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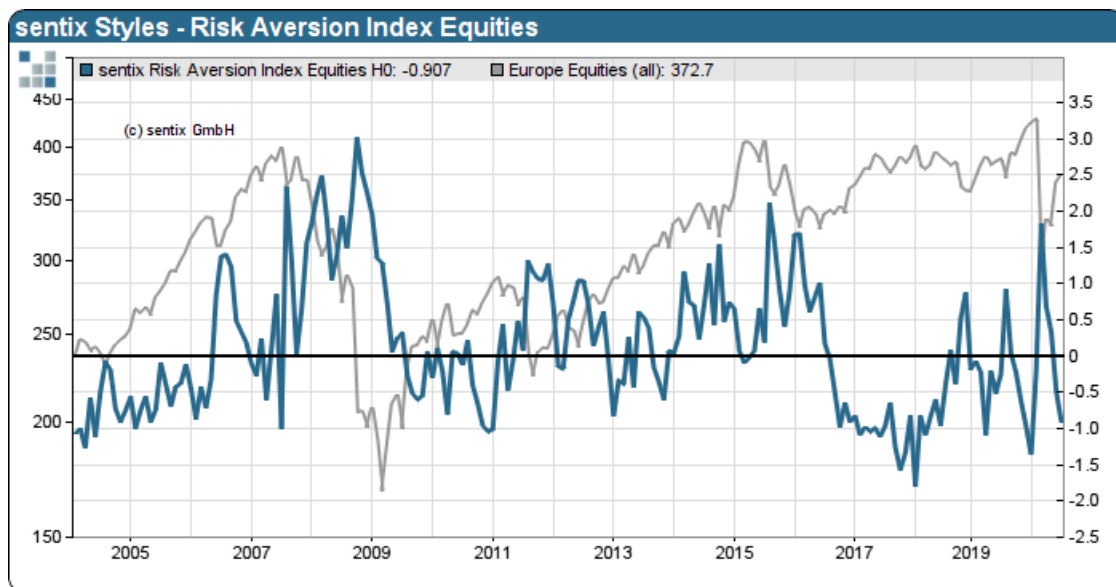
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Significant increase in risk appetite

In the last few days, the stock markets have regained momentum and extended their recovery movements, which began in mid-March at the peak of the Corona crisis. This price rally coincides with a seasonally typical positive time window, namely the first half of July. Will the upswing continue or will the usual summer correction follow?

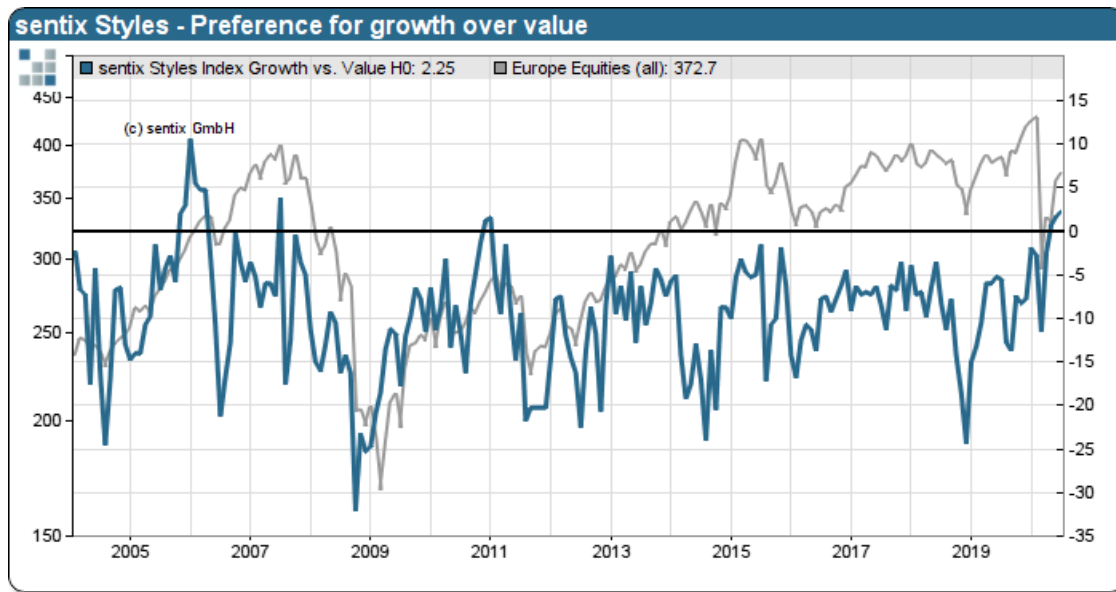
Let us stay with the seasonality at the beginning of our analysis. Depending on the index, the seasonal peak lies between 15 July and 31 July. The months of August and September, on the other hand, are characterized by below-average performance, with some indices such as the DAX showing a falling trend. It is therefore worth taking a closer look, especially now.

The two biggest price supports of the last few months, bad sentiment and underinvestment by investors, have lost their main force. In both cases we measure a neutral situation in the corresponding sentix indices. This does not mean that price risks must arise immediately. However, the market needs new groups of buyers for a further rise. Rising basic confidence would be an indication of such new groups of buyers. But here there is a lack of indication.



sentix risk aversion index and Stoxx 600 price index

Instead, we measure a significant increase in investors' appetite for risk. The sentix Risk Aversion Index falls to -0.9 standard deviations. This is the lowest risk aversion this year. So while the portfolios have a relatively neutral orientation, the portfolio components are comparatively offensive. Growth stocks in particular are currently in high demand among investors. The corresponding sub-index is rising to +2.25 points. This is the highest value since 2007!



sentix Styles – preference for growth over value and Euro Stoxx 50 Index

But the risk appetite can also be seen in another sentix index. The preference for dividends, which has been dominant for years and which has found its way into investors' pockets in the wake of the global fall in interest rates, has been wiped out since the outbreak of the Corona crisis.

It may be that this seems somehow logical in view of falling dividends or even the complete absence of dividends, as is the case with bank shares, for example. But in general a preference for price gains over dividends is more an expression of speculative investment behaviour. And it does seem a bit bold to expect the possibility of sustainably lower dividends on the one hand and to rely on compensation through price gains on the other. Just as if there were no fundamental reason for the omission or reduction of dividends.

The renewed spread of risk appetite comes at an inopportune time in the calendar. Against the backdrop of the negative seasonal profile for around 60 trading days, we take a rather critical view of any hint of bullish sentiment. The current news situation with the agreement of the EU heads of government on the billion-euro Corona aid program could turn out to be the conclusion of the upward trend that has lasted for about three months.

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