Quant & Partners
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Newsletter

THE ARRIVAL OF SPRING LIFTS OUR MOOD. THE MARKETS NEW HIGHS AS WELL.

February, generally known as a weak and sad month on financial markets, has proven exceptionally satisfactory earlier this year.
Historical data confirms that since 1950, when the S&P 500 is higher in both January and February of the same year, it has continued higher over the next 12 months 27 out of 28 times and generated an average return of 14.8% during those 12 months (forbes.com).
And so, on the back of the enthusiasm, analysts project about 8% upside for the S&P 500 in the next year.

Are the recession storm clouds almost dissolved? Is there only a clear and promising horizon ahead of us? It seems so!

The economy, and particularly the U.S. one, seems to be experiencing what experts call a "Goldilocks" moment.
The prospects have never been as good as this year, after the Coronavirus and the uncertain post-pandemic years.

It is estimated that the next few months will be characterized by faster growth, shrinking inflation and healthy job creation.

At the end of February, the National Association for Business Economics (NABE) predicted that the American gross domestic product will rise 2.2% in 2024, a significantly more bullish forecast than what the group projected only two months ago.

The topic of inflation, which dominated the economic discussions in 2021, 2022 and 2023, has been almost overshadowed.
On one hand because inflation continues to decrease, on the other, because the Fed's policy has also become less strict and a first cut in interest rates seems imminent (April - June).

The American labor market confirmed to be very solid and U.S. unemployment remains historically low (3.7%).

According to a poll by CBS News, Americans' perception of the economy is now at its highest level in more than two years.

The real euphoria is experienced on Wall Street.

As during the second half of the 90s, the enthusiasm perceived on the financial markets reflects positively on the real economy as well.

The peaks reached by stock market indices in recent months have spread great optimism among investors.

Although these market highs were mainly possible thanks to the performance of the Magnificent 7 (the technology sector has reported 20.8% earnings growth in the fourth quarter as the rally in artificial intelligence stocks has continued in early 2024), the rise does not seem to stop.

Indeed, analysts are anticipating S&P 500 earnings growth will continue to accelerate in the first half of 2024.

How to invest in March?

Regarding the Magnificent 7 and their dominance on the financial markets many express veiled concerns as well.

Is there a risk of a bubble? Can't the trend continue indefinitely and sooner or later will negative consequences arise?
In this regard, it is right to remember the words of the American economist and Nobel Prize in economics (1990) Harry Markowitz, who considered that diversification remains "the only free lunch" in asset allocation.

And it is precisely according to this principle that it is recommended to manage your portfolio, especially in this moment.

Considering other sectors, such as the energy one and more defensive stocks on the market, including utility stocks, consumer staples stocks and healthcare stocks, remains important and wise, as does to maintain liquidity, instead of using it to buy Big Tech shares today at stratospheric prices.

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