Quant & Partners
financial services

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Newsletter

WE ARE ALMOST UPON THE GATES OF SUMMER AND THE HIGHEST TEMPERATURES ARE RECORDED IN TERMS OF INFLATION

In March, consumer prices in America reached a peak of 8.5%, one of the highest in the last forty years.
The Federal Reserve has been forced to raise interest rates by half a percentage point (the biggest hike in two decades) to fight inflation.
The fear is that this move could hit the economy hard.

A stodgy cocktail

It is true that inflation has been talked about for more than a year.
However, it is also true that among the elements capable of influencing it previously, there were "only" the production chains breakdown, the delays in supply due to anti- Covid measures and the gradual exit from the pandemic.

With nostalgia we recall the speeches relating to inflation at 2% which already, in unsuspected times, inspired fear.
From February 24, 2022, another factor had to be considered: the war that Russia is waging in Ukraine, which does not seem to be ending soon.

It is because of this indigestible cocktail that inflation flies, that uncertainty feeling becomes a constant dynamic and that fatigue and pessimism are now two variables to take into account.
Furthermore, it is important to remember that Covid-19 has not yet definitively abandoned us.
The recent draconian lockdowns seen in China for a few cases leave some doubts.
Are we really over with it? Everyone hopes so, because sometimes good news help.

Deutsche Bank, for its part, writes openly of an upcoming recession period, although it remains convinced in the recovery of the economy by mid-2024. Goldman Sachs and UBS, on the other hand, are less pessimistic, certain of a slowdown, but without coming to catastrophic scenarios.

On the markets front

April was a frustrating month for investors. The American stock market has given no satisfaction to its players.
The Nasdaq index fell by 13.3% (the worst monthly performance since 2008), while the S&P 500 index by 8.8%.

The nervousness is palpable and mainly caused by, in addition to inflation, the declining prospects for growth, the soaring prices of oil and gas and in general of all commodities and the ongoing war in Ukraine.

On the financial markets the result of this combination is therefore a constant and indiscriminate volatility.
Many experts are convinced that the pendulum of the latter will be able to swing for a long time between losses and gains, on alternate days, with a downward trend.

How to invest in May

The advice to investors is to move towards investments with long-term perspectives.

The recommendation of a diversified portfolio remains current, favoring the purchase of shares of companies with a solid balance sheet.

Given the high volatility, analysts turn their gaze (after years) to the dollar bond market, which could offer some relief to those looking for steady returns.

The earnings season, still underway, does not seem to have brought the expected results, especially to the large Tech companies.
It will be necessary to evaluate whether any purchase opportunities remain in the sector or whether it is more prudent to observe the evolution of the situation.

However, it is important to remember that periods of great uncertainty can offer the most interesting market opportunities. Apparently, the general picture will clear up towards the summer with a more dynamic market and richer in opportunities to exploit.

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