SUMMER IS OVER. WE'RE BACK TO OUR USUAL DAILY ROUTINE, WAITING FOR THE NEXT FED MEETING.

Everyone returns to the offices, schools start again, September immediately makes us miss the summer heat and holidays.
The month of August on financial markets is never relevant for future trends and that is why everyone is waiting for the next Federal Reserve decisions on September 20th.

Interest rates reached 5.5%, the highest percentage in 22 years.
According to Federal Reserve Chairman Jerome Powell, inflation is still too sticky to lower the guard.
However, analysts and investors are skeptical that a further increase in interest rates will be decided at the next meeting. In fact, inflation, although still high, both in America and in Europe, is nevertheless regressing.

At the same time, it is important to underline how economic growth is also slowing down (the latest Earnings season did not prove to be particularly brilliant) and how the labor market, surprisingly resilient during the first six months of the year, is losing speed as well.

The thread on which the Fed moves, between a declining inflation and a near-peak labor market tightness, is thin and fragile. Its holding will likely determine the economic and financial trends until the end of the year.

In any case, Wall Street actors have stopped using the word "recession", preferring to use the more reassuring expression "slowdown" and this should comfort us. Apparently, the latter will not arise in 2023, but only at the beginning of 2024.

China chapter

The issue of the Chinese economy losing steam appears to be entirely internal, despite the boost seen shortly after the pandemic.
The difficulties of the Asian giant go beyond the post-Covid scenario and are linked to dynamics rooted in the economic fabric and in its structural imbalances. Fixing them will take time and consequently it will have an impact on the current trading counterparts of the People's Republic as well.
Western countries will be forced to fall back on alternative emerging economies in Asia and Latin America, characterized by economic reforms implementation and favorable geopolitical conditions.

How to invest in September

September is historically considered the worst month on the US stock market.
The advice is to choose a defensive approach.
Volatility will remain high and the Fed's next moves sow uncertainty.
Value stocks are recommended over growth, but without overexposure.
Given the current economic situation, utility stocks, consumer staples stocks and health care stocks remain topical.
Finally, we recommend starting to look at the bond market.

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