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# What to expect in 2022



## 2021: Market Review – What Worked and What Didn't

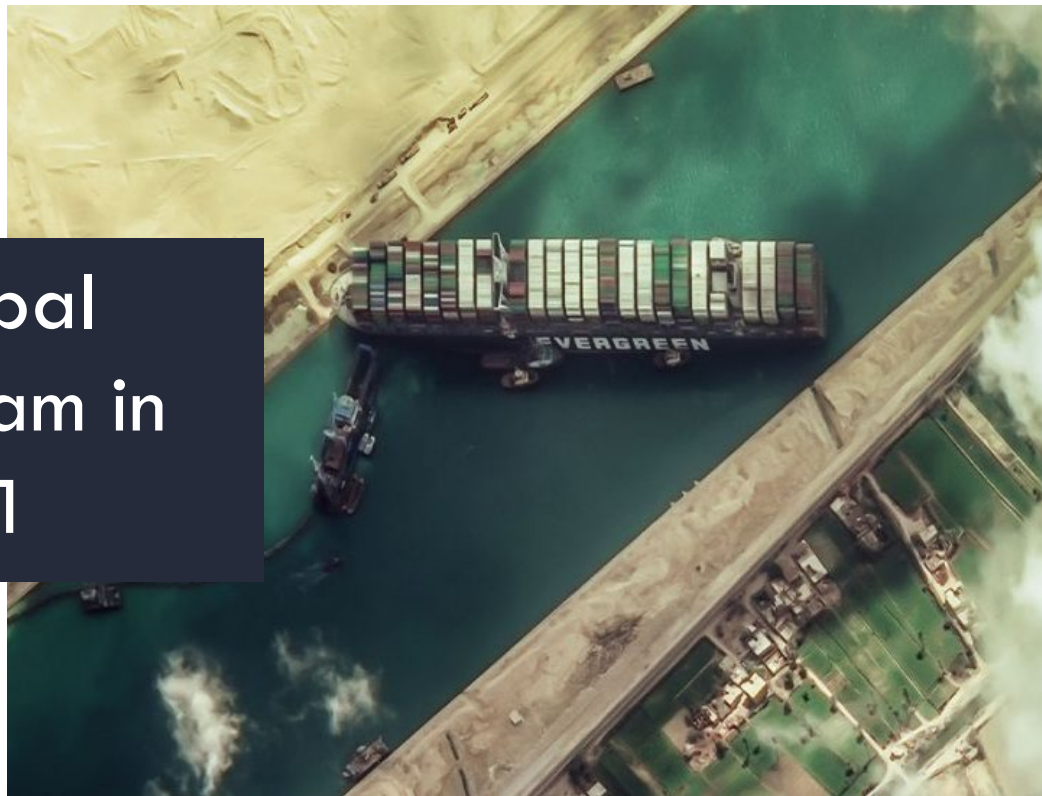
Article by *Markus Polz*

In 2021, the "Corona" theme continued to dominate global politics, economy and the international stock markets. World politics fought against the spreading Delta and Omicron variants with broad vaccination campaigns. **The economy continued to recover in 2021**, but still had to pay tribute to the increasing globalization of recent years (decades), as supply chains remained vulnerable and international production could not keep up with demand.

The recovery of the global economy also led central banks to consider a policy shift, raising the specters of **inflation** and increasing **volatility** in equity markets. Overall, the **stock markets showed a mixed picture**. While the American and European stock markets were quite bullish, the Asian stock markets even showed bearish tendencies, as in China.



# A Global Traffic Jam in 2021




## Megaship Evergreen stuck in the Suez Canal causing massive gridlock and other events that shaped 2021

When the container ship Evergreen blocked the Suez Canal in March, supply chains around the world were delayed. Cargo ships jammed up at the ports waiting for entry or had to accept longer travel routes. These delays were also felt by consumers, especially with waiting times for electrical goods and furniture.

The strict Covid-19 entry controls in Chinese ports caused supply chain issues to flare up in the months that followed, underscoring the **importance of China** and its policies to the major Western powers. Internationally active corporations, as well as small and medium-sized enterprises, are likely to take this event as an opportunity to give their supply chains a stronger regional orientation once again in the long term.

Just-in-time dependent industries such as the automotive industry are likely to accept the higher costs associated with the "onshoring" of supply chains to be able to reduce production losses and cutbacks. **In the new year, the topic of "logistics optimization" is therefore likely to be increasingly on the strategic agenda.**

Image Source: <https://www.euspaceimaging.com/suez-canal-egypt-satellite-images-show-stuck-container-ship/>



## Semiconductor sector expected to boom in 2022

Closely linked to the supply chain problem was the **shortage of semiconductor products** last year, partly as a direct consequence of the rapid global economic recovery. Sectors that cancelled orders for their semiconductor products in

2020 due to Covid-19 (mainly machinery and vehicle producers) now fell behind in production and were at a disadvantage in chip allocation compared to profiteers such as consumer electronics. **This chip shortage will continue in the new year** and world's few contract manufacturers of semiconductor products should therefore continue to experience **a boom in 2022** and be quite willing to exercise their pricing power.

## Real Estate Cautions

On the political side, the focus was on fighting Covid-19 and supporting the economy. On the fiscal side, large-scale financial support measures were announced, like US President Biden's multi-billion-dollar infrastructure program. Private households continued to take on debt at a high rate. Anyone who followed the development of real estate prices last year gets a good idea of where large parts of the new debt in the private sector went.

This development has apparently also caught the attention of the German financial supervisory authorities and **banks will have to increase their capital buffers** to be able to cope with the increased valuation risks in the real estate market. The **real estate crisis in China**, which originated in the difficulties of the largest real estate group **Evergrande**, may have served as a cautionary tale here.



## Growth Stocks in 2022

Even though pessimistic issues continued to dominate 2021, the bottom line is that it was a **successful year for equities**. The European and U.S. equity markets gained around a quarter. **Commodity and real estate investors were also quite satisfied**, with the value of their investments increasing by more than a third in some cases.

For the new year 2022, we expect that investors will increasingly allocate capital in favour of value stocks and **realize gains in growth stocks** - this trend is already apparent in the first days of 2022.

In terms of valuations, we see catch-up potential for the European and Asian equity markets. From a sectoral perspective, growth industries should recover from the initial profit-taking in the new year by the second half of the year at the latest and the equity market should have adjusted to the recessionary central bank policy. Overall, however, **volatility on the equity markets is likely to remain high**, as Covid-19, China, inflation and also political flashpoints such as the China-Taiwan or Russia-Ukraine conflict will continue to be an issue in 2022.

### 2022: An Outlook

**We remain positive on equity markets for 2022.** A good mix of growth and value stocks as well as thematically and regionally selected **sector investments** remain the core of our portfolio strategy. For precious metals, we expect a recovery in value in the new year that is (in our opinion) months overdue and therefore remain invested.

To manage the market risk and the equity ratio, in addition to a higher cash ratio, a shift into **convertible bonds and inflation-linked bonds** will be made selectively in the new year.

As a superior goal, however, we wish all our customers, business partners and interested parties a successful and healthy year 2022.



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