

# The NewsLine

February 6, 2018

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## FINANCIAL MARKETS

### No reason to panic

The recent collapse in the stock markets confirms expectations that the year 2018, which is likely to bring further interest rate hikes by the US central banks and the first steps towards normalization of monetary policy in the eurozone and Japan, will be accompanied by sharp fluctuations in prices.

Slightly higher wage and inflation data in the USA have been sufficient to trigger new interest rate fears. It is gradually being accepted that the period of largely unlimited market support through monetary policy is coming to an end. In fact, a normalization of monetary policy will inevitably be accompanied by interest rate hikes on the capital markets, but central banks also have ways and means of preventing excessive losses in bond prices. For this reason, no fundamental revaluation of equities and other risk-weighted assets is required solely because of interest rate expectations. Their valuation rather hinges on future growth of the global economy. The slight rise in interest rates will not put an end to this growth. Central banks should not be deterred from their normalization course and should give inflation expectations a stable anchor. The greater danger is that the economic cycle will cause prices and price expectations to rise sharply and that the central banks will have to intervene hard. If this is not prevented, the latest share price developments can be seen as a foretaste of future turbulence.

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## ABOUT ALLIANZ

The Allianz Group is one of the world's leading insurers and asset managers with more than 86 million retail and corporate customers. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance. Allianz is one of the world's largest investors, managing over 650 billion euros on behalf of its insurance customers while our asset managers Allianz Global Investors and PIMCO manage an additional 1.3 trillion euros of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we hold a leading position in the Dow Jones Sustainability Index. In 2016, over 140,000 employees in more than 70 countries achieved total revenue of 122 billion euros and an operating profit of 11 billion euros for the group.

These assessments are, as always, subject to the disclaimer provided below.

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The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the euro/US-dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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