



## **HERE WE ARE: JANUARY 2022.**

### **How did we get there?**

Uncertain this is exactly how we felt throughout 2021 and much of 2020. The Covid-19 pandemic still dictates the law. The virus has not only claimed victims, it has put pressure on health systems and governments, slowed down all our activities and, above all, has crept under the skin of our daily life in a very treacherous way.

At the beginning of the year, it is traditional to make predictions. For 2022, few dare to say whatever. The classic statement seems to be: "we do not know" and this is true for almost every context relating to the near future.

Fortunately, there are always some incurable optimists, who say that with the arrival of spring the pandemic will become endemic only, that the disease's course will be increasingly mild and that Covid will be simply included in the typical flu viruses.

A common cold and we will forget it more and more as the months will go by.

In this moment, however, an explosion of cases is observed in Europe and in the US. The contagion numbers are impressive, despite the double, sometimes triple, vaccination.

People continue to get sick, in a lighter but constant way. If hospitalizations and deaths regress, the same cannot be said for the numbers of those forced into isolation and quarantine.

Governments are torn between the introduction of new measures and the fear of blocking entire production and supply systems due to housebound.

### **In this chaotic and uncertain context, what should we expect from the markets for this year?**

Analysts seem to agree: the unprecedented upward trend experienced throughout 2021 will subside (in the year that has just ended, the S&P 500 rose in excess of 27%).

General conditions will remain good, but returns will be more moderate.

Risks and volatility will increase, but at the same time so will the opportunities.

The dominant theme that will affect the markets most, beside the Covid pandemic, will be inflation and the Fed's policy, which will be closely linked to evolution of both previous factors.

Again, the most optimistic believe that the inflation, already riding, will be just temporary, thanks to the gradual easing of the pressure on the supply chains.

Some estimate the normalization of the inflation by mid-year.

This, obviously, will comfort consumption in general.

Another element that should not be underestimated by investors will be politics and in particular the BBB (Building Back Better) proposal of the American President Joe Biden, as well as the midterm elections.

More generally, most of Western governments will be facing elections' consequences following the pandemic aid and support campaigns as in France next April for example.



## **How to invest in January?**

There is the adage on Wall Street which say: “As goes January, so goes the year”.

Analysts continue to favor stocks over bonds, with a particular focus on quality stocks.

There is also the tendency to prefer US equities over international ones, concentrating on large caps, even if a recovery of small and mid-caps is estimated (after a 2021 that did not favor them).

The Tech sector will remain vital not only in January but certainly throughout 2022, as well as the one of consumer discretionary and health care.

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