ONLY POSITIVE SIGNS. WILL THEY ALL BE TRUE AND HOW LONG WILL THEY LAST?

Pandemic, production and supply chains breakdown, economic solutions to mandatory quarantines, then a surge in inflation, reaction of central banks through an unprecedented increase in interest rates (5.25% - 5.5%) and now here we are, four years since then, in an incredibly positive economic, and above all financial, scenario.

The threat of a possible recession, raised in recent years, is increasingly remote.

The American economy and, subsequently, also the European one, withstood the shockwave and, overall, resisted very well.
Much of its strength lies in the impressive labor market resilience (3.9% is the U.S. current unemployment rate, slightly higher than the last two years).
Furthermore, despite the significant increase in interest rates, the Bureau of Economic Analysis reported U.S. GDP growth of 3.4% in the fourth quarter, confirming that Fed's policy isn't hurting U.S. corporations as much as some economists had feared.
Today, all economic actors are focused on May 1st, when, most likely, Jerome Powell, chair of the Federal Reserve, will announce the first of three possible interest rate cuts expected for 2024.

For this year, growth prospects remain good, as inflation continues to gradually move back to the Fed's target (2%).

Financial markets exuberance is contagious. Will it be dangerous?

In 1996, the then Chairman of the American central bank Alan Greenspan, had used the phrase "irrational exuberance" to describe the market optimism which lacks a real foundation of fundamental valuation, but instead rests on psychological factors. Specifically, Greenspan was referring to the "dot-com bubble" of the 1990s.
Are we facing a similar scenario today, in which excessive and irrational exuberance could lead to bad decisions?

Time will tell, also because Wall Street's performance in Q1 this year was exceptional.
In March the S&P 500 index has finished its best first quarter since 2019.
In the first three months of 2024 the rally triggered by AI-related stocks drove the Dow Jones Industrial Average higher by 6.1% and the Nasdaq higher by 9.3%.

In this first part of the year, the most successful companies were the technology ones, which continue to push the entire market.
Among the best performing stocks in the first quarter were the AI server maker Super Micro Computer (SMCI) and the AI chipmaker Nvidia (NVDA).

Investors are optimistic for the months to come, confident that this trend will continue, further strengthened by an imminent interest rate cut.
Moreover, April has always been a strong month on Wall Street.

The earnings season kicks off this month. In this regard, it will be interesting to consider reports released by the big banks.

How to invest in April?

The general advice is to remain attentive to market dynamics, carefully observing the results presented during the earnings season.

The key will be to be able to seize the moment and buy at the first reversal of some important companies' stocks (buying opportunities), such as Big Tech stocks and communication services stocks.

It should also not be forgotten that the Wall Street "exuberance" is driving many sectors higher, not just the technological one. A broad and diversified approach to portfolio management should therefore not be disdained, considering value stocks in other sectors such as materials, financials, industrials, and utilities.

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