



## **AUGUST IS MONOTHEMATIC: FED'S NEXT MOVES AND THE EVOLUTION OF INFLATION**

Will the pause in interest rate hikes continue?

When will it be realistic to consider a rate cut after more than a year of steady increases?

Are the current financial markets too optimistic about the real economic situation?

These are some of the questions that circulate among investors, even among those who, despite the summer heat and perhaps in the shade of the beach umbrella in an exotic location, still want to keep an eye on the August market.

July turned out to be bullish for Wall Street and August seems to follow the same trend.

The Dow Jones Industrial Average posted 13 straight days of gains in July, matching a 1987 record.

The S&P 500 notched a 3.1% gain as well and the Nasdaq Composite Index jumped 4%, as its January-July gains of 37% marked the best since 1975.

### **There are trust and hope in the air**

Perhaps, one might say, the rigorous and, in some ways, relentless policy of the Fed is bringing some results.

The 2% inflation target is no longer that far off. The latter, in fact, continues to slow down, faster in the United States, where it reached 3% in June, than in Europe (5.5% in the same month).

All eyes are therefore on the Fed meeting scheduled for September, even if Wall Street is betting that no further interest rate hikes will be announced.

At the same time, the markets are well aware that a rate cut is not to be expected for at least some time.

In any case, at least in the United States, a falling inflation, a better-than-expected mid-year Earning season, a labour market that continues to prove an extreme resilience (the Labor Department reported that U.S. economy added 209'000 jobs in June) with an unemployment rate historically low (3.6%) and a growing GDP (+2.4% in the second quarter) convince all market players that a real recession is unlikely and that a "soft landing" is the most realistic scenario to expect.

### **Investing in August**

The month of August has a boring and volatile historical reputation on Wall Street.

This year it will probably be just volatile.

Considering the current situation, experts recommend diversifying your portfolio, looking at opportunities in economies such as Japan, India, and Latin America.

Furthermore, it is advisable not to expose yourself too much on the technological front, nor to abandon large capitalizations of the sector.

In fact, in the last period, big Techs have massively invested in new fields, such as artificial intelligence.



Companies that benefit from secular growth, such as those in the insurance, industrials, and consumer staples sectors, also remain highly topical.

Finally, materials or energy fields are not to be disdained either, which will probably participate more actively in the market of the coming months.

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