Quant & Partners
financial services

February 2024 Newsletter

HERE WE ARE IN FEBRUARY AND THE PROSPECTS ARE GOOD

In these post-Covid years, many analysts think that we are moving into a sort of "middle ground". According to them, it would be a pivotal moment between two distinct eras. We would find ourselves in the transition between the world of yesterday, to quote Stefan Zweig, characterized by high-growth, high-inflation, and a post-pandemic economy and that of the nearest tomorrow, featured by slow growth and low inflation.
Halfway through, there is the interest rate policy promoted by the central banks and, in the first instance, by the Fed.

This moment of transformation requires patience from investors, who must expect more volatility in the markets, before a gradual return to a "boring economy".

Inflation and its control will remain the dominant themes during the first part of 2024, but the outlook is no longer as bleak as it was a year ago.
In fact, in December the US inflation rate was recorded at 3.4%.
The long-awaited recession was therefore avoided.
The first cut in interest rates is expected shortly - hopefully already in March, at the next Fed meeting.
Added to this are the labor market which has remained incredibly solid for a long time (in January the US unemployment rate was historically low - 3.7%) and GDP growth in the fourth quarter which stood at 3.3%.

Financial markets and investments in February

Financial markets showed bullishness not only at the end of 2023, but also during the month of January.
The widespread optimism corroborated by possible interest rate cuts in the immediate future, as well as by declining inflation, fuels the Wall Street frenzy, causing the S&P 500 to record its first new all-time highs in over two years.

Although February is historically one of the worst months for the stock markets, February 2024 promises to be good or even very good.

The fourth-quarter earnings season which began in mid-January has given mediocre results so far if we do not consider the technology and consumer discretionary sectors.
Nevertheless, experts are convinced that the best is upon us.
In fact, Wall Street analysts are expecting earnings to rebound in the first half of 2024, projecting a 4.6% increase in S&P 500 earnings in the first quarter and another 9.4% growth in the second quarter.

Despite the euphoria, everyone seems to agree that investments should remain cautious.
It is therefore advisable to maintain a well-balanced portfolio, which includes both quality bonds and stocks. The latter, however, should be from different sectors, not just linked to the technological one.
In fact, the gains reported by the big tech companies are not sustainable in the long term, just as their stocks alone will not be able to carry the entire market through 2024.

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