

A Robust First Half for Equity Markets



The first half of this year was politically and economically turbulent. Who would have thought that a new war in the Middle East would trigger a temporary oil transport crisis? And who would have thought it possible that Ukraine would increasingly extend the war there into the Russian heartland?

Moreover, debt-financed hopes for a return to economic growth in Germany have been bitterly dashed ever since it became clear that the CDU/CSU and SPD coalition government would rather bicker than implement reforms.

A look at the stock market results for the first half of the year paints a much more favorable picture. As in the previous year, Japan's Nikkei 225 Index led the pack among the major economies with a first-half gain of just under 40%. Things were far more spectacular on secondary markets such as South Korea and Taiwan. Led by a booming semiconductor industry, stock prices on the Seoul Stock Exchange nearly doubled. It was also chip stocks that set the pace on Wall Street, lifting the S&P 500 by 10%. European stock markets were not to be outdone. The broad EuroStoxx 600 also gained about 10% over the first half of the year.

Once again, strong corporate earnings fueled the upswing, with computer hardware performing

particularly well over the past six months. The price performance of Infineon and Elmos Semiconductor, for example, illustrates the momentum in chip stocks. The former Siemens subsidiary saw its stock price rise by 100% over the half-year. Elmos's stock price rose by approximately 75%.

The situation on the interest rate market was less dynamic. While the European Central Bank raised key interest rates from 2% to 2.25% in response to high inflation, long-term bonds saw falling prices over the past six months, causing the current yield on German bonds to rise to 2.9%.

The euro experienced a slight decline over the past six months. The euro weakened against the U.S. dollar, the Chinese yuan, the British pound, and the Swiss franc. The situation was particularly dire for cryptocurrencies, with Bitcoin taking a beating, falling by 30%. Other cryptocurrencies—of which there are now thousands—fared even worse.

Meanwhile, gold and silver prices were among the negative surprises. Both precious metals abruptly ended their previous surge and suffered sharp price declines despite the global crises. Primary energy sources such as oil, gas, uranium, and coal fared better, with prices rising significantly in some cases.

The second half of the year, which has now begun, is likely to depend on whether Germany finally succeeds in curbing the decades-long unchecked expansion of the state and leaving it to the markets to determine the allocation of resources for heating systems, car engines, and so on. Above all, a more intelligent energy and industrial location policy is needed to halt deindustrialization. Your fund manager and co-investor

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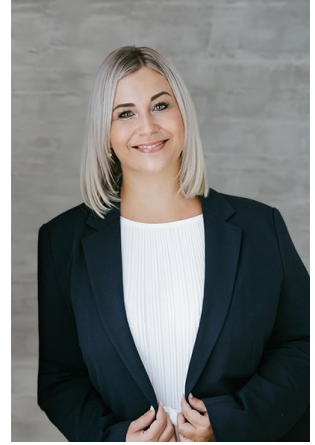
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