

Comment on the investment policy in the 4th quarter of 2026

The centrifugal forces in society and politics have continued to intensify. In the economic environment, the supportive factors predominate

The forecasters of the global economy have started the new year with a lot of hope. The global economy recovered from the extraordinary shocks of the past half decade at an astonishing pace. Inflation figures were also on track to meet the two percent target. Capital market participants are betting on falling central bank interest rates.

In particular, the elections in Saxony-Anhalt have shown that the state-supporting centre parties CDU and SPD are now also in the process of dissolving in Germany. This continues a trend that was already visible in most European countries two decades ago. The alternatives to the right of the centre are increasingly becoming the strongest grouping or are even approaching the 50% limit. They are fundamentally critical of the prevailing conditions and thus pick up those who no longer believe that democracy in practice is capable of securing their future. Political scientists also diagnose that democratic processes are very sluggish and in many cases are not able to do justice to the rapidly changing world. Housing shortages, rising rents and out-of-control health care costs, crumbling infrastructures, excessive legal and illegal migration, a lack of security and repeated price shocks that push citizens to the limits of their possibilities ("cost-of-living crisis"). The prevailing market economy is also perceived as unfair, as the lack of competition and cartel agreements lead to a distribution of income and wealth that contradicts the postulate of meritocracy, since income is earned without performance. The high level of debt in most democracies is also interpreted as a sign of crisis. Obviously, the state is not in a position to finance its expenditures with taxes, and this at a time when citizens have unprecedented assets. In fact, politicians are in a difficult situation when it comes to tax collection: it can practically only tax the middle class. The lower income earners have little savings or are even in debt and often have to be supported by the state in crisis situations. However, the high income earners, who live primarily on property income, are very mobile and welcome everywhere. This leaves the middle class, which can be used for further taxes. It is not without reason that they fear having to be relegated socially.

Many entrepreneurs also feel hindered in their activities by the state. They, too, are calling for fundamental changes.

Overall, problems have accumulated in Western democracies that have the potential to deprive those responsible for these conditions of their legitimacy to govern. This process has now picked up speed and reached its first climax with the CDU's failure to enter the state parliament of Mecklenburg-Western Pomerania. With the unstable political situation in Germany, the last European anchor of stability has fallen away. Where the journey will lead is open. Certainly, however, the trend towards extreme positions will continue.

Responsibility for the difficult European situation lies not least with the Trump administration. It has dealt a destructive stab in the back to the global international economic order, which the United States has played a leading role in shaping, which has led to high global prosperity losses. Destructive insofar as the trading partners have not been given time to adapt to changing trade flows, as has always been the case in the WTO when changes have been made to the customs systems.

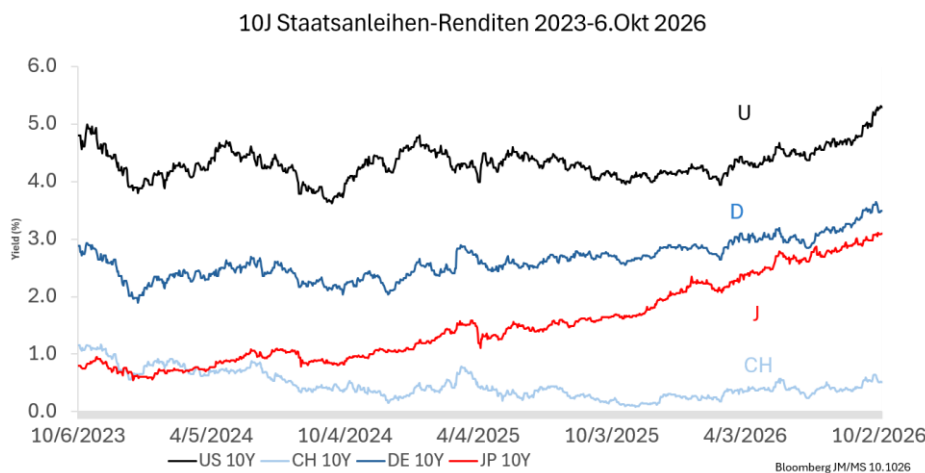
The conceptless declaration of war on Iran and its bungling implementation has also brought considerable losses of prosperity for the world. Budget deficits, inflation expectations and interest rates have risen.

In addition, the loss of free navigation through the Strait of Hormuz has worsened the security situation for all those affected.

The financial situation for millions of citizens has also been damaged, so that Trump felt compelled to induce the G7 countries – under massive threats of sanctions – to release their diesel reserves. Of course not for humanitarian reasons, but simply to be able to save the November elections at best. The measure is unlikely to achieve much. Iran has also refused to offer him an empty deal with which he could have scored points before the elections. Whether he will contest the election results is an open question. Most observers do not expect a significant change in policy if he loses the elections. He is likely to continue to assert emergency law and, with his presidential decrees, his mission of a state that gets rid of the laws that have been introduced in recent decades to protect competition, the discriminated and underserved, and nature conservation.

Many entrepreneurs around the world share this mission. They have long complained that the growth of the flood of laws prevents them from working. In many countries, the dissatisfaction of broad sections of the population, together with entrepreneurs, has led to a dynamic to the right. This trend is likely to continue for years to come and shape the investment policy environment. It is difficult to estimate where it will end. One thing is certain: such structural breaks always leave behind many losers but also winners. The financial markets have a keen sense of such changes.

This year, it is mainly bond holders who have suffered capital losses due to the rise in interest rates. The interest rate hike reflects various risk factors.



On the one hand, it is a compensation for the risk of social unrest breaking out, which could jeopardize the repayment of the high debt. This factor is particularly important for European countries, especially France, whose population is particularly dissatisfied with the political system and the propensity to violence has increased significantly. This has led to the interest rate differential with Germany rising to a record high. So much so that speculation has set in that the European Central Bank could be forced to act as a buyer of French government bonds. This would entail inflationary risks that have already prompted investors to leave the euro area. As a result, the euro fell significantly against the dollar and the Swiss franc in the third quarter.

However, higher global interest rates also reflect the energy price control caused by the Iran war. However, this factor has a high probability of disappearing, as we assume that the US has every interest in finding a solution with Iran that avoids further damage to the global economy. The price for this is likely to be substantial. We consider this part of the interest rate increase to be largely transitory.

We consider the influence of the demand for capital triggered by AI to be of more medium-term or even long-term importance.

For the time being, AI requires computing power that corresponds to several times what is available today. This is why data center providers such as Amazon, Microsoft and Google are asking for capital, which can only be obtained through higher interest rates. This factor is likely to become less important over time, as capital requirements will be reduced to replacement investments in the future. However, the application of AI throughout the economy could have a lasting impact on interest rates. Namely, if the expectations of international forecasting institutes, which predict an additional productivity gain of 0.25 to 0.6 percentage points per year (OECD) or even 1.5% (Goldman Sachs), come true.

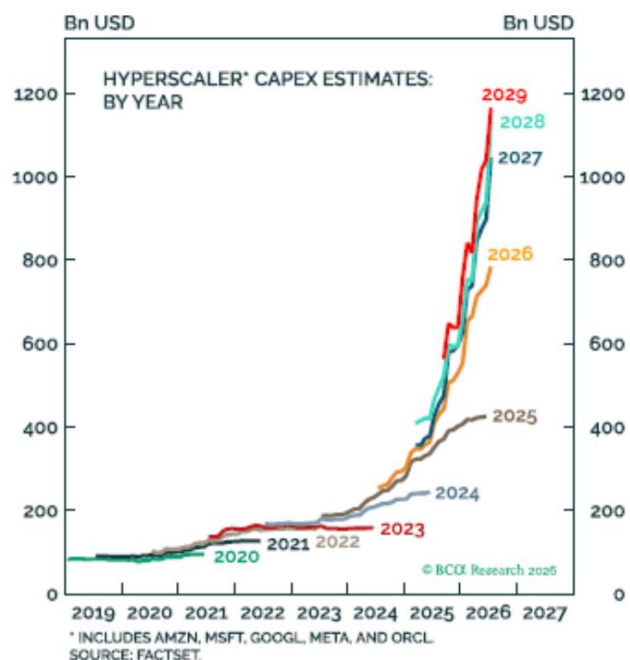
The policy initiated by Russia and the USA to replace law with power has led to a consensus to bring military spending to a higher level in the long term. This also contributes to a permanently higher interest rate level, as demand on the capital market will be permanently higher.

To the extent that the interest rate increase can be justified by permanently higher investments, the rise in interest rates must not be interpreted as an increase in inflation expectations. Rather, it means that a new equilibrium between saving and investing is being achieved on the capital market. The equilibrium interest rate would thus be raised to a higher level. The times of negative capital market interest rates should thus be a thing of the past.

Overall, the prospects for further interest rate developments do not look as negative as those media suggest, which are already speculating about the next financial crisis again.

AI is also a great opportunity for the stock markets. Although the leading companies in the AI sector are already highly valued, not all of those companies that will gradually apply AI in the next few years. In this sense, we assume that an actual basic innovation, such as electricity or the Internet, can diffuse across practically all industries. With the productivity gains, higher profit margins are also to be expected, as the reduction in wage costs through layoffs is likely to be significantly greater than the pressure on prices, as many companies have a monopolistic area in which price reductions are likely to be minimal. In the medium term, the labor market is also likely to recover.

However, the shares are also receiving a tailwind from the global legal trend. The goals of these groups include the abolition of the laws that have been created in the last two decades. This relieves companies of many environmental, social and liability requirements. In addition, there is room for manoeuvre in the areas of competition policy, which should allow for more mergers and cartels. The share of profits in global GDP is thus likely to rise further.



Overall, the environment for equities remains positive, while bonds do not show a clear trend.

Changes in investment policy are therefore not necessary. The fundamental factors – in particular the expected profits – continue to speak in favour of equities. Since periods of upheaval can be associated with considerable structural disruptions and social unrest, geographical diversification is of particular importance.

Best wishes,

Prof. Dr. Josef Marbacher & CORUM Investment Committee



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