Quant & Partners
financial services

April 2023 Newsletter

AN OVERVIEW

Three years have passed since the outbreak of the Covid-19 pandemic, which resulted not only in an abrupt interruption in the production and supply chains, but also in a consequent and substantial cash injection promoted by governments to support the economy.

Following these exceptional circumstances, the first signs of inflation began to appear, but economic actors were, at the time, confident in a rapid post-pandemic recovery.

However, the war waged by Russia in Ukraine has surprised everyone, both on the political side and the economic one, fueling an unprecedented rise in prices for the last forty years and causing important trade tensions and energy panic.

Today, after a particularly difficult 2022 on the financial markets, the economic situation is slowly improving.
Experts are not ruling out a possible recession for the second half of the year, but they all seem to agree that it will be moderate.

OECD underlines that the recovery will be slow and that it will extend over two years, confirming that the outlook remains fragile: *"High uncertainty generated by the war could take a heavy toll on activity. Trade tensions are high and could worsen. Concerns about financial vulnerabilities have risen, including in financial institutions, housing markets and low-income countries. While headline inflation has started declining, it remains elevated and could persist longer"*.

Moreover, OECD confirms that global growth slowed in 2022 to 3.2%, more than 1 percentage point weaker than expected at the end of 2021.
The global GDP growth projections for 2023 stand at 2.6%, while for 2024 at 2.9%.

The markets

In March, Wall Street was shaken first by the failure of two American banks mainly focused on start-ups and cryptocurrencies, then by the Credit Suisse's one, taken over by the banking giant UBS *in extremis*.
All this has caused great volatility on the financial markets and anxiety about a possible domino effect which, fortunately, has not occurred.
Fed Chairman Jerome Powell himself wanted to reassure investors, emphasizing how solid the American banking system is.

The Federal Reserve's priority remains the fight against inflation, as confirmed by the further increase in interest rates by one quarter of a percentage point.

Bank of America believes that the 2% inflation target can be reached by the end of 2024.
For its part, the Fed is reaching a critical point in its battle against inflation.
Going further would mean condemning the American economy to an inevitable recession, even if, to date, a particularly resilient labor market averts this risk.

To invest

Analysts remain optimistic for the month of April, historically one of the strongest months of the year in the stock market.

The advice remains to be selective in the choice of asset classes, favoring a defensive approach, thus concentrating on bonds, and increasing cash holdings.

As for the equity market, it is recommended to focus on value stocks, rather than growth and to lean towards the consumer discretionary, healthcare and energy sectors.

In the context of alternative assets, currently, gold is frowned upon, as a long-term portfolio component.

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