JULY, MID-YEAR ASSESSMENT: FINANCIAL MARKETS ARE IN GOOD SHAPE

If the meteorological summer is currently unable to give us satisfaction with changeable weather and some moments of autumnal climate, the same cannot be said of Wall Street, which hit new highs every week.

The indices do not lie, and the recession aired by the Cassandras in recent years, has never materialized and certainly will not in 2024.

The ICT sector and in particular the activities linked to artificial intelligence remain very strong and drag the entire market.
The American company Nvidia recently surpassed Microsoft as the world's largest company, in the growing wake of AI.

The constant and anxiogenic themes of inflation, interest rates and Fed policy seem to have faded into the background. Investors have integrated the fact that the situation on the inflation front, albeit slowly, continues to improve even without a first cut in interest rates (at the end of May the U.S. inflation rate was at 3.27%) and that economic data, especially American, remain good.

In fact, growth is constant, although less marked than at the end of 2023 (the U.S. real GDP growth slowed from 3.3% in the fourth quarter of 2023 to 1.3% in Q1 this year), the labor market is solid as it has been the case for many months (in June the unemployment rate stood at 4.1%) and corporate earnings for the first six months of the year have been generally positive and encouraging.

Furthermore, according to analysts, financial markets are already pricing in the future lowering of interest rates. When this will happen, certainly before the end of 2024, more investments will flow to Wall Street.

How to invest in July

Summer has always been a slower time for investing.
Volumes are small and many actors decide to re-enter the market only in September.
Nonetheless, it can be a good idea to analyze your portfolio more thoroughly, making sure you stay invested, especially in equities, and taking advantage of any possible market correction to buy high-value stocks, especially the tech ones.

It is also time to pay attention to more cyclical stocks, which should benefit from the economic recovery, thus including quality mid-cap, industrial and Japanese stocks as well.

Finally, experts recommend considering gold as a potential hedge during this uncertain geopolitical phase and to maintain diversification in investments.

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