



AT THE DAWN OF THIS MONTH OF JUNE THE ECONOMIC AND GEOPOLITICAL SCENARIO IS DISCOURAGING. AND PERHAPS THE WORST IS YET TO COME.

In the economic world, the word "recession" is increasingly rumored. It seems a likely occurrence given the prolongation of the conflict in Ukraine, the rampant inflation, the latest spasms caused by the exit from the pandemic and the production and supply chains slow recovery.

The Russian imperialist dream: the revival

The absurd war waged by Putin's Russia against Ukraine and its inhabitants continues. It is argued that it will be long and tearing.

We are very far from the early days, from the idea of a "blitz Krieg" touted in February, from concrete opportunities for negotiations to, at least, silence the weapons.

Europe is facing the bloodiest conflict on its continent since the end of the Second World War with an influx of refugees of more than 5 million people.

70-year-old Vladimir Putin does not seem willing to back down, heedless of the carnage his army is perpetrating in the former brother nation.

In addition to the destruction of entire cities, more and more information is emerging every day on the methods used by Russian soldiers: violence of any kind committed against the civilian population, mass deportations to very remote areas of Russia, mass graves, bodies of fallen Russian soldiers abandoned and never repatriated, ports blockade, theft of grain and other raw materials, cholera epidemic in Mariupol.

Ukraine is today like another Aleppo, another Grozny.

Meanwhile, the regime's rhetoric changes. The Ukrainian pro-Nazi threat that had to be eradicated has moved on to invective against the West and its values: NATO, President Biden, the European Union, sanctions, the weapons of the West and then in the loop flow once again.

The declaration of the Deputy Chairman of the Russian Security Council and former President of the Federation Dmitry Medvedev "*I hate Westerners, I want to make them disappear*" is from a few days ago.

Putin's war in Ukraine is for all intents and purposes imperialist.

The objectives are to carve out the entire strip of Ukrainian territory that borders the Black Sea and to destabilize tyrannically the entire Western world through violence, intimidation, manipulation, corruption, and trade war.

Inflation and Greedflation suspicion

As is well known, business does not like war. You lose money and opportunities to trade.

In the current context, which is so uncertain, geopolitics and inflation feed into one other. Inflation had already manifested itself at the time of the reopening after the pandemic, favored above all by the immense amount of money injected into the system by governments during the Coronavirus crisis and by the interruption of production and supply chains.

Then followed the Russian invasion of Ukraine, the blockade of ports, the wave of refugees, the Western sanctions, the rupture of other production chains, the "grain war" and the seizure of many other commodities, of which Russia and Ukraine are very rich.



If inflation was already present before the conflict, it has literally exploded with it, reaching the highest levels of the last forty years.

However, it has been questioned whether the pressing inflation could be convenient to many.

In fact, the economy configuration, particularly the American one, has grown more concentrated and therefore dominated by a few large companies, which, over time, have made supply chains precarious and have excessively speculated on prices.

Hence the term of "Greedflation".

A kind of race of greed where few have taken great advantage of the crisis created by Covid, by the conflict in Ukraine and by the already latent inflation, making record profits, while the majority continue to suffer the negative consequences of the situation.

Not everyone agrees with this analysis saying that's just how capitalism works and that the price is the best way to allocate limited resources.

The discussion is also underway within the Biden administration, where the idea of a possible "excess profits tax" is debated.

The financial markets

The American market ended the month of May in the same way it started.

At the beginning of June, the market is defined as bear.

The S&P500 lost 19%, the Nasdaq 26%.

Wall Street concerns remain inflation and its further increase (especially in view of the coming midterm elections), growth prospects and volatility.

Experts are convinced that the latter will continue for the rest of the year.

As for inflation, eyes remain on the Fed and its upcoming decisions, which will have to fight inflation without hindering economic growth.

The financial markets seem certain that the Fed will continue to raise rates by another 50 bps, just as they seem to agree that a concrete slowdown in the economy, if not a real recession, could occur in 2023.

JPMorgan CEO Jamie Dimon recently ruled that *"the economy is heading for a hurricane"*.

Furthermore, many analysts are concerned about what is happening in the housing market, which has lost its appeal. Generally, it is a bad sign for both consumers and investors.

Another worrying fact relates to the Americans' savings.

In April, the personal savings rate fell to 4.4%, the lowest level since the Great Recession.

How to invest in June

The stock market turmoil of recent months has wrecked the nerves of many investors. Given the feeling of permanent uncertainty, volatility will remain constant this month as well.

Many direct their attention to bonds to reduce the portfolio risks.

Analysts expect more rotation among sectors, from goods-oriented companies to service providers.

Investors are advised to arm themselves with patience and to invest with caution and criteria in sectors that historically perform better during times of crisis, like consumer staples, utilities, and healthcare rather than consumer-reliant sectors as consumer discretionary and communication services.

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