Commentary on the current investment policy situation

# Trump's geostrategic policy is showing contours

## Transatlantic relations under scrutiny

With the scandal of the talks between Trump and Zelensky in the White House at the end of February, it has become clear that Trump is willing to conclude an agreement with Putin that takes into account the balance of power between the partners involved. Only the USA and Russia are partners. Europe's attempt to bring itself into play with its own peace plan testifies to an understanding of reality that has Kafkaesque features. Trump made it clear to Congress on Tuesday that he alone is capable of making peace. Zelensky would have written him a letter in which he pledges to accept the transfer of raw material reserves demanded by the United States. It does not provide for security guarantees or participation in the peace negotiations. Trump lent weight to his demand by stopping all US deliveries to Ukraine. After all, he did not immediately announce his withdrawal from NATO before Congress.

Nevertheless, even for the most convincing transatlanticists, it should have become clear that there is no way around an independent security policy. The defence of Europe must be possible both on land, at sea and in the air without the USA. This also includes deterrence through its own nuclear umbrella. All this costs money, a lot of money.

It is gratifying that the intended government coalition of CDU/CSU and SPD has already presented a plan on Tuesday that aims to achieve this goal. Brussels issued a Europe-wide declaration of intent on the same day. To this end, the debt brake will be relaxed, as these are cross-generational investments. The Republicans are also serious about implementing the tariffs. They hope that this will generate additional income at the expense of their trading partners. This is likely to succeed at least in part, as not all exporters will be able to pass this tax on to American customers. However, these effects are of little importance for the economy as a whole. Global GDP is likely to be less than half a percent lower as a result. The impact on inflation is also likely to be small, even in the US, as tariffs are a one-off effect. It is of a transitory nature. Of course, the situation is different for individual countries, sectors and companies.

Overall, we estimate the macroeconomic effects of the security policy programs to be significantly higher than the growth-inhibiting effects of the tariffs. The former are actual economic locomotives. In addition, we must not forget that the Republican turn still has a lot in store for companies. This includes the transformation of the state apparatus into a tool of government policy. Many positions will remain refilled or be filled by loyal party members, as we have already seen under Trump 1.0. In many cases, the implementation of existing laws is likely to be dispensed with due to a lack of resources. New laws that restrict the freedom of companies are hardly to be expected. Overall, companies' room for manoeuvre is likely to increase significantly. Significant tax cuts for companies are also planned.

All of this is likely to maintain or even increase the value of companies: a primary goal of the Republican program. How long such a program can be carried out is an open question. We will know the answer by the midterm elections at the latest. However, these are still far away. In the meantime, we will probably have to expect surprises to the downside and the upside. Investment policy volatility is therefore likely to remain elevated. Investment policy activism is not justified by this

We remain at a neutral level for equities with a slight underweight in Europe in favor of the USA. The scope for interest rate cuts has become smaller globally, but it still exists. We therefore leave bonds slightly overweight.

So much for the current, restless situation.

With warm greetings

*Prof. Dr. Josef Marbacher & CORUM Investment Office*