

CityWire

Banor: 4 risks that could topple the markets

by the editorial team 22 June 2017



“There is no doubt that the stock market has had the star role in the first six months of this year. However, there is also no guaranteeing that this will continue in the second half”, explains **Luca Riboldi**, senior investment manager at Banor.

“Global stock markets have been performing strongly since the beginning of the year, and have continued to rise throughout the second quarter, too. A virtuous circle that has been kept in motion so far by good corporate results, as our first quarter figures for 2017 show, by the ultra-expansionary monetary policies of central banks, and by low inflation”, he pointed out.

“This virtuous circle that the markets have entered could be broken by a recession, by a rise in real interest rates, by deflation, or by high inflation. This means that we need to invest prudently between now and the end of the year”, says Riboldi.

But what exactly are the risks? The wealth management and high-net-worth advisory company has drawn up a short list.

- **A slowdown in the US economy:** US macro data for April 2017 to early June 2017 show a weakening of growth and hence a flatter yield curve.
- **A rise in real interest rates** as the major central banks gradually abandon ultra-expansionary monetary policies. An increase is inevitable in the medium-to-long run but may not take place as fast as was

thought, even though the Fed already envisages three rate rises before the end of the year.

- **Deflation or high inflation:** both are bad for the stock market. High inflation is usually followed by multiple compression on the markets, while deflation would make it difficult for companies to grow.
- **Political risk:** the greatest risks stem from global political uncertainty. We are monitoring very closely the potential trade tensions between the US and China and the US and Germany, the political situation in the US and the Middle East, and the risk of terrorism, which is a central concern.