Date of publication: 29/12/2022
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Banor Sim: world gross domestic product expected to fall in 2023

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reading time 1 min

29 December 2022

2023 looks set to be a year marked by recession or at least a sharp fall in global gross domestic product. The big investment firms expect growth to go no further than 2.5% –the lowest figure in 35 years. Inflation is, however, is expected to fall both in America (4%) and Europe (5%). The variables to keep in mind include increases in energy and labour costs and interest rate rises. Our analysis of the equity sector therefore assesses the risk of a lower earnings forecast with pressure on margins and turnover, which are unlikely to grow. US stock market performance should, at best, emerge unaffected, while the European stock market could offer profitable opportunities. In emerging markets, we believe that in the short term, India will offer the most interesting possibilities, while China will be bogged down for many months by the severe problems caused by the property market crisis. This said, valuations do however look very interesting in the long term. What about the bond market? After several years in which investment in the sector was discouraged, we can now return to it thanks to positive yields, especially in real terms. In recessionary times, it is better to focus on high-quality corporate and government bonds. In a high inflation scenario, it would also be advisable to hold three and five-year bonds, to offset any underperformance of the equity markets. As regards commodities, we believe their value will decline due to weak GDP growth and a consequent fall-off in demand. However, we have to think of the energy transition, which will stimulate huge investment – and therefore demand – in the next decade. In particular, we are positive about copper, nickel, oil and uranium. Gold and silver will continue to offer good protection against geopolitical risk and defence of purchasing power. Finally, in the currencies market, euro and dollar parity should last until there are any significant developments in the Ukrainian conflict and, as a consequence, in energy price trends.