



PROGNOSIS, WHAT PROGNOSIS?

Around this time of the year, economists, bankers, asset managers and everybody else that deals with financial markets writes about prognostications of the health of the world economy.

Reading those reports, you will find an overwhelming consensus for a recession basically worldwide.

As to the largest economy, the US, a recession in 2023 should lead to a deceleration of inflation and thus allowing the Fed to stop hiking and moving forward even start easing.

This narrative is similar to the US recessions early 90s , 2001 and 2008. Needless to say that what follows is a bullmarket.

Somewhat disturbing is the fact that this consensus is shared by almost everyone.

This optimistic view, broadly held by market observers and participants, makes us uncomfortable, because when every body agrees on possible future outcomes, they are often wrong.

Eurozone and the UK are already in recession and the US is on the brink of it.

US inflation seems to have peaked and the Fed continues to fight it. Which means that there is no easing in the near future.

We believe that inflation is more entrenched than most market participants expect.

Wage growth, shortage of skilled labour and disrupted supply chains could lead to continued price pressures for goods and services.

This also means that inflation rates could decrease more slowly than anticipated.

As a consequence the Fed will keep rates up which means dark clouds for equity markets.

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