January 2023 Newsletter

A NEW YEAR.

WHAT WILL THE ECONOMY HOLD FOR US?

2023 has arrived and we are all waiting for some good news.

After the *annus horribilis* experienced by the economic world and the financial markets, even astrologers and numerologists are appealed to glimpse some hope of recovery.

The sum of the digits of the new year is 7, which carries with it a rich symbolism.
In fact, in many cultures the number 7 represents completeness.
Is it a more powerful number than the 2022 sum (6)?
We hope so, because after the sequence (started in 2020) of pandemic, production and supply chains disruption, inflation, war for territory, energy war, further inflation, trade war, political and social instability, we are all a little tired.

Will the recession become reality?

According to economists, the first part of 2023 will be characterized by two already well-known patterns: inflation and the rise in interest rates.
Although the former is slightly slowing down, experts think it could still grip us for some time.
Moreover, everyone seems to agree that the aggressive policy perpetrated by the Fed in 2022 - rates were increased six times in the span of a year - may have created the perfect condition for a recession during the first half of 2023.

In December, the same Federal Open Market Committee (FOMC) updated its forecasts, reducing U.S. GDP growth to 0.5% from 1.2% and increasing the U.S. unemployment rate to 4.6% from 3.7%.

What about the financial markets?
Will the Wall Street rule “there is always a bull market somewhere” be confirmed?

In the last months of 2022, the question seemed to be always the same: has the stock market hit bottom yet?
The concern remains current, but Wall Street has always been one step ahead of the real economy and the bottom has already been reached or will be reached shortly. Afterwards, there can only be the market recovery.

Investors are expecting a further rate hike by the Fed, but milder and, above all, less frequent. All of this will reduce inflation and volatility, favoring a moderately bullish market as the months roll on.

To invest

For the moment, analysts recommend a conservative investment policy, favoring cash, without disdaining either the stock or the bond market.

For the equity market, it is recommended to choose value over growth stocks, which have been tending for months now to perform badly and to stagnate.

Conversely, consumer discretionary stocks (Starbucks, McDonald's, Disney, Amazon,), industrials (FedEx, 3M, Waste Management) and those relating to health care are to be preferred.

Energy stocks also remain interesting, especially for the first part of the year.

Quant & Partners Ltd

60 Halkett Place, St. Helier, Jersey JE2 4WG, +44 1534 734503
1 Knightsbridge Green, London SW1X 7NE, +44 20 3097 0280

info@quantandpartners.com
www.quantandpartners.com