



THE “OCTOBER EFFECT” LEGEND

Due to the crashes of 1929 and 1987, Wall Street has always spread the rumor that the month of October is difficult and fearsome on the markets (the "October effect").

The reality of the data, however, shows that this month is not as disastrous as one would like to believe. In the last twenty years, from 2003 to 2022, the S&P 500 index has posted gains 65% of the time although October has always been characterized by great volatility.

In fact, since World War II, the S&P 500's average volatility in October has been 35% higher than the average for the remaining 11 months of the year.

Let's go back to current events, putting aside ghosts and beliefs.

The macroeconomic framework

The macroeconomic situation remains unchanged compared to previous months.

The themes, now consumed by so much discussion, are always the same: inflation, interest rates, central banks' policy, recession, or rather a soft landing, which is struggling to manifest itself, but which will sooner or later do, an incredibly solid labor market, financial markets chasing optimism.

Overall, the global economy has proved to be more resilient than expected during the first part of the year, even if growth remains weak.

Actually, because of the rigid monetary policy established by central banks with the purpose of containing inflation and due to a slow Chinese recovery, global growth in 2024 is expected to be more modest than today's one (the OECD estimates + 2.7 % for next year, a decreasing figure compared to the current + 3%).

Besides that, inflation remains particularly sticky and public debt elevated in many countries.

Israel and Hamas

The tragedy that is taking place between the disputed territories of Israel and Palestine leaves the world astonished.

The brutality of the terrorist attacks perpetrated by Hamas shocks the international community.

The Israeli government's response will almost certainly be unprecedented.

The clash of the last few days, hidden under the ash, has flared up into an inferno that in term of violence remembers the Yom Kippur war, dating back 50 years ago.

The President of the World Bank Ajay Banga himself declared that “it's a humanitarian tragedy and it's an economic shock we don't need”.

Experts agree that if the conflict were to spread, inflation, which is already too pressuring, will only increase, as will the feeling of uncertainty.

Wall Street, for its part, would struggle to accept a new setback, even if it shows no signs of worry so far.



How to invest

Although it is advisable to maintain a diversified portfolio and to consider bonds to avoid risk, it is also a good moment to buy with a long-term perspective (2-3 years).

In this regard we recommend large capitalizations, such as Coca-Cola, Disney, Oracle, Nvidia, Apple, Bank of America, JPMorgan, etc. today at attractive prices.

In general, investors are advised to focus on utility stocks, consumer staples stocks and healthcare stocks, if they prefer to focus on a defensive investment strategy.

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