



THE END OF WINTER IS NEAR AND MAYBE THE PANDEMIC TOO

Back to routine, returning from the first holidays of the year with the good intentions expressed at the beginning of 2022, here we are in February.

The shortest month, still cold, the last truly winter.

If on the temperature front, we are still below, or just above zero, it is not the same for the macroeconomic and geopolitical scenarios, which seem to be heating up. In some cases, unfortunately, in a worrying way.

At the forefront there is always the Omicron variant, now prevalent in all corners of the globe.

It spreads quickly but is less harmful than the variants that preceded it.

The pandemic has lasted much longer than could be assumed in March 2020.

Two years is a long time.

The general impact of the pandemic on everything and everyone has been devastating, but perhaps now, we are at the definitive turning point.

With the arrival of spring, we might expect to finally leave Covid-19 behind us.

We hope.

To date, the numbers of new infections are still significant, but the consequences are less severe.

Many countries are phasing out protective measures and this is an encouraging sign. We all hope to be able to reopen the global economy as soon as possible, returning to the full pace of production and supply chains.

Another thorny issue is the one relating to the "Ukrainian crisis", with the confrontation of Russia and the United States, in a climate reminiscent of the Cold War.

The bone of contention is Ukraine and the areas of influence in Europe.

The US pushes from one side, Russia from the other.

The muscular exercise shown by both is not good for trade and is not good for the economy, especially for the energy sector. In fact, the threats mentioned by the eastern side bring into play the oil and gas supply.

For their part, the United States aired new heavy sanctions against Russia.

The energy controversy affects the Russian-German project "Nord Stream 2", as well as the possibility, in general terms, that Russia suspends or resizes its energy supply to Europe.

The prices of oil and gas will therefore inevitably tend to rise even more.

Lastly, we cannot fail to mention inflation, a theme that has been debated for months and that will continue to dominate much of 2022.

According to experts, we are now at a regime change turning point.

We have been in a low interest rate environment for a long time and now things are changing.

Analysts wait the next Fed and ECB decisions expected in the coming months and their effect on economic growth and consumer demand.

What will happen on the financial markets?

As noted in January, volatility is back.

The comedown, which many continued to predict last year, was actually registered on the markets during the first month of 2022.

The trend will be more or less the same for February as well.



The current geopolitical dynamics relating to Ukraine, combined with concerns about inflation and Omicron's uncertainty, will produce a mix of disquiet that will keep volatility high at least throughout February and possibly beyond.

The earnings will not tarnish, but they will be modest in contrast with the results of 2021.

The ongoing Earnings Season shows that profit margins are shrinking.

The watchword seems to be "Wait and see", especially as regards the increase in interest rates.

Analysts recommend for February to focus mainly on building a highly diversified portfolio (which ideally should contain all the 11 stock market sectors of the S&P 500) that looks beyond the next few months, balancing risks and prospects with criterion, without forgetting that it is practically impossible to repeat the exceptional year on the markets of 2021 in 2022.

In fact, in Wall Street it is estimated that we will have to settle for single digit returns this year.

Investments

Investors are shifting their interest from growth to value stocks and mainly from technology to energy, from discretionary to essential consumption, from the typical stocks of pandemic times to the classic ones of economy reopening.

The energy-related stocks were the ones that performed best in January.

The performance of industrial and consumer staples stocks was also good.

In addition to the classic energy stocks, it is important to not disdain the green energy ones, given the support of many governments for ecological policies.

Quant & Partners Ltd

The View, Harbour Reach, La Rue de Carteret, Jersey JE2 4HR, +44 1534 734503
1 Knightsbridge Green, London SW1X 7NE, +44 20 3097 0280

info@quantandpartners.com
www.quantandpartners.com