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"It's the economy, stupid!"

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Once again, the insight coined during Bill Clinton's campaign is proving true: Not only the outcome of US presidential elections but also the direction of the stock markets is primarily determined by the economic trend. This gives reason for optimism.

"It's the economy, stupid!" was the defining message in the 1992 US presidential campaign. Bill Clinton's team expressed that ultimately, it is the economic trend that determines whether voters are satisfied with a government and whether they will re-elect or vote it out. Similarly, in the current race for the White House, voters' subjective perception of their personal economic situation is likely to play a decisive role. Although the US economy is booming, unemployment is low, and job security is high, the cumulative price increase since 2020 of over 25 percent for everyday goods and services has hit the socially weaker groups hard. This is likely to be the decisive factor for undecided voters in choosing between another four years of Democratic policy or a change.

But not only for the election outcome, also regarding the future course of the stock markets, it can be said: "It's the economy, stupid!" Even if many investors may feel that the world is completely off track due to numerous geopolitical shock reports, historical analyses show that markets are primarily driven by economic fundamentals. What matters is whether the economy is growing; whether inflation is under control, allowing interest rates to be lowered; or whether corporate profits are sustainably increasing. All of this is present in the current environment. The profits generated by publicly listed companies worldwide are expected to grow in the high single-digit percentage range this year and next. The current reporting season confirms this. In the US, an above-average number of companies have exceeded analysts' earnings estimates by the publication deadline. Once again, the profit growth of technology companies in the third quarter of this year is significantly higher than in the rest of the economy. US financial stocks are also reporting solid profit increases. In Europe, an above-average proportion of companies seem to be exceeding market expectations, even though the reporting season on the old continent has just begun. The picture is somewhat more mixed than in the US, but comments indicate that companies view the economic situation in Europe slightly more positively than in the second quarter.

Given this solid economic fundamental picture, we continue to find equities Attractive. We favor US stocks, which should continue to benefit from the dynamic development in the technology sector. In Europe, we find the attractively valued small- and mid-caps of the Eurozone, as well as the consumer staples, IT, and utilities sectors, attractive. In Switzerland, high-quality Swiss dividend stocks are among our preferred themes. In Asia, we like markets that particularly benefit from high demand in artificial intelligence, focusing on South Korea and Taiwan, as well as the stock markets in Hong Kong, India, and Indonesia.

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