



Missed the program? ▶

**INTERVIEW** turbulence on the stock exchanges

"The banking crisis takes place in people's minds"

Status: 03/16/2023 2:21 p.m

In an interview with tagesschau.de, the Swiss asset manager Mojmir Hlinka explains the psychological mechanisms behind the banking crisis. He is convinced that the central banks have learned something new since the Lehman bankruptcy.

tagesschau.de: Mr. Hlinka, Credit Suisse has kept the financial markets in suspense. After the rescue operation of the Swiss National Bank SNB, is the crisis at Credit Suisse now over?

Mojmir Hlinka: The worst risks at Credit Suisse have been averted for now. It is important to emphasize that CS was not the innocent victim of a global banking crisis. The homegrown problems at the CS have been known for a long time. Credit Suisse got into this precarious situation through its own fault, from which it had to be rescued. This was primarily a failure of management, not the market.

To person

Mojmir Hlinka is CEO of the independent Swiss financial advisor and asset manager AGFIF International and an expert in behavioral finance. This branch of economics deals with the unconscious behavioral tendencies of investors, i.e. with the psychology behind market events.





"Too big to fail"

tagesschau.de: How important was the intervention of the SNB, how precarious was the situation?

Hlinka: The courageous intervention of the Swiss central bank saved the market a lot of pain. The SNB is an institution that is very credible and enjoys great trust in the markets. By acting so early, before too much damage has been done, the SNB has definitely brought some calm to the markets.

tagesschau.de: Credit Suisse is considered "too big to fail", i.e. too important for the global financial markets to let them go bankrupt. What would be the consequences of bank failure?

Hlinka: The reason why the Swiss National Bank acted so boldly was because it answered the question of systemic importance at Credit Suisse with a very clear yes. Profits are privatized, losses are socialized - that is the path that indisputably had to be taken in the case of CS. An uncontrolled collapse of CS would definitely have had a huge impact and dragged numerous institutes into the abyss. In the case of Credit Suisse, the risk of global contagion is enormous. That is also the big difference to Silicon Valley Bank, for example, which is not so well networked in the global financial system.

"Really no need to panic"

tagesschau.de: You are an expert in behavioral finance. If you review the recent turmoil in the financial markets, what psychological mechanisms were at work?

Hlinka: First and foremost, the market reactions are likely to be due to the so-called availability bias. As a result, we primarily use the information that is particularly easily available for our decisions. Many private investors allow their investment decisions to be influenced by media coverage.

And all the media, including tabloids and others that otherwise never report on financial issues, suddenly spoke of a global banking crisis à la Lehman. In fact,



rationally speaking, there was no reason to panic. The banking crisis is currently more in the minds of investors than a real danger. But panicked selling by investors in turn has what it takes to plunge the market and ultimately companies and the economy into a real crisis.

tagesschau.de: The financial crisis showed where a crisis of confidence in the markets can lead. Even now, investors seem to have started pointing fingers at individual banks again. Do you see any parallels to 2008 or the savings and loans crisis in the 1980s?

Hlinka: The parallels to earlier banking crises are obvious. Above all, the reactions of the markets are similar. As in 2008, Credit Suisse's problems began with credit default swaps (CDS). Insurance costs for Credit Suisse default risk had skyrocketed, even more so than during the financial crisis. So, once again, it's primarily a trust issue; investors no longer trusted CS and were already preparing for bankruptcy.

Did you draw the right conclusions?

tagesschau.de: Did we learn from the crises of the time? Have the financial markets become safer since then?

Hlinka: For the moment it seems as if the central banks have drawn the right conclusions from Lehman. You have learned that market psychology is immensely important. They have learned the importance of intervening early and creating stability. This is the only way to avoid a chain reaction, a domino effect, on the markets so that real panic does not arise in the first place. Because it is difficult to control and catch again.

That is why it was so important that the US government immediately put a net over the Silicon Valley Bank and that the SNB took immediate action at Credit Suisse. These were very important steps that strengthened investor confidence, based on the motto: the central banks and governments will get the problems under control.

Warning of further rate hikes

tagesschau.de: The bankruptcy of the Silicon Valley Bank and other small US institutions triggered the nervousness on the financial markets in the first place. How could it come to this?

Hlinka: At the beginning of the year everyone was talking about an exaggerated rally. In the meantime, the rally at the beginning of the year has completely evaporated. The problems at individual US banks were apparently a welcome excuse for many investors to withdraw from the market. The Silicon Valley Bank has a very special business model that cannot be transferred to other large institutes. In general, however, the market no longer seems capable of compensating for these completely excessive interest rate hikes by the central banks. The market has not learned to deal with a rise in interest rates of such historic proportions.



tagesschau.de: In your opinion, why are the interest rate hikes by the central banks not effective?

Hlinka: Corona and the Ukraine war were the reason for the explosion in inflation rates. In the meantime, however, the situation has changed completely: Corona is behind us and energy prices have fallen massively. The base effect alone, i.e. the comparison with the high inflation rates of the previous year, should ensure that in the coming months we will soon be talking more about the danger of deflation, i.e. falling prices, than about the risks of inflation. In the USA in particular, it is high time to take a break from interest rates.

Overreaction hits bank stocks

tagesschau.de: In this country, Commerzbank and Deutsche Bank were also taken into custody, the shares have slumped in double digits in the past few days. Is this a market overreaction?

Hlinka: Absolutely. Everything that smelled like bank was sold off. For the moment, the German institutes are very well positioned. When rationality returns to the market, investors will again differentiate more clearly between banks that are experiencing problems and banks that are in a solid position. In contrast to the US institutions, European banks have clearly failed to make money in the low-interest environment. Investors who value substance and dividends will not find anything here. This is also one of the reasons why we ourselves were not and are not invested in banks.

tagesschau.de: There is a saying on the stock exchange: Buy when the cannons are thundering. Do you already see entry opportunities for courageous investors, or is it still too early for that?

Hlinka: We're being very careful, because the four most expensive words on the stock market are: "Everything's different this time." While we're not seeing a Lehman moment in the markets right now, the volatility is so high that it's easy to get caught on the wrong foot. So now is not the time to blindly hit the buy button. However, shares in high-quality companies can certainly be bought in the event of setbacks. I firmly believe that the stock markets will be significantly higher at the end of the year than they are now.

The interview was conducted by Angela Göpfert, tagesschau.de.

[Back to home page](#)



© ARD-aktuell / tagesschau.de

