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For professional investors in Italy

April 19, 2023

Quarterly Outlook

Plenisfer Investments SGR

Looking at the recent market events, we continue to think that the fragility of the financial system imposes a **'pause for reflection'** on central banks, stuck in the dilemma between system stability and fighting inflation. In the short term, the risk of recession is growing stronger, although a possible cyclical return of inflation cannot be excluded. In this sense, allocations to gold and energy stocks continue to be crucial for an effective structural hedge of the portfolio.

On the **bond** front, we believe we are at the end of a rate hike cycle and this, from our perspective, defines an investment opportunity on the fixed income side in terms of government bonds and credit securities. Given the current inversion of the 10-2-year rate curve, we continue to think that focusing on good quality investments remains a priority.

Considering **risky assets**, we think it is appropriate to remain cautious, due to the uncertainty surrounding monetary policies and the slowdown in the economic cycle. We think that should be considered those sectors where the element of structural supply shortage is predominant (energy companies, raw materials used in the energy transition). Considering current equity valuations, we think global P/Es are still high and are likely to decline for a long time - a factor driven by rising interest rates.

We continue to believe that the main macroeconomic driver in 2023 is the reopening of **China**: at the end of the quarter, the Chinese component within our portfolio stands at 7.2% (delta adjusted), confirming it as a relevant allocation. In fact, in these early months of 2023, we are seeing both the reopening of dialogue between the Chinese government and the Tech sector - after two years of a very restrictive control policy - and the potential for a recovery in consumption driven by the excess retail savings of around 8 trillion renminbi (compared to the previous years' average of 2 trillion renminbi), generated during previous lock-down periods.

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