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The great rotation on the stock markets

January saw major shifts on the stock markets. Technology stocks lost heavily, energy stocks were particularly in demand, but financial stocks also held up relatively well. The U.S. Federal Reserve has intensified its rhetoric on the interest rate turnaround and intends to make four interest rate adjustments of 0.25% each, starting in March. This is intended to combat the currently very high inflation, but in particular to keep inflation expectations stable.

In our opinion, there are good reasons to believe that inflation in the U.S. will slow down over the next few months and that the tightening of monetary policy could therefore be more moderate than announced. In the last minutes, the Fed left a window open for flexible action.

The statements made in our Investment Policy 2022 remain valid. We remain cautiously optimistic for the equity markets, as economic and earnings developments are losing momentum, but are still favorable. The observed flight from growth to value stocks could then come to an end or even reverse if interest rate expectations are reduced due to the inflation trend in the USA.

Basically, the path to normalization of monetary policy is a communicative challenge for central bankers and there is justified hope that the Fed will be able to "save" the markets from reacting too violently. This process will presumably face Europe and the euro area next year.

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