Quant & Partners
financial services

June 2021 Newsletter

JUNE MEANS REOPENINGS

June has arrived, mass vaccination to curb Covid-19 continues both in America and in Europe at fast pace. Other governments, besides the US and the UK, are slowly starting to loosen restrictions.
Reopenings are announced almost everywhere.
We leave behind the lockdowns that have raged for more than a year, we think about holidays and above all the economy recovery.

International trade and global industrial production have moved above their pre-pandemic levels and a synchronization pickup in growth is expected in advanced economies for the second half of the year.

China, for its part, has completed its post-pandemic recovery after a period of double-digit growth in industrial production and retail. Indeed, the authorities have begun to reduce fiscal and monetary support.

The volatility role

On the stock markets front, May was an effervescent month.
According to analysts, the same trend is expected for the month of June, historically considered as a notoriously weak month for the stock exchanges, comparable, in terms of performance, only to September, the worst of the year.
They all seem to agree that volatility will continue to play a leading role.

Inflation and employment

Two other factors remain a question mark: the inflation threat and the employment growth.
The not yet sufficiently positive data of the latter, if prolonged, could make the market nervous.
The fear of inflation seems to be the most painful issue for the near future, and no one can really predict what will happen on this front in the coming months.
Precisely for this reason, the Fed meeting in mid-June is considered as the event of the month.

For months, the Fed itself has been trying to reassure the markets about its inflation tolerant policy, hoping for a steady economic recovery.
However, if at some point the Federal Reserve will consider inflation too high, there is the risk of a rise in interest rates, an aspect that could cool the markets as well as being prerogative for an increase in costs for companies and for less liquidity.

Despite this, the prospects for the next few months cannot be considered pessimistic, the market remains bullish.
The advice is therefore to prefer stocks to bonds, and among these, the top performers for several months now: energy, financials, materials, tech and industrials.

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