



THE ECONOMY IS REBOUNDED

At the beginning of the year there was great optimism on the stock markets and at the end of the Q1 it's possible to confirm that the expectations were not wrong.

The post-pandemic economy is in great recovery. The S&P 500 companies are recording their highest rate on profit growth in more than a decade and, in general, their profits have largely exceeded forecasts for the first three months of the year.

Vaccination campaigns & Consumption

The optimism is visible on several levels. Vaccination campaigns are advancing with great strides in much of the world, with China, United States and England in the lead.

In America, where the Coronavirus hit the population hard, about 55% of citizens have already received the first dose of vaccine. Given that US economic trends often influence later Europe as well, it is relevant to point out that American unemployment is also progressively decreasing.

Consumption, which is a main indicator, is also increasing, reaching, according to Forbes, pre-Covid levels.

This illustrates a newfound confidence from consumers as well as the desire to shake off the anxiety and anguish of the last pandemic year. It is not possible to say if the recession triggered by Covid-19 is over yet, but earnings and profits coupled with a growing market suggest that the worst seems to be behind us.

Inflation and volatility: the big question marks

The only feature that continues to generate some concerns is inflation, due to the possible bubble on the stock markets it might cause.

The Fed's Chairman himself, Jerome Powell, recently commented that "parts of the markets are a bit frothy" without specifying which ones.

Analysts remain vigilant on this point, trying to estimate when inflation could really come into play and cool the markets, although many think it will take a few more months before the Fed significantly raises interest rates.

Another worry appears to be volatility, especially after US President Joe Biden's statements about corporate income tax hike, which could destabilize stock prices.

"The Great Rotation"

In any case, strategists' opinions regarding the coming months remain generally positive, with the markets keeping climbing for the first part of the year (especially equities) and perhaps a possible slowdown towards the end of 2021.

Investors continue to prefer value stocks instead of growth stocks, slowly abandoning Tech and "stay at home" securities for more defensive or cyclical positions that have been almost completely forgotten since the beginning of the Pandemic.

Energy and financials are still included in the top picks.

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