



THE LONG-AWAITED RECESSION WON'T TAKE PLACE

Here we are at the end of the year and like every December everyone competes to take stock and predict the future.

One fact above all seems to be comforting and sees economists and analysts in agreement: the possible recession that has been talked about for twelve months will not materialize, at most we expect a slight economic slowdown for 2024.

The data speak clearly: inflation is decreasing almost everywhere (USA 3.2%, Eurozone 2.4%), despite the 2% target desired by the Fed not having been reached yet. However, the peak of 9.1% reached in the United States in mid-2022 is a long way off.

The Federal Reserve is now entering an even more delicate phase in which a more cautious approach towards interest rates will be essential to minimize risks, both for the labor market and for the economy in general.

Powell himself expressed it thus: *“My colleagues and I are gratified by this progress but expect that the process of getting inflation sustainably down to 2% has a long way to go”*.

Fed meetings are always highly anticipated, such as the one scheduled for December 12-13, but the general opinion is that interest rates will remain stable without further increases at least until mid-2024. Afterwards, the Federal Reserve will begin to gradually reduce them.

In addition to decreasing inflation, the labor market, especially the U.S. one, is still positive and has shown great solidity for many months and a historically low figure regarding unemployment (3.9%).

Good signs also came after the Thanksgiving weekend, during which Americans spent a total of 38 billion dollars online.

Added to this is that the S&P 500 companies have still managed to grow earnings by 4.3% in the third quarter compared to a year ago.

The coming year

Compared to December 2022, the clouds on the horizon seem to dissipate with a tendency to look to the near future with greater optimism.

The only unknowns remain the strong geopolitical tensions and energy prices, even if for the moment this does not seem to worry the financial markets in the slightest.

In fact, analysts predict a profitable end of the year on Wall Street (rally) and a good start for 2024, avoiding the dark scenarios announced during the summer.

According to experts, in current conditions, bonds are now at least as competitive as stocks and therefore everyone seems to agree on giving bonds more space in portfolios.

Great attention is also paid to artificial intelligence, which will apparently see a boost in productivity and uptake also thanks to governments incentivization in industries such as financials, airlines, and healthcare.

Other areas worthy of attention are and will be those of national security, energy transition, semiconductors, infrastructure, and supply chains.



How to invest in December

December has always been considered one of the best months on the financial markets and in particular the period from December 22 to January 3 (Santa Claus Rally).

Although several analysts predict a zigzagging month, with new peaks, but possible moments of sell-off, the general expectations are still encouraging.

As for months now, value stocks are recommended over growth stocks.

Special attention is recommended for the world of artificial intelligence (Nvidia, Advanced Micro Devices, etc.) and for the companies that benefit from it as a result (Microsoft, Meta, Alphabet, etc.).

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