VAN LANSCHOT KEMPEN

INVESTMENT MANAGEMENT

# Asset Allocation Outlook

November 2023

- High US growth unsustainable, Eurozone economy still weak
- Inflation news positive but too soon for cuts to interest rates
- Corporate results considerably stronger in the US than in Europe

October wasn't much better than September for equity investors as equity markets continued to be squeezed by higher interest rates. In the US, 10-year bond yields climbed higher, leading to losses for investors in government bonds and credits as well. In Europe, however, government bonds and investment grade credits earned a positive return. Real estate also fell further, while the price of gold profited from the war between Israel and Hamas and mounting political tensions in the Middle East.

**Gold price climbs due to tensions in Middle East but oil price unaffected**

Source: Refinitiv, Van Lanschot Kempen

Yet the lack of concern about this on the financial markets can be seen from the oil price, which was lower at the end of October than before the Hamas attack on 7 October.

We've kept our cautious investment policy unchanged. We continue to anticipate declining growth, which will squeeze corporate earnings. There is less potential for further downturns on the market and lower interest rates could provide relief in the short term but if expected earnings decrease, we expect another correction.

## US economic growth spurt

The US economy grew by as much as 1.2% in the third quarter versus the second quarter. More than half that growth came from consumers. This is despite consumers being beset by higher interest rates, the mandatory resumption of student loan repayments and falling real disposable income. How is this possible? Well, by saving less. US consumers are still making inroads into the savings accrued during the coronavirus pandemic. Yet the end is in sight for this. In September the savings quota dropped to a historical low of 3.4% of disposable income. Lower consumer growth is therefore on its way. Low consumer confidence, which also fell further in October, could well be a sign of what's to come. Moreover, the job market is cooling. According to the monthly survey of households, employment was down and unemployment up in October. The business survey showed only minor growth in the number of private-sector jobs. Companies are cutting their employees' hours, which could be a precursor of a further slowdown. Unemployment rose from 3.5% in July to 3.9% in October. This is still low in historical terms but in itself low unemployment doesn't mean a recession can be avoided. Unemployment is always lowest just before a recession. Nevertheless, few new jobless claims and a further increase in vacancies don't point to acute weakness in the short term.

In addition to the contribution from consumer spending, a significant portion of the growth came from the build-up of stocks. This is by definition temporary. Higher government

expenditure also helped. Government policies have contributed enormously to growth this year and last year. However, this has been at the expense of a sizeable budget deficit, rising debt levels and higher interest payments. At the end of October the Republicans succeeded in electing a new speaker of the House of Representatives. His first task will be to agree a budget to avoid a government shutdown. A structural adjustment of the US budget is exceedingly unlikely though given the polarisation in US politics and next year's election.

Finally, corporate investments, which barely increased in the third quarter. The boom in investing in business premises, driven by government policy, has come to a standstill. Investment in machines has declined. Weakness in corporate investment is no surprise in light of the sharply tighter monetary policy.

**Leading indicator points to US recession**

Source: Refinitiv, Van Lanschot Kempen

We believe a substantial slowdown in growth is still to come. This is partly based on logic as the current growth rate is unsustainable but also because the tighter monetary policy is becoming ever more visible. Interest rates are high and default rates on consumer and business loans are steadily increasing. Fiscal policy will also become less favourable. The purchasing manager indices (PMIs) for industry, the service sector and economy as a whole climbed slightly in October, but at levels of just above 50 they aren't pointing to exuberant growth. The ISM index for industry unexpectedly fell to 46.7 in October, which points to a contraction in the industrial sector. The ISM for the service sector was still above 50 in October but likewise displayed a sharp downturn.

## Eurozone economy still weak

There was certainly no sign of a growth spurt in the Eurozone in the third quarter. In fact the economy shrank by 0.1% versus the preceding quarter. The German economy contracted by 0.1%, while the French economy grew by 0.1%, Italy stagnated and the Spanish economy noted an improvement of 0.3%. It's not quite a recession but it is weak. Over the course of a year, the Eurozone economy has only grown by 0.1%.

The picture of the Eurozone economy depicted by leading indicators isn't any better. Consumer confidence and the Economic Sentiment Index declined (marginally) in October. Germany's Ifo index climbed but remains far below the level that points to growth. Manufacturing confidence was down in France and Italy. The PMIs for industry and the service sector fell in the Eurozone. The composite index for the economy as a whole dropped from 47.2 to 46.5. This is its lowest level since November 2020, when the coronavirus pandemic still had a tight grip on the global economy. In short, the Eurozone economy looks likely to stay weak for the time being.

**Leading indicator for Eurozone also points to weak growth**

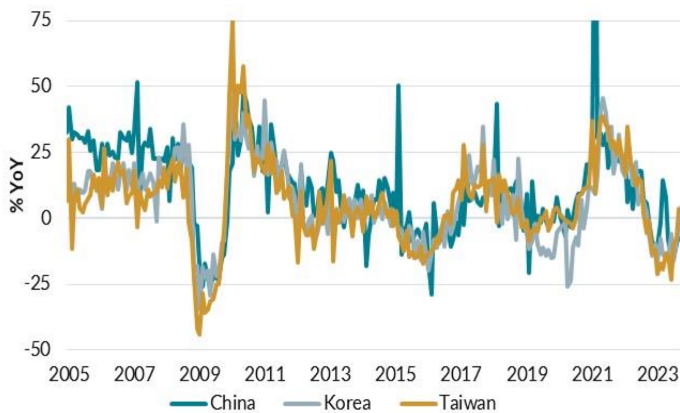
Source: Refinitiv, Van Lanschot Kempen

The job market has remained remarkably tight in the Eurozone as well. Unemployment fell to 6.4% in August, equalling this June's record low since the creation of the Eurozone. Despite an entire year of virtually zero growth, employment continues to grow. We can see two possible explanations for this. Firstly, it may be that companies are maintaining a sizeable workforce out of caution about the tight job market. After all, in recent years they've had to pull out all the stops to recruit new staff. Secondly, the ongoing shift from consumption of goods to consumption of services means there's higher demand in labour-intensive sectors. Whatever the case, the tightness on the job market continues to lead to substantial wage increases. This in turn gives consumers a boost. Yet if interest rates continue to bite, corporate earnings are squeezed and businesses forced to rationalise their workforces, this could bring a rapid end to the tightness on the job market.

## China stalling, rest of Asia a mixed bag

Having first experienced a rapid spurt of activity in the reopening after the coronavirus pandemic and then stalled considerably, the Chinese economy now seems to have resumed its upward trend. Domestic consumer spending was better than expected in September and exports have stopped declining. Furthermore, the central government announced a major package of stimuli. The fact that this is a break with the custom of not exceeding a budget deficit of 3% is an indication of the Chinese authorities' concern. And these measures follow on from a series of smaller stimuli. It's uncertain what impact the stimuli will have. On paper the package is sizeable, but a substantial portion is compensation for fiscal problems at local government level. For many years local governments relied on income from the sale of land, but this source of income has dried up owing to the collapse of the housing market. The Chinese economy isn't yet experiencing growth. The PMIs declined in October and point to a slight slowdown in growth.

Exports from Asian countries stabilised




Source: Refinitiv, Van Lanschot Kempen

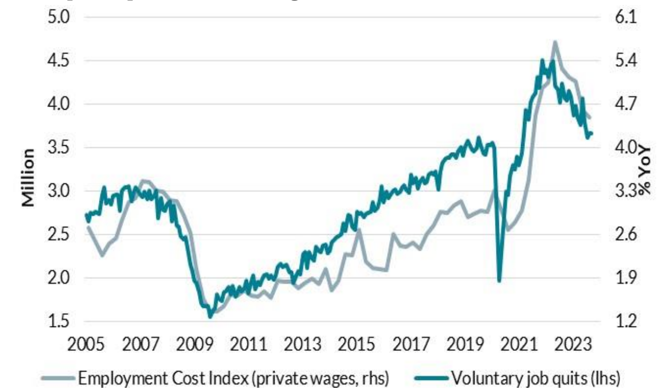
Elsewhere in Asia there are some encouraging signs visible in exports. For example, exports in Korea in October and Taiwan and Thailand in September grew for the first time in a year on an annual basis. Yet the PMIs for industry are generally sketching a weak picture. In most countries the indices are below 50 and the majority fell in October.

The outlook for growth for emerging markets is therefore moderate. These countries have experienced significant ups and downs thanks to the coronavirus pandemic. First there was the upturn in industry when large quantities of goods were sold in industrialised nations, then a weakening when consumers in the West switched back to services. This negative effect is easing slightly now but the slowdown in growth in Europe is already clearly visible and we expect a similar slowdown in the US.

## Inflation news remains positive

The news on inflation continues to be overwhelmingly positive. In the US, headline inflation stayed the same in September, but core inflation declined. It should be noted here though that the Fed's favourite benchmark displayed an upturn of 0.3% versus August, which came as something of a disappointment. Inflation in manufacturing prices fell to 2.1% and excluding food and energy to 2.6%. Declining price pressure is also visible here. And surveys of large and small businesses show that they're seeing prices rise less rapidly. Wage costs display a rather mixed picture. Hourly earnings growth declined in September to 4.2% year-on-year. When you bear in mind the slight growth in labour productivity, this is reasonably consistent with the Fed's target inflation of 2%.

Less upward pressure on US wages




Source: Refinitiv, Van Lanschot Kempen

The Employment Cost Index[1] is up slightly, however. For private-sector wages and salaries it stands at 4.5%. The downturn is also marginally less pronounced here. Yet the fact that fewer employees are voluntarily resigning from their jobs does point to a decrease in wage increases. In the short term, energy prices could exert some upward pressure on inflation but the downward trend persists.

Inflation is also coming down steadily in the Eurozone. Headline inflation declined to 2.9% and core inflation to 4.2% in October. Another encouraging factor is that for

[1] The Employment Cost index is published quarterly. The advantage of this indicator is that it compensates for the changing composition of the employment figures. As a result, the indicator isn't distorted by the addition of large or small numbers of low-paid jobs. This is the case for hourly earnings data.

three consecutive months core inflation has remained more or less at the long-term average for the relevant month. Prices excluding food and energy climbed by 0.24% in October, while the average for October is 0.17%. In the second half of 2022 and early 2023 actual monthly inflation was 0.4% above its long-term average. This makes a difference of nearly 5% on an annual basis.

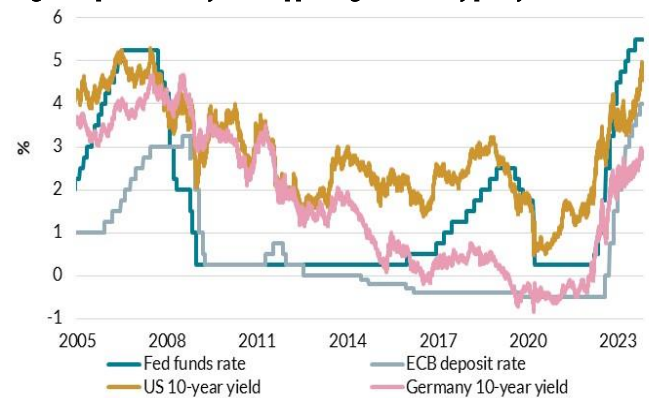
## ECB and Fed keep interest rates unchanged

At the policy meetings of the ECB at the end of October and Fed in early November, both central banks kept their policy interest rates unchanged. Given the low growth, declining inflation and strong hints during the previous meeting that no further interest rate hikes would be implemented, this didn't come as a surprise in the case of the ECB. To stop investors becoming too enthusiastic about imminent cuts to interest rates, the ECB president stressed that she expects inflation to remain too high for too long and that domestic price pressures remain strong. Yet the ECB also saw inflation fall across a broad front and financial conditions tighten in response to higher capital market yields. In ECB jargon: past interest rate increases are being transmitted forcefully into financial conditions. The ECB expects that interest rates will have to remain at the current level for some time in order to bring inflation down towards the target of 2%. Although the ECB recognises that the tight monetary policy is having an effect on the economy, the bank doesn't yet want to consider cutting rates. Markets forecast the first reduction in interest rates in the spring of 2024. With an economy in or on the brink of a recession, we find this a realistic forecast.

Nor did the Fed's unchanged policy come as a surprise. Growth was extremely robust in the third quarter and inflation slightly worse than expected in September, but even so we hadn't expected the Fed to be willing to scare already jittery equity and bond markets by unexpectedly raising interest rates. The Fed nevertheless kept the option of further interest rate hikes open. The central bank is unsure whether monetary policy is sufficiently tight to bring inflation down further. The Fed also recognises the tighter financial conditions but isn't convinced these will persist long enough to have an effect on the economy. How long the Fed will keep interest rates at their current level will of course depend on growth and inflation. Yet the Fed wants to see growth drop below the trend rate and the job market slow further. With respect to inflation, for the Fed a couple of encouraging months are only the start of what is needed to create confidence in a long-term lower rate of inflation.

Markets are forecasting the first cut to interest rates at a slightly later date for the Fed than for the ECB. It would be unusual for the ECB and Fed to diverge on policy but Eurozone and US economic cycles are diverging considerably at the moment. We also think the market expectations for the Fed are reasonable.

**Higher capital market yields support tight monetary policy**




Source: Refinitiv, Van Lanschot Kempen

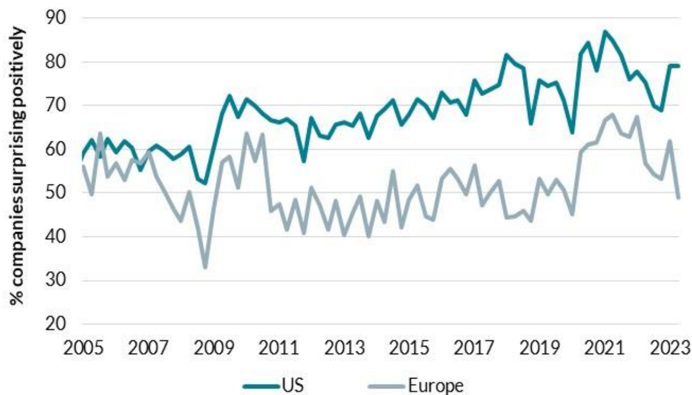
Finally, in our view it's logical that the ECB and Fed are sticking to a rather hawkish tone. It's mainly thanks to this tone that capital market yields have risen, leading to the tighter financial conditions supporting monetary policy. If the ECB and Fed were to adopt a more cautious stance now, yields might come down again and the central banks would again be battling inflation alone.

Japan's central bank relaxed its grip on the reins somewhat with respect to its control of the yield curve. The Bank of Japan (BoJ) has long pursued a policy of maximising 10-year bond yields. If yields move above a certain level, the BoJ buys as many bonds as necessary to push them down again. The BoJ previously applied a reference bandwidth of between -0.5% and 0.5% with a hard upper limit of 1.0% for yields. This hard upper limit has now been scrapped; the bank now views 1.0% as a maximum reference rather than a rigid cap. Japanese 10-year bond yields have already climbed sharply towards 1%. It remains to be seen how aggressively the BoJ will intervene on the bond market if yields exceed 1%. Higher yields in Japan have a couple of important implications. Firstly, they could boost the weak Japanese yen. Secondly, they could make Japanese bonds more attractive in relative terms versus their European or US counterparts. This could lead to Japanese investors buying fewer European or US bonds, which will push yields even higher in Europe or the US. Finally, higher bond yields have repercussions for the Japanese government. At a budget deficit of about 5% of the GDP and public debt of almost 250% of the GDP, the Japanese government's budget is extremely sensitive to interest rates. A minor upturn in interest rates will mean substantially higher interest charges.

## Corporate results mirroring economic cycle

Corporate results over the third quarter have so far been much better in the US than in Europe. In the US, nearly 80% of companies have succeeded in exceeding earnings expectations. This is higher than the long-term average but in line with the upward trend in the number of companies causing positive surprises. It also tells us something about the game being played here between companies and analysts, with businesses wanting to surprise the markets positively. This kind of upward trend isn't visible in Europe. And under half the companies in Europe have succeeded in causing a positive surprise.

**Many US companies reporting higher-than-expected results**




Source: Refinitiv, Van Lanschot Kempen

This is considerably fewer than in previous quarters and also below the long-term average. The extent of the surprise caused by US and European earnings diverges markedly as well. In the US, total earnings are now almost 8% higher than anticipated, the highest percentage since the third quarter of 2021. In Europe earnings are so far more than 7% down on expectations.

Then there's growth. This continues to be fairly low in the US. Revenues have so far grown by an average of 1.5% versus the third quarter of last year, earnings by 2.0%. Yet this is the first positive growth rate for earnings since the third quarter of 2022. An improvement is therefore visible. In the Eurozone revenues were down by an average of 6.1% and earnings by 17.5%. It should be noted, however, that the downturn in earnings is concentrated in the energy and basic industry sectors. This is the first quarter with lower earnings in Europe since the fourth quarter of 2020.

It's not surprising that US and European earnings are diverging so strongly when we look at the respective economic cycles. The US economy grew nominally – i.e. taking into account quantities and prices – by 6.3% over the year up to and including the third quarter. In real terms, i.e. only looking at quantities, growth stood at 2.9%. Many companies succeeded in increasing their earnings in this type of climate. The Eurozone's nominal growth over the third quarter hasn't yet been published, but in real terms the economy hasn't grown over the past year. Moreover, inflation has come down, which makes it much more difficult for companies to achieve earnings growth.

Looking ahead, companies are generally more cautious about their future earnings growth. And analysts are also overwhelmingly adjusting their earnings expectations downwards. This makes sense to us as earnings expectations are still excessively positive in our opinion. At 6.7% for 2024 these expectations are slightly lower in Europe than in the US, where they stand at 11.7%. Yet we believe they need to be reduced further for both markets in light of the low growth, low inflation and rising interest charges.

## Investment policy unchanged

Our investment policy remains unchanged. In recent months we've geared our investment policy more towards lower interest rates. We've increased our position in investment grade bonds to neutral and raised the interest rate sensitivity of European government bonds. In the US we've held a position in government bonds for some time now. We believe that interest rates will fall but currently see no reason to prepare for this more than we already have.

In the case of equities we recently reduced our underweight slightly by acquiring Japanese equities. We did this when equity markets underwent a downturn. This was largely driven by higher interest rates but nevertheless means there's less potential for further downturns. We continue to hold an underweight due to our cautious economic scenario. In our view equity valuations remain too high for this scenario and we also believe that expected earnings are excessively optimistic. In the short term a rapid decrease in interest rates poses a risk to our equity underweight. If bond markets prove to have gone slightly too far with their higher yields and lower growth and lower inflation lead to a rapid downturn in interest rates, this will bring some relief to equity markets. This was the case in early November when macro-economic data in the US pointed to less inflationary pressure and a slowing job market. Any interest rate-driven relief could be followed by worse-than-expected earnings but a brief equity rally cannot be ruled out. We nevertheless retain our outlook for a slightly longer term.

# Market review

### Aandelen

| | Index | Past month | Past 3 months | From 31-12-2022 |
|---|---|---|---|---|
| Global (MSCI AC) | 931 | 0.2% | -5.3% | 8.2% |
| Developed markets (MSCI World) | 2853 | 0.5% | -4.9% | 9.6% |
| Emerging markets (MSCI EM) | 931 | -2.2% | -8.8% | -2.7% |
| United States (S&P500) | 4318 | 0.7% | -4.3% | 12.5% |
| Eurozone (EURO STOXX 50) | 437 | 0.1% | -4.7% | 6.5% |
| United Kingdom (FTSE 100) | 7447 | -0.9% | -1.5% | -0.1% |
| Japan (Topix) | 2322 | 0.3% | 0.9% | 22.8% |
| Netherlands (AEX) | 736 | 1.6% | -5.0% | 6.8% |

### Government bonds (10-year)

| | Yield (%) | Past month (bp) | Past 3 months (bp) | From 31-12-2022 (bp) |
|---|---|---|---|---|
| United States | 4.67 | -2 | 60 | 84 |
| Japan | 0.93 | 15 | 30 | 51 |
| Germany | 2.71 | -20 | 21 | 15 |
| France | 3.32 | -16 | 23 | 21 |
| Italy | 4.57 | -23 | 38 | -12 |
| Netherlands | 3.06 | -20 | 19 | 14 |
| United Kingdom | 4.39 | -18 | -2 | 72 |

### Investment grade credit

| | Risk premium (bp) | Past month (bp) | Past 3 months (bp) | From 31-12-2022 (bp) |
|---|---|---|---|---|
| United States | 129 | 3 | 8 | -9 |
| Eurozone | 153 | 2 | 6 | -13 |

### High yield bonds

| | Risk premium (bp) | Past month (bp) | Past 3 months (bp) | From 31-12-2022 (bp) |
|---|---|---|---|---|
| United States | 415 | 4 | 19 | -64 |
| Eurozone | 467 | 25 | 27 | -27 |
| Emerging markets (USD) | 429 | -5 | 21 | -23 |
| Emerging markets (Local currency) | 210 | 3 | 0 | -79 |

### Real estate

| | | Past month | Past 3 months | From 31-12-2022 |
|---|---|---|---|---|
| Global | | 0.4% | -9.5% | -8.7% |
| North-America | | 0.9% | -10.7% | -6.4% |
| Europe | | 3.3% | 0.1% | -4.7% |

### Commodities

| | | Past month | Past 3 months | From 31-12-2022 |
|---|---|---|---|---|
| Bloomberg index | | 1.3% | 0.0% | -6.9% |
| Base metals | | -2.6% | -4.9% | -16.5% |
| Brent oil (USD per barrel) | 87.02 | -4.1% | 4.5% | 2.5% |
| Gold (USD per troy ounce) | 1984 | 8.4% | 2.5% | 9.3% |

Returns in local currency
bp = basis point (0.01%)
Data as of 3 November 2023
Source: Refinitiv

# Tactical outlook

| Asset class | |
|---|---|
| **Equities** | Negative |
| Equities fell for the third consecutive month in October. In local currency: globally by 3.1%, in industrialised nations by 3.0% and emerging markets by 3.9%. The losses in the US were slightly smaller than those in Europe and the Pacific region. Equity markets were again in the grip of interest rates, which climbed higher in the US, but primarily also the prospect of them staying higher for longer. We believe that monetary policy has now been priced in much more realistically on the markets and is having a less direct negative effect. As a result, we're more concerned about the outlook for growth and corporate earnings than about interest rates, especially now that financial conditions have tightened rapidly. We recently reduced our equity underweight marginally after markets declined. The underweight is concentrated in the US and Europe, where we expect tight monetary policy to have a negative impact on the economy and corporate earnings. Equity valuations fail to reflect our cautious economic scenario. We hold an overweight in Japan, where monetary policy is still extremely expansionary. | |
| **Government bonds** | Neutral |
| Calm was restored to interest rate markets in October. In Germany, 2-year government bond yields declined by 13 basis points and 10-year yields by 3 basis points. US 2-year bond yields remained unchanged but their 10-year counterparts climbed by 34 basis points. In the UK, 2-year bond yields were down by 12 basis points but 10-year yields were up by 7 basis points. We view the recent upturn in yields as remarkable given the weakening growth we anticipate and inflation unmistakably coming down. Markets have clearly taken the message of the central banks on board. Other potential factors in the higher yields are the higher oil prices, which are boosting inflation and keeping it higher for longer, the sizeable budget deficit in the US combined with the Fed's reduction of the bond portfolio and technical market factors, such as the positions of investors speculating on lower yields. We recently increased our interest rate sensitivity for European government bonds as we believe yields are close to peaking. A next step would be to reduce the underweight in European government bonds but we think it's still too soon to do so in light of the strong upward trend in yields at the moment. We maintain our overweight in US government bonds. | |
| **Investment grade credits** | Negative |
| The relative calm on the market for investment grade credits is striking given the turbulence on other financial markets. Spreads widened but the increase was small at 8 basis points in the US and 10 basis points in the Eurozone. Higher underlying yields on US government bonds meant that overall yields on US investment grade credits climbed, while yields on investment grade credits declined in the Eurozone owing to a downturn in the yields on German government bonds. We think spreads are at odds with economic indicators that in many cases are pointing to a slowdown in growth. The rating trend, which indicates the level of creditworthiness, is deteriorating due to pressure on profits and credit fundamentals. Any rise in the default rate will first affect high yield but could also translate into concerns about spreads on investment grade credits. Spreads are about average for the past ten years and in our view too low for a recession scenario. The upturn in underlying yields on government bonds and persistently tight spreads mean that spreads account for an ever smaller portion of the interest compensation on credits. This makes them less attractive versus government bonds. Within investment grade credits we now have a relative preference for the Eurozone versus the US. Spreads are wider in the Eurozone and interest rate sensitivity is lower. | |
| **High yield credits** | Negative |
| High yield credits have experienced greater turbulence in recent weeks. After spreads widened in September, they climbed by a further 56 basis points in the US in October. In the last three months, spreads on US high yield credits have increased by more than 100 basis points. Spreads likewise widened in the Eurozone in October, by 46 basis points, but the increase over the past three months has been much more moderate here. At the end of October, yields on high yield credits stood at 9.5% in the US and at 7.8% in the Eurozone. These may sound attractive but a recession hasn't yet been fully priced in on this market either. In a recession, spreads in this asset class can easily reach 1,000 basis points. These stood at 442 basis points in the US and 483 basis points in the Eurozone at the end of October. This means that a negative scenario of slowing growth and high inflation has only been partly priced in. We see downward risks as well, such as lower earnings growth and a higher default rate. Companies in this asset class are especially sensitive to higher interest rates in our opinion. Businesses are often more aggressively financed, frequently also partly via bonds with flexible interest rates and bond durations are shorter on average. With rates having risen so sharply, refinancing these bonds is much more expensive for these companies. We retain our negative outlook. | |
| **Emerging market debt** | Neutral |
| Emerging market debt issued in US dollars again earned a negative return in October. The interest compensation climbed by 34 basis points (spread +5 basis points, underlying US yield +29 basis points). The upturn in yields on bonds in local currency was restricted to 9 basis points, resulting in a positive return. Higher interest rates in developed countries and a stronger US dollar are squeezing this asset class, although emerging markets are so far only seeing limited repricing. Our neutral opinion is a trade-off between the attractive interest compensation and lower inflation in the US on the one hand and the worse-than- | |

| Asset class | |
|---|---|
| expected growth in China, risk of a further slowdown in global growth and persistently high interest rates and tight monetary policies in developed countries on the other. There is as yet no prospect of the Fed cutting interest rates in light of the strong service sector growth and persistently robust job market. Bonds listed in local currency could profit from the lower inflation and cuts to interest rates in emerging markets. However, these have already been partially priced in and the interest compensation is relatively low versus developed countries. This reduces the relative attractiveness, and lower interest rates in emerging markets are less likely as long as they remain high elsewhere. | |
| **Listed real estate** | **Neutral** |
| Listed real estate has a reputation as being a defensive sector in equities. Moreover, its cashflows are partly linked to inflation. Higher interest rates pose a threat to this asset class though, including in relative terms versus general equities. On top of this, the asset class is sensitive to lending conditions at banks due to the relatively high amount of debt financing (especially in Europe). Commercial banks have tightened their lending conditions considerably in 2023. This complicates access to refinancing and exerts upward pressure on interest charges. Listed real estate still hasn't recovered from the turbulence in the banking sector in March. In October returns were negative for all regions for the third consecutive month. Listed real estate again lagged behind general equities. Despite the cheaper valuations for listed real estate we hold a neutral outlook. In light of the robust job markets and service inflation it's too soon for central banks to switch to cutting interest rates, as a result of which the interest rate pressure will only ease slightly at best. Tighter lending conditions at banks are leading to higher interest charges for listed real estate. Not all property valuations have been downgraded, which will also have an impact on the balance sheets of listed real estate companies. | |
| **Commodities** | **Neutral** |
| The general Bloomberg commodity index noted a minimal loss of 0.2% in October. The war between Israel and Hamas was reflected in the gold price, which was up by 7.5%, but not in the price of Brent oil, which was down by 8%. Metals declined by 4.5%, which shows that the economic cycle in Asia in particular isn't having a positive effect on commodities. From a cyclical perspective we don't view this as a good time to build up a position in commodities, despite the fact that commodities have noted a negative return so far this year, primarily because of the lower metal prices. Faltering growth in global industry and China mean the outlook for these commodities isn't positive. It's telling that bulk shipping rates fell by 14% in October according to the Baltic Exchange Dry Index. The sanctions against Russia and resulting decrease in delivery volumes mean that in general tightness could easily arise on commodity markets. Moreover, the OPEC countries and Russia are closely monitoring the ratio of supply and demand on the oil market. Incidentally, excessively high oil prices aren't in the interest of oil-producing countries as this would encourage the search for new oil fields or alternative energy sources. This restricts the upward potential from the supply side. Gold is an interesting investment at times of uncertainty but its price is relatively high versus real interest rates in the US. A large amount of uncertainty and/or lower interest rates have therefore already been priced in to the gold price. | |

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