THE PEAK OF INFLATION SEEMS TO BE BEHIND US, BUT THE 2% TARGET IS STILL A LONG WAY OFF.

In the all-out fight against inflation, the Fed and the ECB raised interest rates again last week.
These are slight increases compared to last year (+25 bps announced by the Federal Reserve, +50 bps by the European Central Bank), which signal that the inflationary peak seems to have passed, but the road to reaching the 2% target remains very long.

The markets, eager for recovery and always forerunners of the economic situation to come, did not welcome these decisions, as they often said to lead the real economy by at least six months.
We should hope that this is the case, also because after a dramatic 2022 (not only from a stock market point of view) January turned out to be better than expected for Wall Street.

Financial analysts are optimistic, and they forecast an equally favorable February, despite historically being one of the worst months of the year.

Positive and negative facts

On the list of positive things, it is fair to mention the strength of the American labor market, the satisfactory results released by many companies during the last Earnings Season and the slight increase reported by the IMF's global growth outlook for 2023, due to "surprisingly resilient" demand in the United States and Europe, easing energy costs and the reopening of China's economy after Beijing abandoned its strict COVID-19 restrictions.
The IMF is now forecasting 2.9% growth for 2023 – up from a 2.7% forecast in October.

In the list of the negative facts, one of the major questions remains the evolution of the Russian invasion of Ukraine, which, after almost a year of war, does not appear to be resolvable in the short and medium term.

The fight for Donbass, a wild and, until recently, completely ignored piece of land, creates tensions and imbalances throughout the world, be they of a geopolitical, economic, or commercial nature.
Furthermore, the war in Ukraine seems to have leaded to a spiral of nationalistic and anachronistic regurgitation in many autocracies, from Iran to North Korea, passing through China, of which the "Balloon-gate" represents the latest chapter in chronological order.

All this contributes to maintaining volatility on the financial markets and a good dose of economic uncertainty which includes the specter of recession (albeit a minor one) that could hit us by the middle of the year.

How to invest in February?

Given the context, which remains unpredictable, analysts recommend continuing to invest, but with caution, choosing value over growth stocks.

Typical of a defensive investment policy are utilities, consumer staples and healthcare stocks.

Furthermore, the beaten-down technology sector should be considered in terms of buying opportunities.

Many Wall Street professionals see potential in Emerging market, Chinese and even European stocks (for the latter we consider industrials stocks and sectors linked to the "green transition").

Beyond that, the energy sector remains strong.

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