554,80	11,18%	12,93%	30,33%	44,70%
EUR/USD	1,18	0,85%	-3,41%	0,67%	5,04%
Euribor 3 months	-0,55	-0,01	-0,01	-0,05	-0,13
NL govt 10 year	-0,10	0,14	0,38	0,31	0,19

All-time highs! Two reports ago we first used the magical words. It is no different this quarter around. Global stock market indices are still trading around all-time highs. The meme stocks have gained traction again after a sharp sell off earlier while influencers on social media are spewing investment advice all over the place and gathering a large, young following. In contrast, technology stocks that gained significantly last year, now suffered from a rotation into laggards. Companies like Just Eat Takeaway are not able to hold their gains while boat builders like Beneteau or bike builders like Accell show a catch-up effect as their client base has gotten more affluent and demand for their product rose significantly. Best performing stocks can evidently be found in the ultimate winners of the disrupted global supply chain, the cargo shippers. Happag-lloyd has posted a staggering 109% return since the beginning of this year.

Implied Volatility
The volatility profile is trading around 15 what makes for a smooth ride upwards in stock markets. Investor's confidence is clearly at the highs.

Table 1.2 Development of the implied volatility jan 07 - jun 21



The Long Term
The AEX index is still trading well above its 200-day moving average. Worries still have no place in this market.

Table 1.3 Long-term development AEX jan 03 - jun 21