

Input 27. 06. 2016

Good morning

Please let me share a comment received today.

«The UK took its decision. The political ramifications of the referendum on the island might be entertaining to watch but they are not relevant for the markets. In fact it's a one-off event. From a market perspective the key issue to focus on is the political cohesion of the continent. I am pretty optimistic that the impact from the UK's departure is manageable as the tone of the Brexit debate was so divisive and directed against the European neighbours that, in the end, even UK allies such as Sweden didn't show much sympathy with the UK. Only the far-right parties cheered across countries but they are not pivotal. In fact, PM Cameron had been harshly criticised for the negative tone of his referendum strategy. In this context the EU summits today in Berlin and on Tuesday and Wednesday in Brussels are important.

The European heads of states are going to discuss the strategy and timeline for the final negotiations with the UK. Furthermore, they will underpin and foster the unity of the union. Most importantly, young people in several European countries reacted as if the referendum had been a wake-up call to reflect about the achievements of the EU. If this process intensifies, the UK referendum may have some positive effects, eventually. Far-right parties will continue to fight hard and very noisy against the EU but their political weight is still moderate. Furthermore, new parties in Italy and Spain mainly focus on more socialist or regional policy elements instead of aiming for a different development path outside the Euro area or the EU. There is no UKIP in Spain, Italy or Portugal.

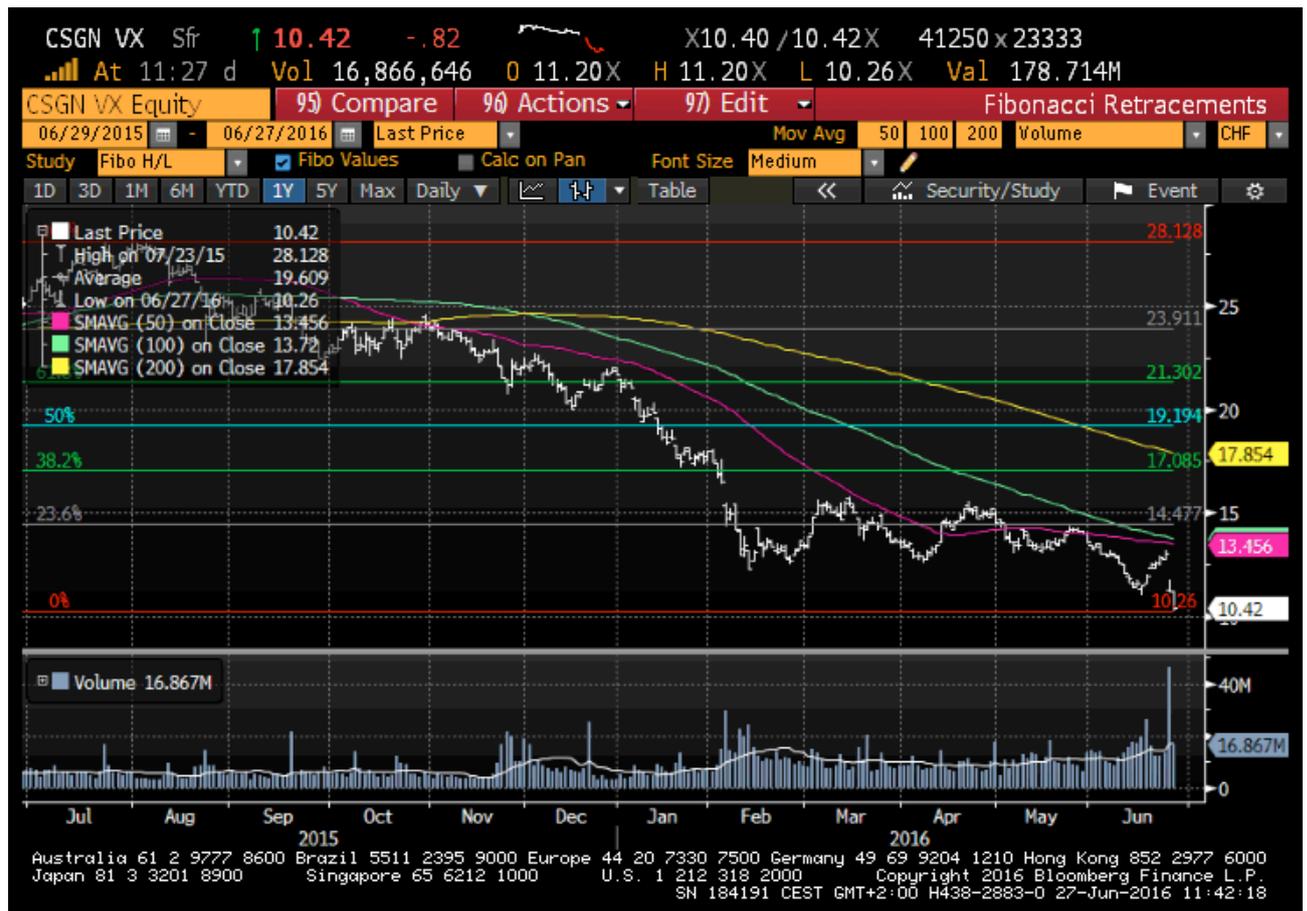
Spain's election result confirms that major parties remain in the driving seat. Yes, the influence of smaller parties especially regional ones increases and new coalition governments will emerge but they don't question the Euro or EU membership of Spain. This is really good news. Again, this was not an election about economic and political freedom but about a better social policy to manage the high unemployment rate. Due to reforms after the financial crisis economic growth re-accelerated to 3.4% in the last three quarters but the unemployment rate is still very high at 21%. (youth unemployment at around 45%). So, Spain certainly doesn't pose a challenge that is similar to the UK. In fact, this problem is far easier to solve and the EU is already doing that by giving the member states far more fiscal leeway.

In terms of economic data it's important to highlight that Germany's Ifo Business Climate confirmed a stable growth momentum and a robust outlook. The UK departure may have an impact but it is not going to change the overall positive sentiment among German corporates. Today's latest ECB lending statistics may back our view that more monetary stimulus will be needed probably by autumn. The key leading indicators for the US such as the Chicago PMI and the ISM are expected to confirm very moderate growth. This gives Janet Yellen the flexibility to postpone the next rate hike further. After the Brexit vote the timing for the next step is very unclear. It depends on the market dynamics in the coming months.»

Another interesting comment is published on <http://uk.businessinsider.com/green-eu-referendum-not-legally-binding-brexit-2016-6>, referring to the conclusion that a really crucial detail about the upcoming EU referendum has gone virtually unmentioned, and it is probably the most crucial detail: Parliament doesn't actually have to bring Britain out of the EU if the public votes for it. That is because the result of the June 23 referendum on Britain's EU membership is not legally binding. Instead, it is merely advisory, and, in theory, could be totally ignored by the UK government.

Personally I agree with the comments that markets will return back to normalization, and that last Friday's downturn was a strong overreaction. Of course it will take time to recover from the damage occurred, but the general environment of low interest rates has not changed, and superior organic growth remains fact for economies such India or China. Dividend oriented strategies will ongongly be adding value.

Interesting in the context of market recovery is to monitor recent the price behaviour of **RECKITT BENCKISER GROUP**, www.rb.com, a solid company which manufactures & distributes a wide range of products, vis a vis the example of CREDIT SUISSE; we ongongly recommend to avoid bank shares.





We are monitoring the markets daily, prefer not to sell out, but shall also to wait before adding additional market risk.

Please do not hesitate to contacting us at any times to share your view and comments.

Kind regards

Bjoern