END OF THE YEAR: REVIEWS, OUTLOOK, NEW UNCERTAINTIES

Here we are in December.
Holidays are looming, the end of 2021 is near.

Until a few weeks ago it seemed that everything was recovering, from schools to back to work, passing through the economy.

Vaccination was pressing in much of the world, and all bode well for 2022.
The pandemic was beginning to fade into memories of 2020, almost far away, if not for masks, social distance in shops and PCR tests for boarding on the airplane.

In November, the financial markets started well too but then they ended badly.
The S&P 500 had fallen 2.9% last month.

Prospects for 2022 were great at all levels.
Many analysts were convinced that next year would bring only growth: solid demand, a supportive fiscal and monetary policy environment and, above all, a relaxation of Covid restrictions, which would have made possible to relaunch the sectors most mistreated by the pandemic, such as tourism and travel.

Then came the Omicron variant

After the Delta variant, which dominated much of 2021, here is the arrival of the new Omicron mutation.

There does not seem to be clear data regarding this umpteenth variant, but many governments have succumbed to panic, by reintroducing more stringent measures as well as pushing particularly hard for the third dose of the vaccine.

Financial markets, sensitive as always, have reacted nervously.

The Omicron variant adds to other worrying factors as rising inflation, concerns about upcoming Fed policies and supply chains disruptions mainly located in Asia.

What to expect from the markets for the month of December?

The uncertainty that hovers over the shoulders of investors for this last month of the year is palpable and might ruin the holiday period for many players in the stock market.

At the same time, it must be admitted that 2021 was good, if not very good, for finance.

The year, however, will close with many doubts and some steps behind the total reopening of the economy.
All this will cause more volatility, typical of hesitation moments.

By now, the Fed does not seem to consider the Omicron variant as it should and there is the fear that higher inflation may no longer be considered only transitory.
In any case, analysts are convinced that inflation and supply chains disruptions problems will remain dominant in 2022 too.

Investors are advised to take a tactical and diversified approach in portfolio management, both in buying and selling decisions, without forgetting a current practice for the month of December: tax-loss harvesting.
It is assumed that this year may even be more interesting than usual given that a tax increase in US is expected for 2022.

Equities continue to be preferred over bonds, focusing on utilities and energy stocks and in general, on dividend-protected securities.

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