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July 2022 Newsletter

HERE WE ARE IN THE MONTH OF JULY. JUNE TEMPERATURES IN EUROPE WERE RECORD-BREAKING. THE WORLD TENSION REMAINS HIGH NOT ONLY IN CLIMATIC TERMS, BUT ABOVE ALL ECONOMICALLY AND FINANCIALLY, NOT TO MENTION THE CONTINUING CONFLICT BETWEEN RUSSIA AND UKRAINE.

Those who hoped to have seen (and been through) the worst after the pandemic certainly did not imagine that a war in Europe would be possible in 2022.
But instead.
The Russian army is advancing slowly but inexorably over Ukraine and not only in the southwest of the country, in the now infamous Donbass and on the shores of the Azov and Black Seas, but also on other cities. Missiles were launched on Kiev just a few days ago, after the Ukrainian capital had seemed to enjoy relative calm for some time.
More than four months after the conflict began, no one has yet understood what is in Russian President Vladimir Putin's head. He and his emissaries often talk about *"achieving the goals"*, but, to date, no one seems to understand what these goals are.
What we unequivocally know is that a country the size of France remains under siege and that more than 8 million refugees have left the country.

The trade war

The conflict is not limited to the front.
It continues at the economic level too.
Following the recent G7 summit in the Bavarian Alps, a ban on the import of Russian gold will be added to Western sanctions packages against the Russian Federation.
After energy, gold is the second largest export-income for Moscow.

Furthermore, since June 27, Russia is officially in technical default.
In fact, the Federation defaulted on its foreign-currency sovereign debt not respecting the payment deadline of interest on bonds (71.25 million dollars and 26.5 million euros) which expired on May 27th.
This is the first time that Russia has defaulted on its foreign debt since the Russian Revolution (1917).
At the time of Lenin, the revolutionaries decided to repudiate the foreign debt incurred by the tsarist empire.
In 1918 Lev Trotsky announced it to Western creditors saying: *"Gentlemen, you have been warned"*.
The last default on Russian sovereign debt in rubles, however, dates back to 1998.
Then the financial crisis caused the dramatic devaluation of the ruble, which forced Moscow to stop payments on its government bonds.

The ideological and commercial conflict that arises between the two blocs (talking about blocs in 2022 seems anachronistic), resulting from the Russian invasion of Ukraine, translates into a multi-level standoff that goes however (and unfortunately) beyond sanctions.
Russia's blockade of grain on the Black Sea threatens the food security of entire populations.
As the *The Economist* writes, Ukraine is among the world's leading producers of corn, barley, sunflower oil (the latter being the first ever) and grain (of which it is the sixth exporter).
Kiev exports most of its grain crop (around 30 million tons per year) to North Africa and the Middle East.

Some countries, such as Lebanon, depend almost entirely on the Granary of Europe for their grain needs (81%). Tunisia 49%. Overall, the food exported from Ukraine is fundamental for 400 million people.

Moscow's intent, in its visceral hatred of the West, is not only to overthrow Ukraine, but to starve entire countries and thus be able to unleash new Arab springs, new revolts and therefore new migratory plagues that would destabilize even more Europe.

On top of that, in economic terms, Vladimir Putin is not as isolated as one might think. The recent meeting of the BRICS (Brazil, Russia, India, China, and South Africa), at their 14th summit, had menacing tones. China, which has now become the most important buyer of Russian oil, has chastised Western sanctions.
The BRICS's group, made up of large (but equally despotic) countries in growing economic stage, seemed cohesive in their desire for "no limit" partnerships.

The financial markets

The scenario that presents itself to our eyes is new and complex.
There are many elements that should be considered. There is not only the war in Ukraine, but an entire chain of facts and events that intersect and influence each other.
Even before the Russian leader imperialist delusions, the macroeconomic picture was not reassuring.
Much of the world was patiently re-emerging from the pandemic landscape, but, now as then, production and supply chains remain limp.
In Europe and in the USA, discussions revolve around the "Reshoring" or at least the "Friend-shoring" process.
Undoubtedly, it is a necessary step, but not immediate and, above all, costly.
Rethinking globalization remains a complex issue.

To this is added the black shadow of inflation, a cosmic condensation of all the facts mentioned above.

Central banks have raised interest rates (and will raise them even more in the future) to counter it, but it is unclear whether these decisions will lead to a concrete result.
For this reason, the markets remain nervous, with peaks of hysteria such as those observed throughout the month of June.

Uncertainty and volatility are terms that have been recurring incessantly for many months now and are the only ones that are truly appropriate to the current stock market situation.

The spectre of recession hovers in the air and memories go back to 2008, especially after the confirmation of a bear market witnessed by the indices S&P500 (-21.3% in mid-June) and Nasdaq (-31%).
Analysts believe the stock market will continue to feel the pressure from Fed policies, with liquidity shrinking and growth slowing.
For this reason, experts advise avoiding unnecessary risks in investments, emphasizing the diversification of portfolios (across and within asset classes), as well as the power of periodic rebalancing. Indeed, the correlation across stock markets has fallen to among the lowest level in 20 years and portfolios benefit from diversification as sectors and markets move more independently of each other.

Investors who prefer stock-picking are advised to focus on quality-oriented factors which characterize companies, such as strong free cash flow, healthy balance sheets, positive earnings revisions, and low volatility.

Moreover, they should consider buying structured products, possibly capital guaranteed products with limited risks and untapped potential.

For the second half of 2022, bigger returns could be obtained from bonds, although even in this case, volatility will remain high.

Finally, it is important not to forget that historically, international markets have benefited more from long-term inflation than the American one. In fact, international stocks have been outperforming in recent months.

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