

ARIA | CAPITAL

INVESTMENT INSIGHT

A weekly look inside the investment world.



People seldom do what they believe in. They do what is convenient, then repent.

Bob Dylan



Friday, 27 January 2023

In this week's Investment Insight

Something to cheer me up

When visiting my elderly mother in hospital over the last month, understandably downbeat to be spending Christmas immobilised in Blackrock Clinic, her most common request was a simple one: "Tell me something to cheer me up". As luck would have it, clients had a similar refrain for most of last year. With the mammy back home and duly cheered up, in this week's *Inside Track* and, indeed, the *Pic of the Week* it's the clients' turn!

Bounceback

Many growth shares sold off heavily in 2022, and quite justifiably in many cases as they were trading on nosebleed valuations. However, some have since made a decent recovery from their 2022 lows. In *Pic of the Week* we look at a few examples, some of which we pointed to as probably good value when they were at or near those lows.

News wire

Some interesting nuggets from this week's newswires.

Market view

A visual snapshot of recent market performance.

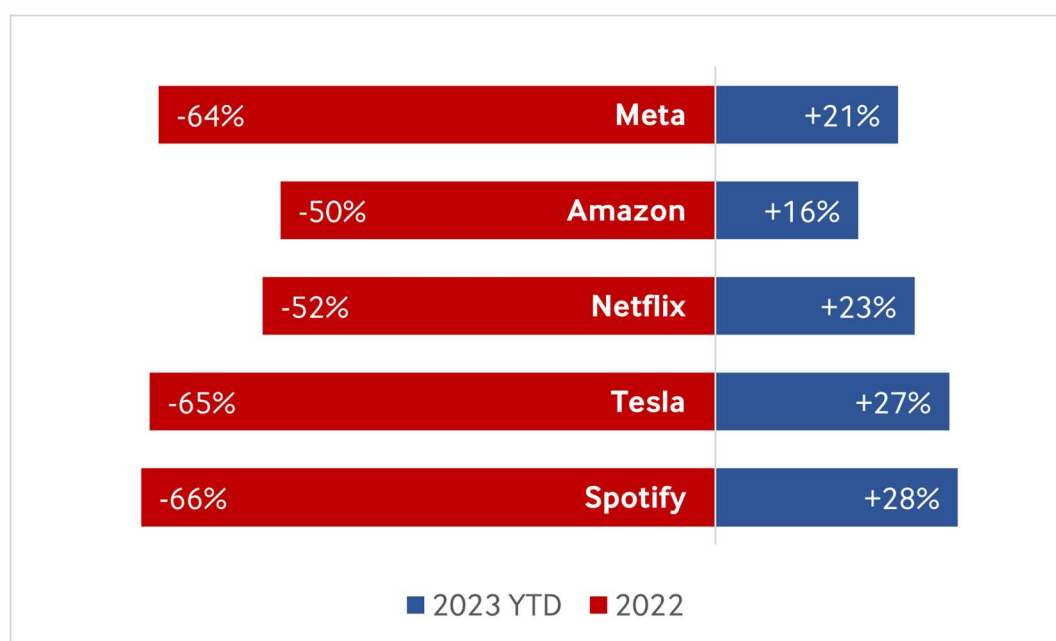
The Inside Track: Something to cheer me up

The early weeks of 2023 have brought a respectable dollop of good cheer for investors battle weary after a tumultuous 2022. Apart from some recovering asset prices, some other positive

developments are afoot. The first is inflation. Last year the inflation rate soared, this year it should fall. Whether it will stay low enough to allow central banks to reduce interest rates is the big question, but even if kept waiting for rate reductions, investors will be much calmer about stable interest rates than they were about rising rates. Second, the US Dollar traded in a wide range in 2022, strengthening substantially for the first three quarters of the year and weakening a lot in the final quarter. Over the full calendar year, however, it strengthened by about 6%. This year, it is likely to continue its 22Q4 weakening, but it may be more stable, trading in a narrower range, than in 2022. Why is this good news? Well, because a weaker dollar more likely means easier global financial conditions and, hence, a better prospect of a soft landing for the global economy. Thirdly in the "cheer me up" charts, China, having abandoned its untenable zero-Covid policy, is getting back to business, even if that return is, in the short term, blighted by a very heavy Covid case count. Of course there is no shortage of counterpoints to this gleeful analysis, but we've commented on them at length in previous Investment Insights. This is a week to focus on the positives.

Pic of the Week: Bounceback

When there's a "risk off" environment, markets can be fairly indiscriminate in their treatment of stocks - good, bad and indifferent. It's indisputable that many of the corrections that 2022 brought were entirely warranted. However, as almost always happens, the selling went too far in some cases. Continuing this week's more cheerful theme, the chart highlights a few of the tastier bouncebacks.



NewsWire

...on Monday

Ford announces up to 3,200 job cuts in Europe.

...on Tuesday

UK data shows drop in business activity and risk of recession.

...on Wednesday

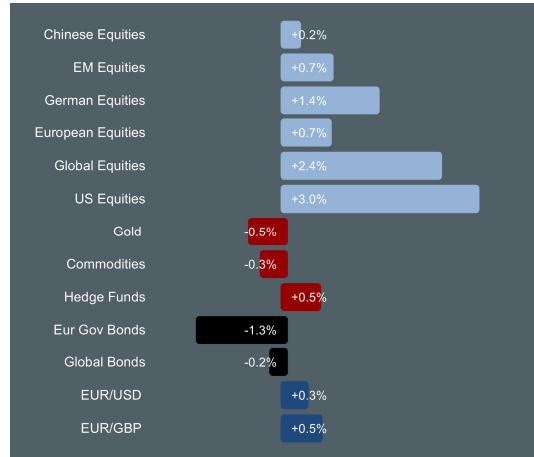
Tesla shares upbeat earnings guidance leading to surge in its share price.

...on Thursday

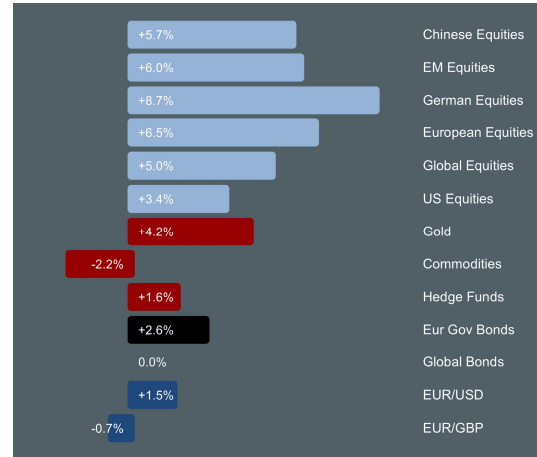
The US Commerce Department's report suggests strong 4th quarter growth, but with momentum slowing towards the end of 2022.

Market View

Last 7 days (€)



Year to date (€)



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