2024 HAS BEGUN. EVEN YEAR, LEAP YEAR. LET'S HOPE THAT DESPITE THE POPULAR SAYINGS, A POSITIVE TWELVE MONTHS CAN STILL BE EXPECTED.

On the financial markets December ended satisfactorily, following the rally boost which characterized the second half of the year.

The S&P 500 closed last month gaining more than 4%. The same index in 2023, generated an impressive 26.29% total return, rebounding from an 18.11% setback in 2022.
These data, considered as a whole, bode well for 2024. Precisely for this reason most market players are optimistic.

The fear of recession, raised at the beginning of last year, effectively disappeared as the months passed, turning into the possibility, not yet perceived, of a soft landing.
The 2024 market outlook drawn up by J.P. Morgan reiterates caution: *"Avoiding recession has now become consensus thinking but looking at the relatively small number of recessions throughout history as a reference point, yield curve inversion signals indicate recession risk is highest between 14 and 24 months after the onset of inversion. That time period will cover most of 2024 and should make it another challenging year for market participants."*

Fed policy and regressing inflation

2023 saw a single dominant theme: inflation and the related increases in interest rates to fight it, promoted by the central banks and by the Fed in particular. The concern remains, but at this moment it is much reduced compared to a year ago.

In fact, American inflation stands at 3.4%, far from the peak of 9.1% recorded in 2022, but still not in line with the desired target (2%).
Fed's rate increase has been on hold since last July, after reaching the range of between 5.25% and 5.5% following 11 rate increases triggered starting from March 2022.

Analysts estimate that during 2024 and more precisely towards mid-year, the central banks will proceed with a gradual cut in interest rates.

Wall Street always precipitates events and therefore it is important to consider that, despite the desire to return to more moderate rate ranges, the Fed and all central banks in general will have to be cautious in the coming months, because what remains of inflation can be "sticky".

The geopolitical factors

To date, the financial markets have appeared uncaring about the multiple and bloody geopolitical tensions that have marked much of 2023: continuation of the conflict in Ukraine, Israeli-Palestinian war, terrorist acts (Houthi rebels).
Much more interest and enthusiasm have been shown for artificial intelligence technology and for the "Magnificent Seven" mega-cap stocks (Apple, Amazon, Alphabet, Microsoft, Meta Platforms, Tesla and Nvidia).

However, we must not forget that 2024 is an election year in the United States and therefore greater volatility on Wall Street should be expected.

How to invest in January

For investors still worried about a concrete and tangible soft landing in the near future, it is advisable to reduce exposure to stocks and increase cash.
However, if the same investors decide to remain in equity, healthcare, utilities, and consumer staples sectors are recommended (typical of a low-risk approach).

The already mentioned "Magnificent Seven", continue to represent a good investment plan, even if the best time to buy these companies stocks was six months ago.

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