



AUGUST: HOLIDAY TIME BUT CONCERNS REMAIN.

The scenario does not change much. It is still alarming and the gaze to the autumn clouds.

It seems strange to think about it now, in the middle of summer, when highest temperatures are recorded almost everywhere.

California is ablaze, as nearly a half of EU is exposed to warning drought levels.

It does not rain, and it is too hot, but we are already thinking about the heating in the cold months.

There are many uncertainties in this regard because the conflict in Ukraine, which does not look to end soon, is fought on several levels: territorial, commercial, energetic.

The Russians, slowly but surely, continue to advance in the conquest of Ukrainian cities in the East of the country. Military analysts say the goal is to take the south as well. The Ukrainian resistance, for its part, does not give up and pursues its counter-offensive.

Among the few good news, there is that the first ships loaded with grain have managed to leave Odesa to reach the North of Africa, but there are many Ukrainian silos full of cereals waiting to be emptied and sold, others have been destroyed in the bombings, others looted.

The energy supply is also worrying, considered that Russia has decreased its provision to Europe.

The EU plans to abandon gas trade with the Russian Federation by the end of the year. The question remains, how will the old continent warm up during the winter?

Meanwhile, the prices of everything go up almost everywhere.

Inflation, already present before the war, is now skyrocketing: 9% in Europe and the United States (the highest in the last 40 years).

The Fed raised interest rates by a further 0.75% for the second consecutive time.

Jerome Powell's policy is clear: it remains imperative to decrease inflation.

What should we expect from the markets?

In announcing the new increase in interest rates, the Fed wanted to reassure consumers and investors by explaining that the economy cannot be considered in recession.

Indeed, the labor market is good, the unemployment rate remains low, the industries are solid.

The financial markets are skeptical, also because they are now located in the downside zone.

In addition to inflation, and dependent on it, the housing market keeps getting more expensive as mortgage rates soar.

Moreover, sectors that have dragged the markets over the past two years, such as Tech and "work from home" stocks like Zoom and Peloton, are no longer performing as before.

Many are waiting for September and therefore the next earning season to better understand the situation, the real possibility of a recession and, in general, the state of the economy.

However, the most accredited hypothesis is that there will not be a real recession, but rather an economic slowdown.

At the same time, financial analysts don't believe the markets will recover anytime soon.



They are certain that volatility will still be present in the months to come: “Volatility is a measure of magnitude of price swings in the stock market - the larger and more frequent the swings, the more volatile the market”.

How to invest in August?

It is said that the golden rule to protect one's investments from inflation are stocks, but it is necessary to be patient. Equities historically have overcome inflation, but over an extended time period.

We recommend a balanced approach between value and growth stocks and a careful eye on the earning season, to be able to discern between performing and not performing companies and which ones will be able to maintain profit margins – and how they plan to do so.

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