

Investments - Flash

M. Alain Freymond - Partner & CIO



CYCLICAL CONSUMPTION CATCHING UP IN THE USA

Adjustment to less pessimistic economic outlook

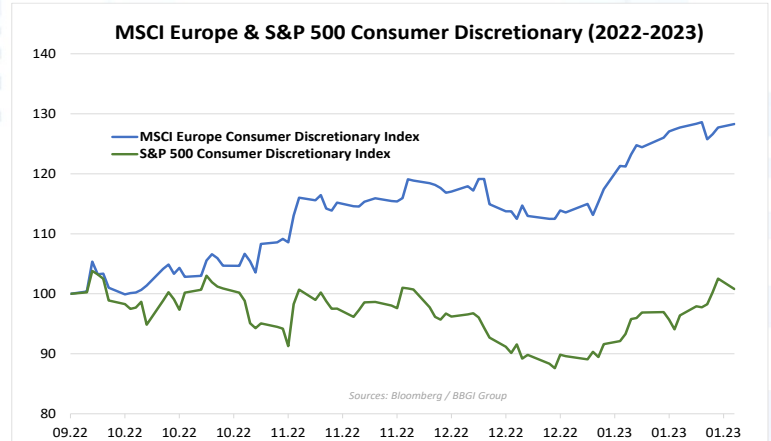
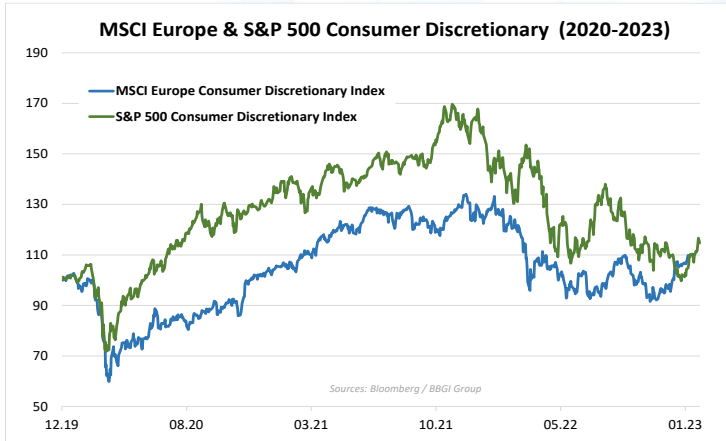
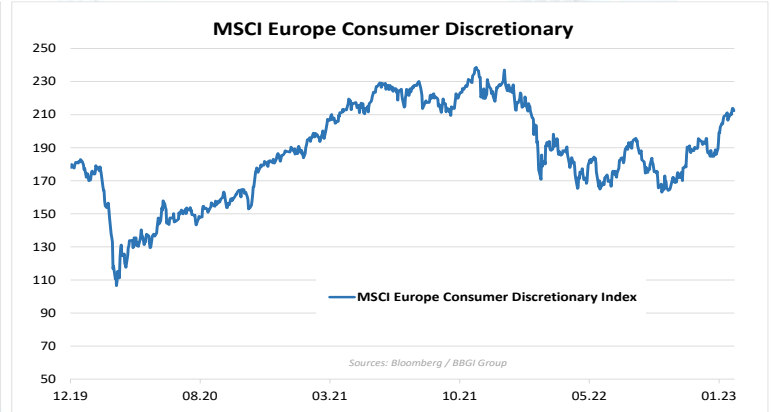
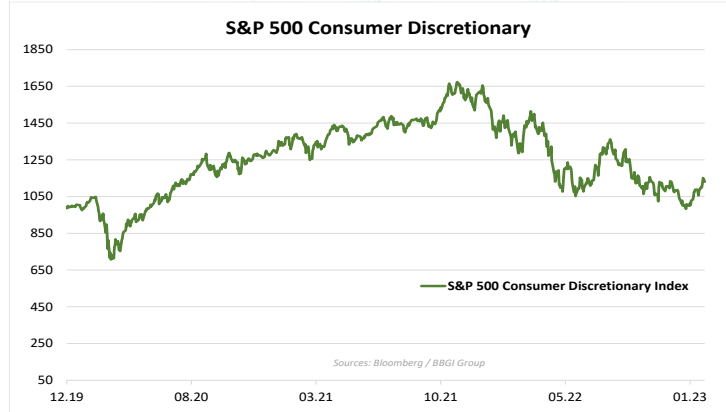
The consumer cyclical sector was particularly affected in 2022 by investor fears that consumers would cut back on non-essential spending in the face of rising inflation and declining purchasing power. Fears of a "hard landing" have pushed the 2023 earnings outlook downwards.

However, the latest consumption indications published by Visa may suggest that consumption is proving to be significantly more resilient than expected. Consumers and businesses, in this context of risks of economic slowdown clearly identified for several quarters, have indeed slowed down their consumption growth, but it seems to remain clearly positive. Some recovery materializes especially in January 2023, both in the US and in international transactions according to Visa.

The approaching end of the Fed's monetary tightening cycle and expectations of positive inflation and interest rate developments provide further positive elements for the sector's future development.

Soft-landing would have a less negative impact on non-discretionary consumption than expected, while the sector (S&P consumer discretionary) was suffering a fall of around -40% in 2022 in anticipation of a 'hard landing'.

The recent rebound in US prices in January 2023 challenges the downward trend and may already suggest a new, more favourable trend for US stocks in the wake of the recovery in Europe, which is already well underway.



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