

Investments - Flash



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BETTER PROSPECTS FOR US AND EMERGING MARKET STOCKS

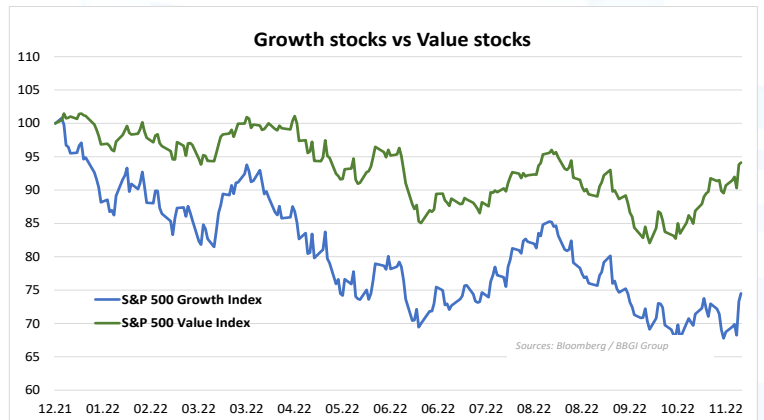
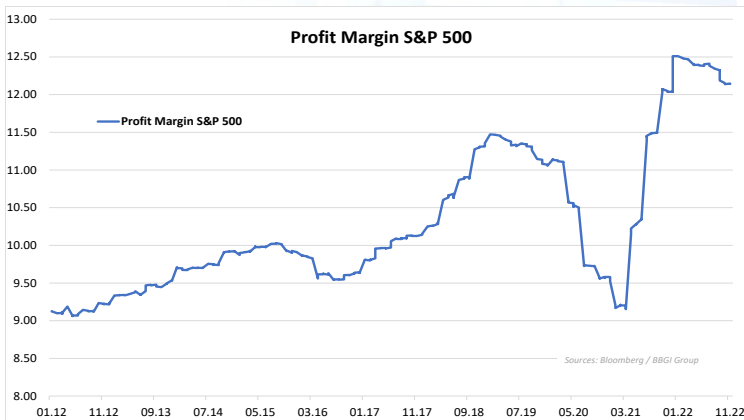
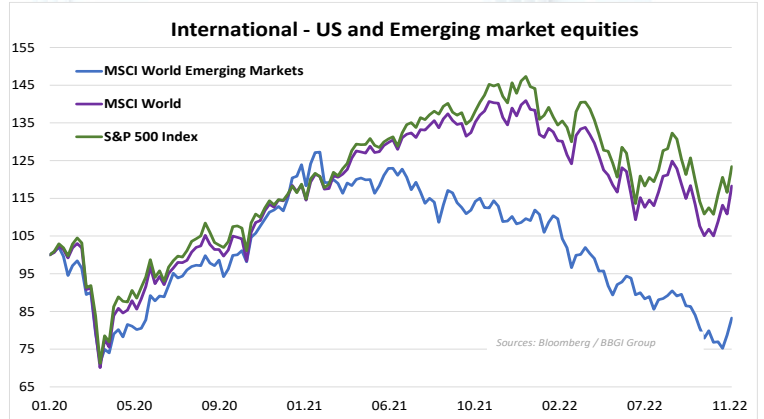
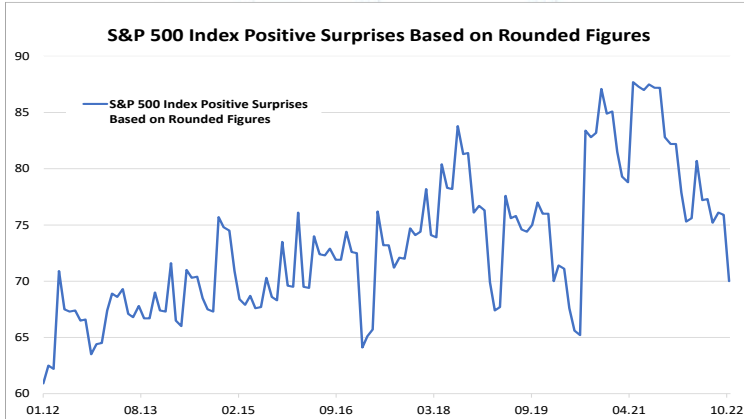
Margins and revenues will decline more in Europe

The U.S. corporate earnings season ended with the lowest ratio of companies, beating estimates recorded since Q1 2020, despite lowered expectations. Companies generally announced margin cuts, due to rising labor and raw material costs, while consumer demand was weakening, preventing them from raising their selling prices. This trend is likely to continue, implying future margin declines and lower revenues in the coming months.

U.S. companies, however, are expected to show better resilience of their results in 2023, than European companies. Emerging markets, which were the most affected in 2022, will benefit from a turnaround in their results in 2023. Even if, overall, analysts still seem to be somewhat optimistic, stock corrections have been significant and have lowered valuations.

A recovery of the Chinese economy and a decline of the dollar, after a particularly positive year for the US currency, despite a slowing economic environment, will support U.S. and emerging market corporate profits.

The current rebound in the equity markets will certainly be more favorable to US stocks, in the expected context of a gradual decrease in inflationary pressures and the adjustment of yield curves, in continuation of the decline observed in recent days. We recommend favoring U.S. and emerging cyclical stocks as well as growth stocks.



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