

Stagflation Continues



The German economy is failing to return to a path of growth. Most recently, the federal government was forced to withdraw its economic growth forecast. Considering the enormous debt-financed spending programs with which the state is attempting to stimulate the economy, one can easily imagine the true state of the economy's internal momentum.

At the same time, it is striking that after many years of denial, the truth is slowly beginning to emerge in certain areas of policymaking. Ursula von der Leyen has now openly acknowledged that Germany's rapid nuclear phase-out was a strategic mistake. For a long time, such statements were unthinkable due to fears of strengthening the Green Party further and out of loyalty to former Chancellor Merkel. Yet the entire world has been laughing at Germany's energy transition for years. And now Chancellor Merz has publicly stated for the first time that the state-financed pension system, given the disastrous demographic outlook, can only represent a basic component of retirement provision. Meanwhile, it has been clear for decades that the so-called intergenerational contract was bound to fail spectacularly.

If one follows the Gospel of John, where verse 8:32 states that "the truth shall make you free," one might hope that now, with the truth finally out in the open, substantial reforms could begin immediately; at least in theory. But a look at the federal government's timid reform efforts reinforces the doubts of all skeptics. Every reform proposal is immediately denounced as unreasonable and comes under heavy attack, even from within the government itself. That the opposition has little interest in reforms is consistent with its self-image as a fundamental opposition force.

The Chancellor fell victim to a fatal misconception. At the beginning of his term, Friedrich Merz believed that the malaise of the German economy was primarily psychological in nature. Through optimistic messaging and upbeat

rhetoric, the Sauerland native initially sought to break the economy's lethargy. This approach has failed just as comprehensively as that of the perpetually governing SPD. The Social Democrats had hoped to get the economy moving again through massive debt accumulation; in vain. As a result, the illusion that Germany could continue muddling through without reforms, as Mrs. Merkel had demonstrated for sixteen years, is gradually evaporating.

A particular tragedy and irony for the SPD lies in the fact that the party of industrial workers has for years been driving forward the deindustrialization of German heavy industry with enthusiasm, vigor, and remarkable economic ignorance. Unfortunately, the SPD missed its historic opportunity under former Chancellor Schröder to become a modern

people's party grounded in economic rationality. Today, the Social Democrats are little more than a pale imitation of the Greens and the Left Party.

Meanwhile, the CDU remains unable to step out from the shadow of its former Chancellor. The disastrous policy mistakes made by Mrs. Merkel in energy and migration policy now appear impossible to fundamentally reverse. Unlike in those days, however, the Uni-

ted States is increasingly turning away from Europe. And the EU has never evolved beyond the status of a loose and largely impotent confederation of states.

Against this bleak political backdrop, global equity markets stand out as the positive exception. Despite all the distortions and upheavals, markets have recently approached their previous record highs once again. One could almost speak of an emancipation of

the stock markets from the world's macroeconomic problems. Accordingly, the LOYS funds delivered a strong April, with LOYS Philosophie Bruns once again standing out in particular.

Your fund manager and co-investor



Dr. Christoph Bruns

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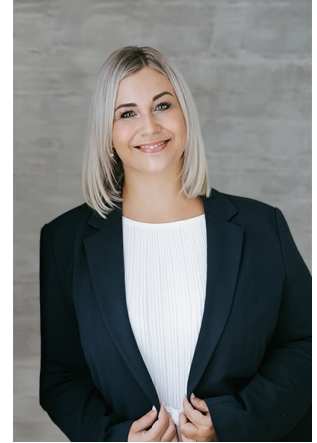
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