Alpesh Patel's Newsletter

Exclusively for ShareScope Alpesh Patel Special Edition Subscribers

21 February 2023

Overview

So, far a strong start to 2023 – in many ways. Emerging markets leading the way and surprisingly growth stocks again, given value was the way to go in 2022. Small caps are also back!

Exhibit 1: Asset class and style returns

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Jan '23
Small cap 26.6%	Global Agg 5.6%	Global REITS 23.0%	Small cap 32.9%	Global REITS 22.9%	Growth 3.5%	Small cap 13.3%	MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	MSCI EM 9.2%
Global REITS 22.8%	Global REITS 2.3%	MSCI EM 18.6%	Value 27.5%	Growth 6.5%	Global REITS 0.6%	Value 13.2%	Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	Growth 8.6%
MSCI EM 19.2%	Value -4.9%	Small cap 18.1%	DM Equities 27.4%	DM Equities 5.5%	Small cap 0.1%	Cmdty 11.8%	Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Global REITs 8.2%
Cmdty 16.8%	DM Equities -5.0%	Growth 16.6%	Growth 27.2%	Value 4.4%	DM Equities -0.3%	MSCI EM 11.6%	DM Equities 23.1%	DM Equities -8.2%	Global REITs 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	Small cap 7.8%
Growth 14.9%	Growth -5.1%	DM Equities 16.5%	Global REITS 2.3%	Small cap 2.3%	Global Agg -3.2%	DM Equities 8.2%	Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	DM Equities 6.1%
DM Equities 12.3%	Small cap -8.7%	Value 16.4%	MSCI EM -2.3%	Global Agg 0.6%	Value -4.1%	Global REITS 6.5%	Global REITS 8.0%	Cmdty -11.2%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	Value 3.8%
Value 9.8%	Cmdty -13.3%	Global Agg 4.3%	Global Agg -2.6%	MSCI EM -1.8%	MSCI EM -14.6%	Growth 3.2%	Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Global Agg 3.2%
Global Agg 5.5%	MSCI EM -18.2%	Cmdty -1.1%	Cmdty -9.5%	Cmdty -17.0%	Cmdty -24.7%	Global Agg 2.1%	Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -1.8%

Source: Bloomberg Barclays, FTSE, MSCI, Refinitiv Datastream, J.P. Morgan Asset Management. DM Equities: MSCI World; REITs: FTSE NAREIT Global Real Estate Investment Trusts; Cmdty: Bloomberg Commodity Index; Global Agg: Barclays Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 January 2023.

And you can see how private investors like you have been piling into the market.

You can watch the video of me celebraintg 100k followers on TikTok here: https://youtu.be/CDprlkOWGWw and of course add to the 100k+ followers here: https://www.tiktok.com/@greatinvestments

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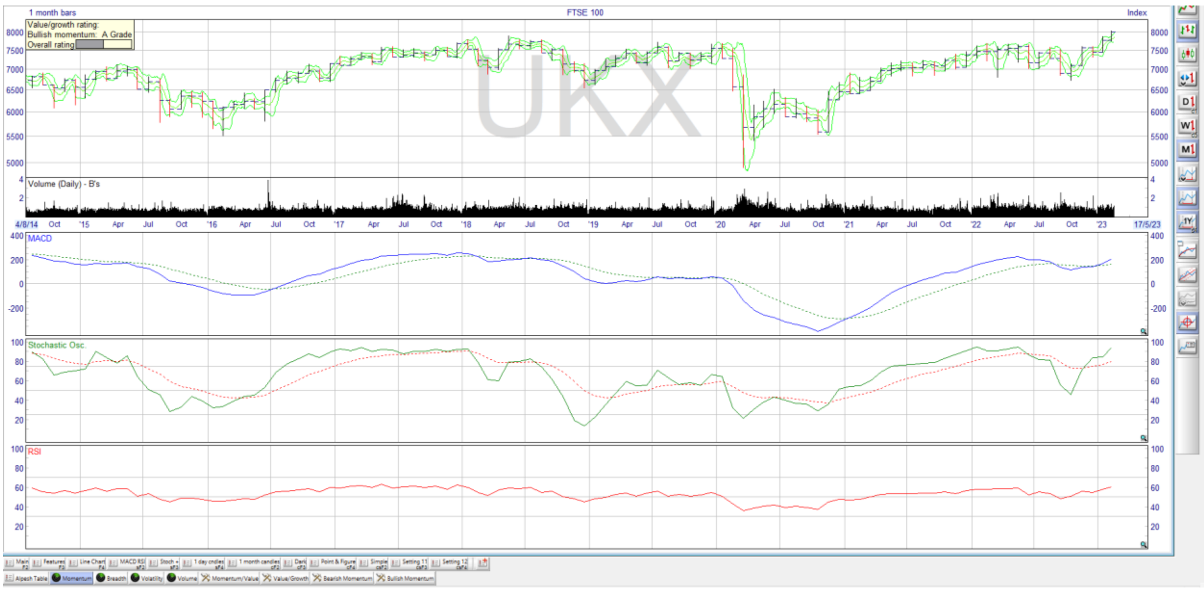
https://futureofprivateinvesting.investorschronicle.co.uk/home

Overview



Before you get all excited about the FTSE100 making all-time highs be warned that the monthly MACD is looking terribly overbought.

When it's been at these levels before as you can see in the recent past it tends to move sideways for a while. That being said for now on a technical basis at least things look positive.

Performance 2022

Whilst 2023 is off to a rocketing start, 2022, was not an overall positive one – one of the rare years in the 19 years since we started monitoring my picks on Sharescope that is has not been an up year.

Last year’s performance: (remember the 25% hard stop loss).

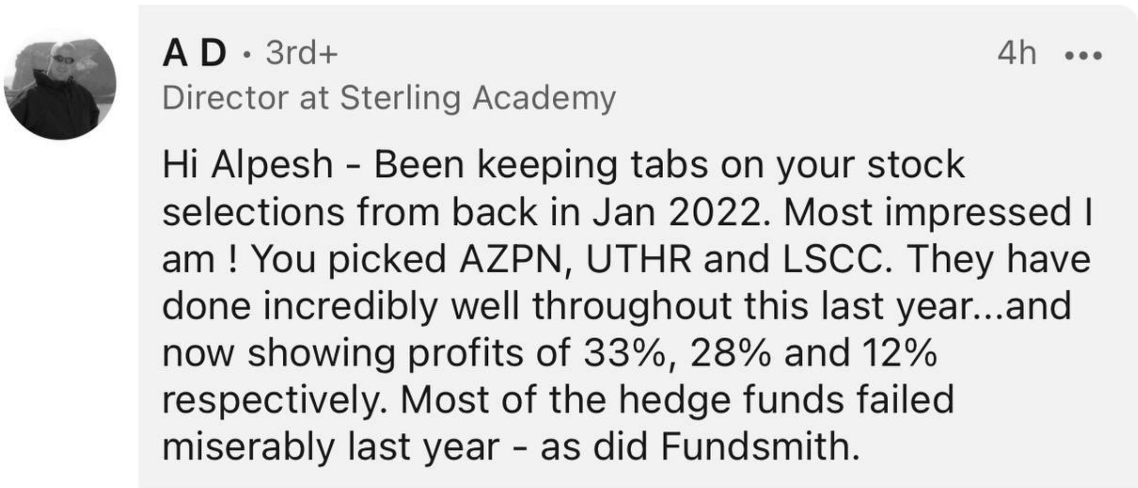
Lotus Bakeries NV	LOTBB	8.59
Givaudan SA	GIVNZ	-25
Tecan Group AG	TECNZ	-12.78
Nexus AG	NXUD	-16.59
Coloplast A/S	COLOBC	-23.61
Novo Nordisk A/S	NOVOBC	41.48
Eurofins Scientific SE	ERFP	-25
ID Logistics Group	IDLP	-22.66
Somfy SA	SOP	-16.96
Recordati Industria Chimica e Farmaceutica SpA	RECM	-25
ASML Holding NV	ASMLA	-24.38
Kongsberg Gruppen ASA	KOGO	44.9
Getinge AB	GETIBS	-25
Arjo AB	ARJOBS	-25
Indutrade AB	INDTS	-22.49
Nibe Industrier AB	NIBEBS	-17.41
Vitec Software Group AB	VITBS	-16.62
Addnode Group AB	ANODBS	-3.48
YouGov PLC	YOU	-25
Instem Life Science Systems PLC	INS	-20.22
Sureserve Group PLC	SUR	-9.33
Pool Corp	POOL	-25
ASML Holding NV	ASML	-25
Lam Research Corp	LRCX	-25
Camtek Ltd	CAMT	-25
Nova Ltd	NVMI	-25
Apple Inc	AAPL	-24.53
Microsoft Corp	MSFT	-23.63
Balchem Corp	BCPC	-23.17
Fortinet Inc	FTNT	-22.31
Costco Wholesale Corp	COST	-14.86

KLA-Tencor Corp	KLAC	-9.57
Synopsys Inc	SNPS	-3.35
Medpace Holdings Inc	MEDP	12.98
EPAM Systems Inc	EPAM	-25
West Pharmaceutical Services Inc	WST	-25
Tyler Technologies Inc	TYL	-25
ServiceNow Inc	NOW	-25
Zoetis Inc	ZTS	-25
Sherwin-Williams Co	SHW	-25
S&P Global Inc	SPGI	-25
Accenture Ltd	ACN	-25
Home Depot Inc (The)	HD	-19.73
Brown & Brown Inc	BRO	-16.91
Thermo Fisher Scientific Inc	TMO	-9.21
Keysight Technologies Inc	KEYS	-8.92
Oracle Corp	ORCL	-6.57
BJ's Wholesale Club Holdings Inc	BJ	0.65
Ultra Electronics Holdings		10.6

The total for the year was therefore: -15.2%. It's no excuse the Nasdaq of which so many of my stocks belonged was down 33%. Of course, in my own SIPP and ISA I was 80% in cash, but the rules of my ShareScope picks are that once chosen in January, I cannot make changes, which of course I do in the real world of my son's ISA and my own SIPP.

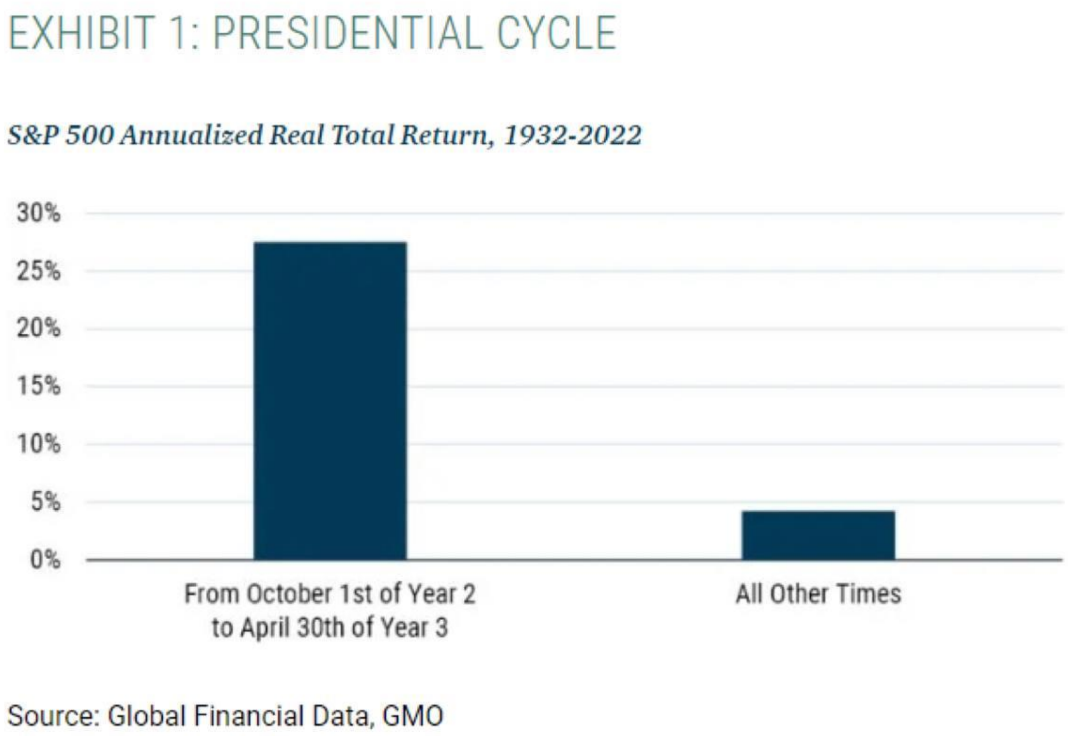
The key reason? I added a bunch of US stocks, the rare year the UK markets do better than the US ones.

I take solace from the fact I shown by the message below that was for Sharescope I picked stocks in the first week of January and then don't touch them regardless of what happens during the course of the year I do elsewhere of course make other picks and during the course of the year those have done incredibly well



Market Expectations

It's been a fantastic start to the year. Perhaps I should not be surprised when you look at the image below which shows that at this stage in the presidential cycle I should indeed be expecting a strong return in the stock market.



Of the top stocks so far this year at the time of writing that are in my portfolio for this year these are some of the best performers and that was just over a seven day period. The reason I'm sharing these is just an example of how much such large companies can move in such a short time. As you will know I intend to hold stocks for 12 months and then revaluate and I do not trade my investments.

Symbol	Name	Last Price	7D
TSLA	**Tesla** No recent events	177.90	33.3%
NVDA	**NVIDIA** No recent events	203.65	14.2%
META	**Meta Platforms** No recent events	151.74	8.9%

I've been pleased to go head-to-head against one of the big bears and on Bloomberg's Twitter feed and at least publicly beat him on this occasion. Before I get too cocky though, I am mindful that many people believe that the recent rally is a bear trap.

Had to prove the old adage that retail investors are usually wrong you can see in 2022 from the headline below that they got out of the market just as the market had one of its best years for the UK. Indeed in 2023 the FTSE 100 is making all-time highs.

And again, in the image below you can see another seven days over which some of the stocks that I bought so far this year have risen so much so quickly.

Now that is not to say that they won't go down and it is not to say the market won't have some profit taking and drop maybe even 10% from where it is at the moment. However, such fast gains give us a buffer against future falls during the rest of the year.

Symbol	Name	Last Price	7D
BC	**Brunswick** No recent events	92.40	15.9%
2330	**Taiwan Semiconductor Manufacturing** No recent events	542.00	7.8%
TSLA	**Tesla** No recent events	189.98	6.8%

Another reason to be bullish for the rest of the year is the image below when the 1st 20 days have been so strong it's usually the case that the rest of the year will do rather well as well.

S&P 500: Best Performance through First 20 Trading Days (1928 - 2023)				
Rank	Year	Price Return: First 20 Trading Days	Price Return: Day 21 to Year-End	Price Return: Full Calendar Year
1	1987	13.2%	-9.6%	2.3%
2	1975	12.7%	16.2%	30.9%
3	1934	12.2%	-15.1%	-4.7%
4	1976	11.0%	6.8%	18.5%
5	1967	7.9%	11.3%	20.1%
6	1946	7.5%	-18.1%	-11.9%
7	1985	7.1%	17.9%	26.3%
8	2019	6.9%	20.5%	28.9%
9	1943	6.9%	11.8%	19.4%
10	1961	6.6%	15.5%	23.1%
11	1989	6.2%	19.8%	27.3%
12	2023	6.2%		
13	1951	6.1%	9.7%	16.3%
14	1980	5.7%	18.6%	25.4%
15	1979	5.7%	6.2%	12.2%

And of course, money which has been waiting in the side-lines in 2022 has been entering this market and providing a virtuous circle or self-fulfilling prophecy of ever greater gains.

FINANCIAL TIMES

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Investors pile into market rally as economic slowdown risk ebbs

Improving outlook boosts demand for riskier assets as 'fear of missing out' returns

Taken from the time of writing you can see from the image below the S&P 500 has had its first positive January since 2019.

S&P 500

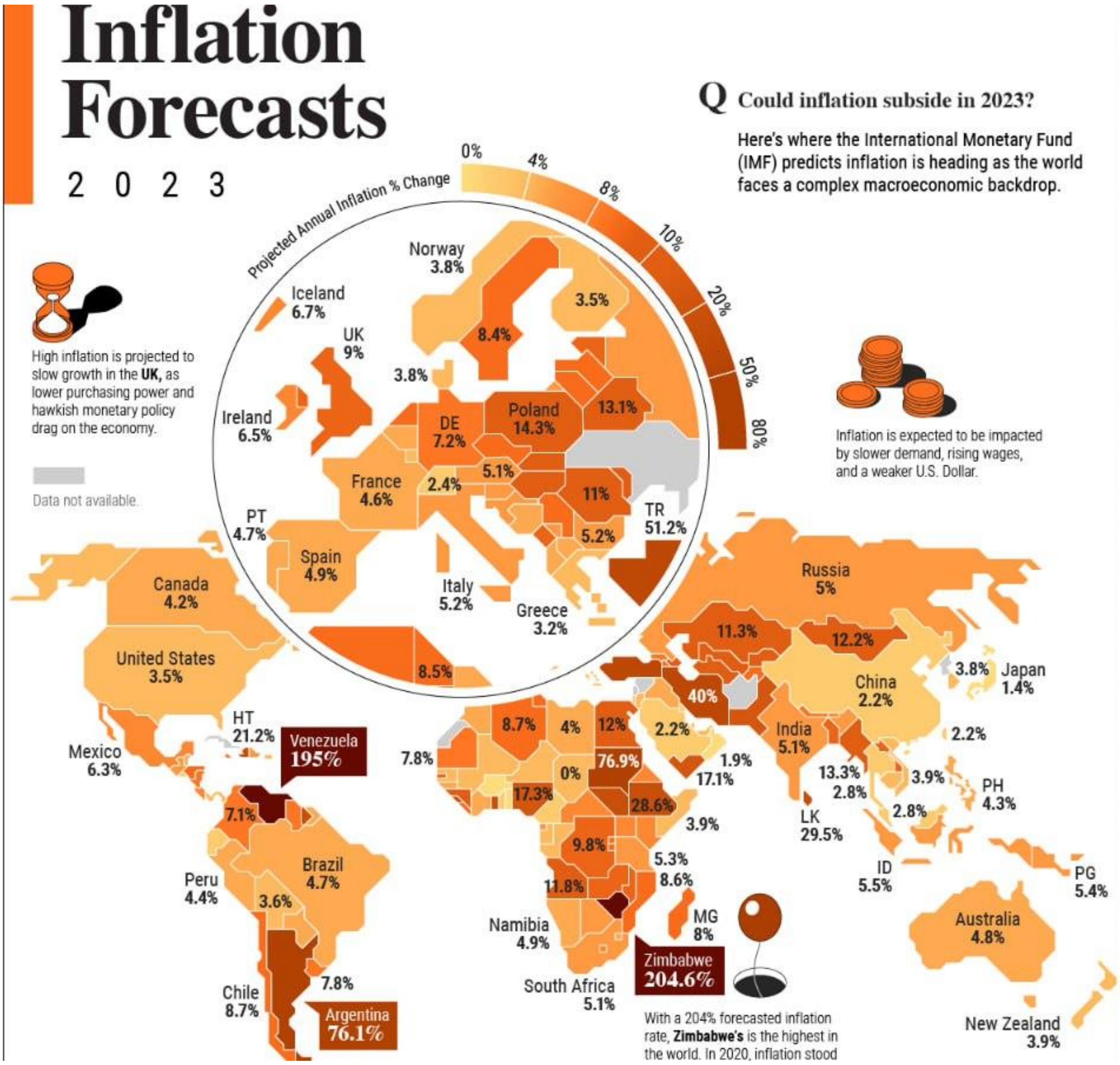
	'19	'20	'21	'22	'23	Avg
Jan	7.87	-0.16	-1.11	-5.26	6.18	1.39
Feb	2.97	-8.41	2.61	-3.14	0.85	-1.97
Mar	1.79	-12.51	4.24	3.58		-1.12
Apr	3.93	12.68	5.24	-8.80		2.67
May	-6.58	4.53	0.55	0.01		0.13
Jun	6.89	1.84	2.22	-8.39		0.61
Jul	1.31	5.51	2.27	9.11		4.36
Aug	-1.81	7.01	2.90	-4.24		1.38
Sep	1.72	-3.92	-4.76	-9.34		-3.17
Oct	2.04	-2.77	6.91	7.99		1.45
Nov	3.40	10.75	-0.83	5.38		4.10
Dec	2.86	3.71	4.36	-5.90		-0.83
Yearly	28.88	16.26	26.89	-19.44	7.07	

Macroeconomic Background

In democracies the opposition's blame the government for inflation and lack of growth the reality is inflation is indeed a global phenomenon therefore the opposition's blame the government for having inflation worse than in other countries and growth lower than in other countries.

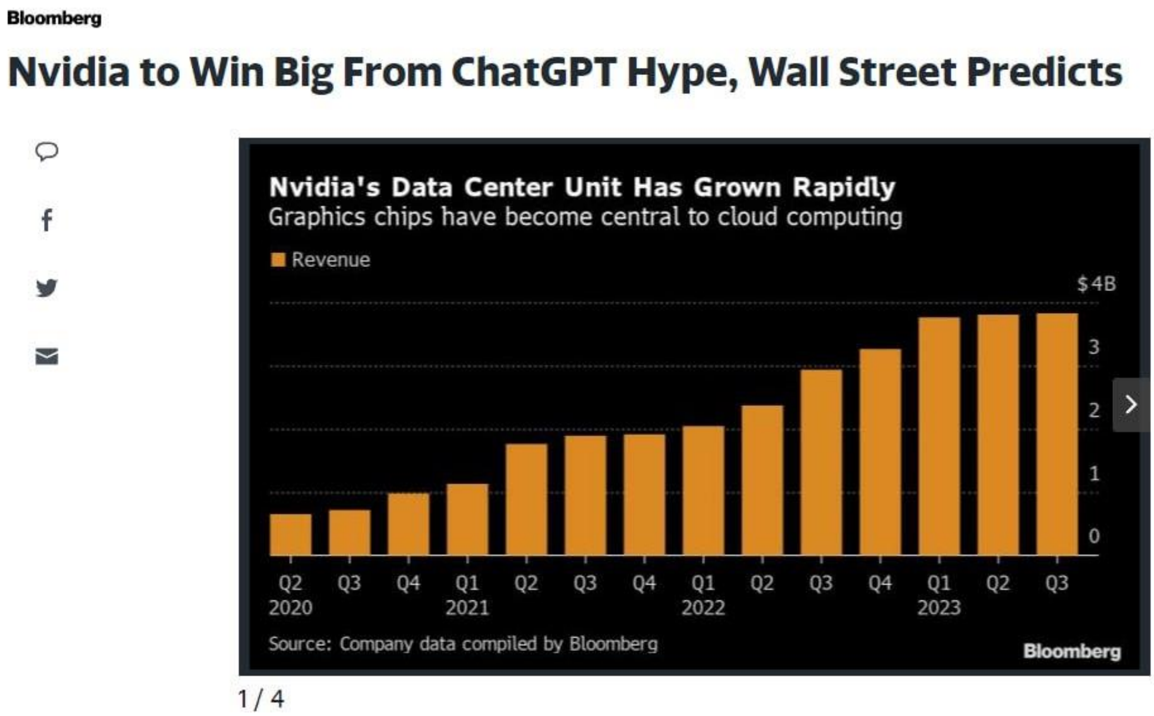
The truth is different countries go through various cycles and tend to move around an average.

You can see from the inflation forecasts below how global inflation actually is. The stock market in the US seems to be looking beyond the cycle of interest rate rises that we are seeing at present and expecting inflation to be tamed and therefore interest rates to peak and then fall and therefore for stocks to perform better. The stock market is a future expectation barometer.



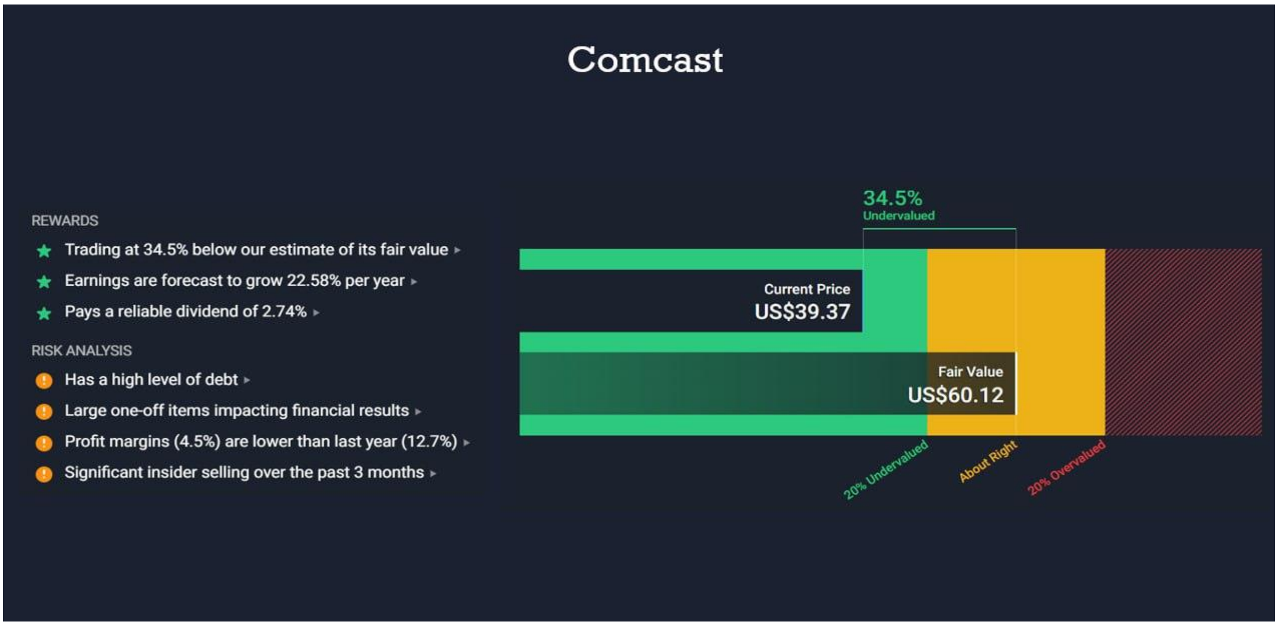
With most of the world's major economies expected to grow this year you can see why there is some degree of optimism for stocks. But I will still want stocks which are relatively undervalued usually because they got a battering last year and the pessimists were overly pessimistic driving down the share price on stocks, and to show good growth and cash flow.

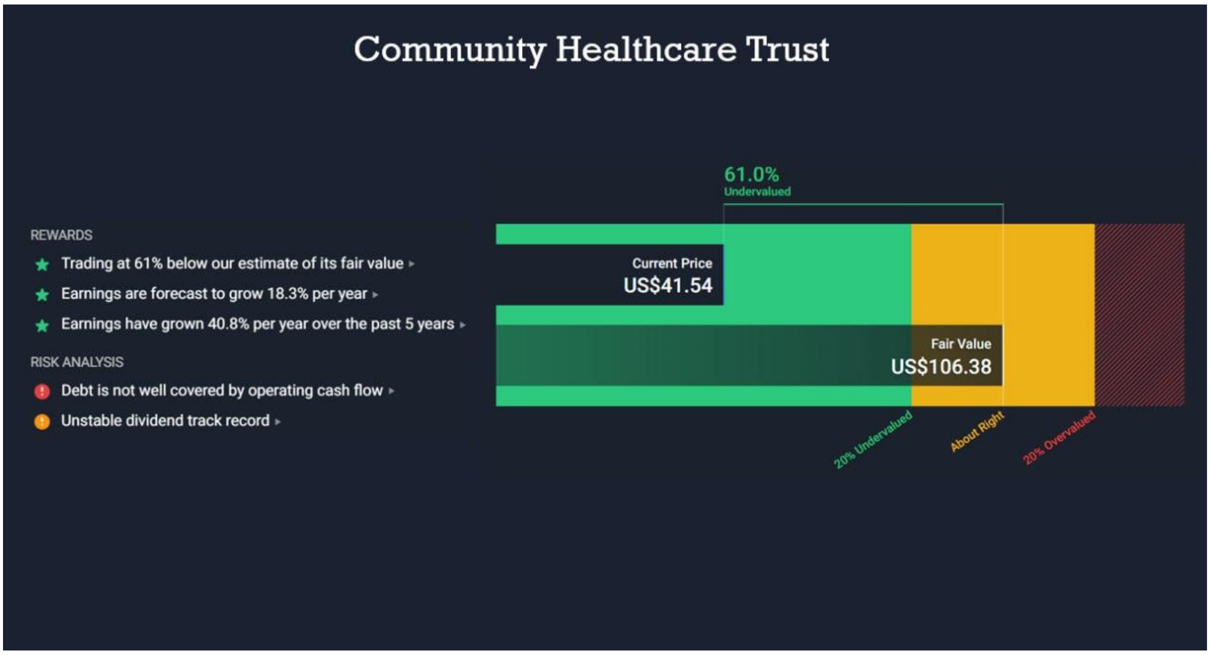
For instance nVidia is one of my picks. It just so happens that Chatgpt which I absolutely love is a reason why the stock will benefit. Indeed so will Microsoft stock and I have a two times leveraged ETF and CFD positions in it.



I also happen to own Comcast and Community Health as well and whilst that has nothing to do with AI it just shows how well companies which are even on the peripheries of what you might call technology are doing and how undervalued so many companies are this year.

I am excited for my sipp and pension and fully expect for my US holdings to revert back to a 40% return in 2023 and my UK holdings a 20% return (because my UK returns tend to be half of those of the US ones.)



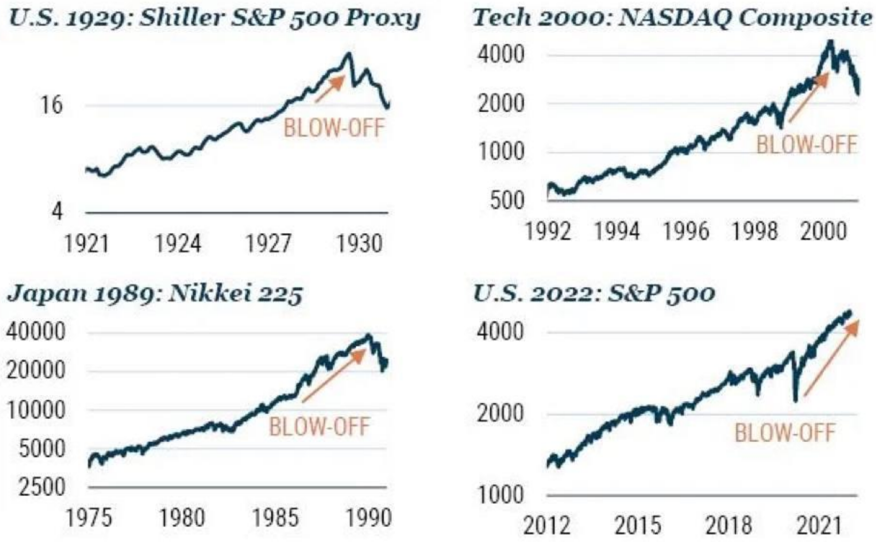


Warnings

But we must not forget the warnings and whilst I'm 80% invested in stocks with 20% still in cash which is the reverse of how most of 2022 was spent there are people like Jeremy Grantham who expects a plunge in the S&P but then again he expected a 20% plunge in the S&P every single year since he was born.

To the miserable Mr Grantham the recent rises are just part of a stock market blow off as can be seen in the image below. I will as ever therefore try to pick stocks which are resilient to market falls given that my crystal ball has been misplaced and therefore the kinds of companies with good valuations strong growth and good cash flows which should the market fall should be able to hold their own.

EXHIBIT 4: STOCK MARKET SUPERBUBBLES HAVE BLOW-OFF TOPS



As of 1/14/2022 | Source: Robert Shiller, DataStream

Some More Picks

I also happen to own MasterCard and you can see some of their results below this was also and you pick for 2023 having owned it in the past.

Mastercard
MA

Share Price	7 Day	1 Year
377.24	2.5%	7.6%

Full year 2022 earnings: Revenues and EPS in line with analyst expectations

Full year 2022 results:

- EPS: US$10.26 (up from US$8.79 in FY 2021).
- Revenue: US$22.2b (up 18% from FY 2021).
- Net income: US$9.93b (up 14% from FY 2021).
- Profit margin: 45% (down from 46% in FY 2021). The decrease in margin was driven by higher expenses.

Revenue was in line with analyst estimates. Earnings per share (EPS) were also in line with analyst expectations.

Revenue is forecast to grow 12% p.a. on average during the next 3 years, compared to a 10% growth forecast for the IT industry in the US.

Lam Research which again I held in 2021 didn't in 2022 and is back into my pension sipp for 2023 the details are below.

Lam Research
LRCX

Share Price	7 Day	1 Year
497.75	9.7%	-10.4%

Second quarter 2023 earnings: EPS and revenues exceed analyst expectations

Second quarter 2023 results:

- EPS: US$10.80 (up from US$8.50 in 2Q 2022).
- Revenue: US$5.28b (up 25% from 2Q 2022).
- Net income: US$1.47b (up 23% from 2Q 2022).
- Profit margin: 28% (in line with 2Q 2022).

Revenue exceeded analyst estimates by 3.8%. Earnings per share (EPS) also surpassed analyst estimates by 8.3%.

Revenue is forecast to grow 2.4% p.a. on average during the next 3 years, compared to a 7.8% growth forecast for the Semiconductor industry in the US.

For those interested in the pics of Bank of America rather than my own you can see some names below that they particularly happened to like. Of their list only Amazon is in My Portfolio and that too is a two times leveraged exchange traded fund in my son’s junior isa.

BANK OF AMERICA'S PICKS FOR 2023

TICKER	COMPANY	%CHANGE	PREVIOUS CLOSE	NAME	PRICE
AMZN	Amazon.com Inc	2.57	100.55	AMZN	103.13
DECK	Deckers Outdoor Corp	1.7	420.35	DECK	427.48
DPZ	Domino's Pizza Inc	1.29	348.49	DPZ	353
RTX	Raytheon Technologies Corp	1.15	98.71	RTX	99.85
RACE	Ferrari NV	0.02	251.25	RACE	251.31

Source: Bank of America

Again an update on one of my January pics for 2023 Brunswick and their results can be seen in the image below.

Brunswick
BC

Share Price	7 Day	1 Year
92.40	15.9%	2.4%

Full year 2022 earnings: EPS in line with expectations, revenues disappoint

Full year 2022 results:

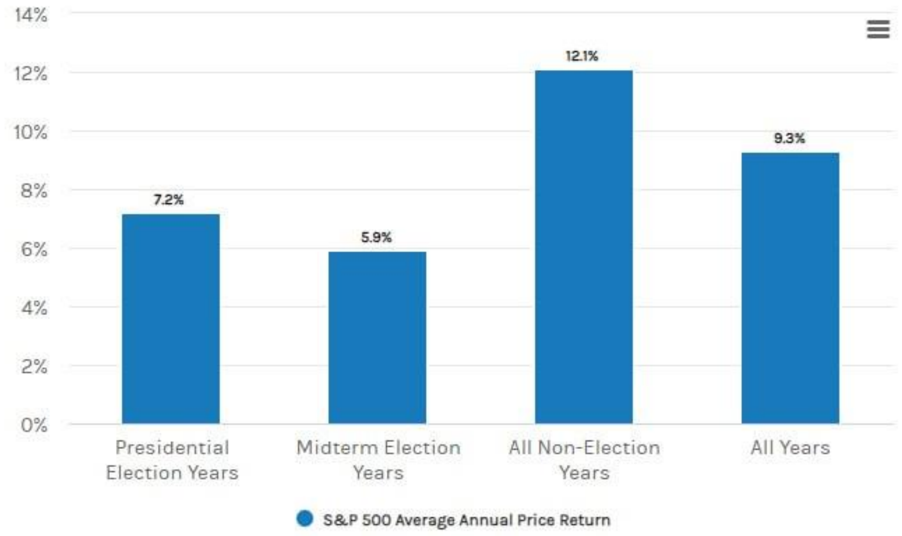
- EPS: US$9.11 (up from US$7.65 in FY 2021).
- Revenue: US$6.81b (up 17% from FY 2021).
- Net income: US$681.3m (up 14% from FY 2021).
- Profit margin: 10.0% (in line with FY 2021).

Revenue missed analyst estimates by 1.1%. Earnings per share (EPS) were mostly in line with analyst estimates.

Looking at the image below perhaps we should never have been surprised that 2022 was a relatively poor year for the market given that mid term election years tend to be some of the worst performers for stocks.

Maybe it's just the uncertainty that the market doesn't like. One things for sure there are times the market likes rising interest rates there are times when it rises likes falling interest rates but it always hates uncertainty.

S&P 500 returns have been materially weaker during midterm election years.



Source: MarketDesk Research, Fundstrat. As of January 13, 2023. The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment. Past performance is no guarantee of future results.

The Silent Thief: How Status Quo Bias is Holding Back Your Investments

Imagine being handed the keys to a Ferrari, but driving it like a Honda Civic. That's what it's like when you have a well-diversified investment portfolio, but let the status quo bias steer your investment decisions.

Studies have shown that people tend to be more comfortable with investments that they are familiar with, even if those investments are under-performing. The status quo bias can also lead to a lack of diversification in investment portfolios, as people are reluctant to sell underperforming investments or try something new.

Investors who suffer from status quo bias may also be reluctant to review and adjust their investment strategy, even if market conditions have changed. This can lead to a failure to capitalize on new opportunities and can result in suboptimal investment outcomes.

To overcome the effects of status quo bias, investors need to be proactive and regularly review their investment strategy. This means taking a step back, analysing your investments objectively, and considering whether they are still aligned with your financial goals. If not, it may be time to make a change.

How can investors become aware of their own biases when it comes to investing?

Investors can become aware of their own biases when it comes to investing by doing a few key things. First, they should make sure to do thorough research on any potential investments, including reading the prospectus, financial statements, and other documents related to the investment. This will help them understand the risks and rewards associated with the investment.

Second, investors should be aware of their own emotions when it comes to investing. It is important to remember that emotions can lead to bad decisions, so investors should be mindful of their feelings and try to remain as objective and informed as possible when evaluating investments.

Investors can also seek the advice of an expert in behavioural finance, such as myself, who can help them to understand the psychological biases that are impacting their investment decisions and provide guidance on how to overcome them.

As a behavioural finance expert, I have a deep understanding of how psychological biases impact investment decisions and can help individuals navigate this complex area to make better investment decisions. I share that knowhow freely on www.alpeshpatel.com/links

How can investors avoid falling prey to status quo bias?

Investors can avoid falling prey to status quo bias by staying informed and open to new ideas. They should keep up to date with market trends and research new investment opportunities. It is also important to question and challenge existing trends and assumptions. Additionally, investors should diversify their portfolios to ensure they are not putting all their eggs in one basket. Finally, it is important to seek advice from financial professionals who are not biased and can provide an unbiased opinion.

What are the consequences of status quo bias in investing?

Status quo bias is an innate tendency for people to stay with what’s familiar and comfortable rather than change and take risks. In the context of investing, this can be dangerous as it can lead to missed opportunities for growth, or worse, losses.

The most common consequence of status quo bias in investing is over concentration. This occurs when investors put too much of their portfolio into one or a few investments and ignore other opportunities. If the company or stocks in which the investor has such a large stake suffer losses, the overall portfolio takes a hit as well.

Status quo bias can also lead to missed opportunities. When investors fail to move their money into other investments that may be more profitable, they miss out on potential returns.

Finally, status quo bias can lead to a lack of diversification. This is when investors put all their eggs in one basket, so to speak, and don't diversify their portfolios across different asset classes. Diversification can help protect against losses in one area of the portfolio. Overall, status quo bias can be dangerous for investors.

It can lead to overconcentration, missed opportunities, and a lack of diversification, all of which can increase the risk of losses. Therefore, it is important for investors to be aware of their biases and make sure they are always considering opportunities to diversify and maximize their returns.

What are the potential risks associated with status quo bias in investing?

Status quo bias is a common investing trap that many investors fall into. It is the tendency to stick with the same investment decisions, even when they are not the best options. This can lead to financial losses if the markets change and the investor is unprepared.
Some of the potential risks associated with status quo bias in investing include:

1. Missing out on profits: You may miss out on profits due to sticking to the same investments and not diversifying your portfolio.
2. Ignoring new opportunities: By keeping your investments stagnant, you may miss out on new opportunities that may have better returns.
3. Inevitable losses: As markets change, the investments you have may no longer be profitable, leading to inevitable losses.
4. Investing without research: Without researching new investments and markets, you may be investing without the proper knowledge or understanding of the risks involved.

Overall, status quo bias can lead to financial losses and missed opportunities, so it's important to stay up to date on the markets and diversify your investments. By doing so, you can reduce the potential risks associated with status quo bias in investing.

What types of decisions are most affected by status quo bias?

Status quo bias can lead to people making decisions which maintain the current situation, rather than exploring other potential options.

Examples of decisions that are particularly susceptible to status quo bias include decisions related to investments, career paths, and major life decisions. In particular, people may be more likely to maintain investments which have been successful in the past, stay in the same profession, or avoid making any major life changes, such as moving to a new location.

What are the different types of investing bias?

Investing bias is a common phenomenon, and it can have a negative effect on your financial decisions and investments. There are a variety of biases that can affect your decisions, and it's important to be aware of them. Here are some of the most common types of investing bias:

1. Loss Aversion: This is an emotional bias where investors are more focused on avoiding potential losses than on potential gains.
2. Herd Mentality: Investors often follow what everyone else is doing, without stopping to consider whether or not the investment is actually sensible.
3. Anchoring Bias: This occurs when investors become too focused on a single piece of information, and they don't take into account other pertinent facts.
4. Overconfidence Bias: This bias occurs when investors become overly confident in their own abilities and ignore the advice of experts and other resources.
5. Confirmation Bias: This bias occurs when investors seek out information that confirms their own beliefs, while ignoring or disregarding information that contradicts them.

It's important to recognize and be aware of these biases, as they can have a significant impact on your investment decisions. By understanding where you may be vulnerable to bias, you can take the necessary steps to protect yourself and ensure that your financial decisions are made based on fact, not emotion.

What is an example of a cognitive investing bias?

An example of a cognitive investing bias is the availability heuristic. This is a cognitive bias that causes people to overestimate the probability of an event occurring based on how easily they can recall examples of similar events. For example, if you read several news articles about companies that have recently gone bankrupt, you might overestimate the probability of other companies going bankrupt in the future and make decisions based on that.

What is the impact of investing bias on portfolio performance?

Investing bias can have a major impact on portfolio performance. Unconscious biases can cause investors to make decisions that are not based on the fundamentals of the investments, leading to poor performance and suboptimal returns. This can be due to a variety of factors, including overconfidence, the availability heuristic, and the tendency to go with the crowd.

Additionally, investors may fail to diversify their portfolios, or put too much emphasis on certain types of investments, such as stocks or bonds, leading to poor returns. Moreover, investing bias can lead to improper risk management, which can further erode portfolio performance. It is important to become aware of these biases and take steps to mitigate their effects on portfolio performance.

In conclusion, the status quo bias can have a significant impact on investment decisions and outcomes. By recognizing this bias and taking steps to overcome it, investors can improve their chances of success and achieve their financial goals.

There is ample literature on inertia in investing and prospect theory by stakeholder in companies including many a experimental study on why once in a poor investment you are slow to exit and your preference is often irrational. Samuelson and Zeckhauser are good on discussing this.

The Stock Market Outlook for 2023 According to the Major Banks

If predicting the stock market was easy, everyone would be doing it. In the real world, however, the best alternative is to look to industry leaders — with combined centuries of experience in reacting to and guiding market forces, big banks are a highly effective investment bellwether. Here's what they have to say about 2023's outlook.

Patience Will Be Key in 2023

According to Morgan Stanley, 2022's tumultuous markets bore a lesson: Many investors might be overplaying their hands. Smart asset holders should seek income and return potential outside U.S. equities, prioritize fixed income, and consider selectively owning stocks in new markets.

This isn't to say that equities are suddenly worthless. It just means that if you want to leverage their benefits — like inflation protection — you'll likely benefit from being quick on your feet, not to mention picking high-quality investments with strong margin resilience and plenty of free cash flow.

In other words, this is a year to stay patient. Demand a premium for taking on risk, and rebalance your portfolios as inflation normalizes.

The economic outlook reinforces the value of smart strategies. After a dire New Year's Day warning about a potential recession that would impact 33 percent of the world economy in 2023, markets saw investors get decidedly skittish. So what should we bear in mind from now on?

Broaden Diversification

Although broad diversification has long been a pillar of smart strategies, investors will really need to take the concept to heart this year: 2023 is forecast to be challenging thanks to inflation, bear markets, and layoffs alike, all weighing on stocks and bonds.

To combat the volatility, some are turning to alternative investments like commodities and managed futures, while others are taking advantage of high bond rates. With inflation in focus, hybrid robot advisors may offer the best of both worlds: low costs and expert advice. In short, the valuation imbalances, volatility, and other factors that made 2022 less than stellar could look more like opportunities in the year to come.

One of the biggest challenges for investors will involve growing their money in real terms, even though inflation will likely remain high. How to cope? Analysts advise diversifying your investments with bonds, sustainable infrastructure, and U.K. stocks offering attractive yields.

Gold and absolute return funds are also options for capital preservation. Review your goals and keep calm if your investment horizon is longer than five years — panic selling isn't in anyone's best interest unless you're buying!

The Recession Perspective

Forecasters have been predicting a recession since last year — but it never came. Investors shouldn't take this reprieve for granted, however: Experts like BlackRock say central banks' policy-tightening attempts to ease inflation are almost sure to cause one this year — and that, unsurprisingly, investors can't depend on the same regulators to provide a rescue.

Other groups like JP Morgan admit that even if the recession is too close to call in the short term, slower growth and lower inflation are highly probable. Again, the key may lie in looking to alternate opportunities: Instead of stubbornly sticking to longtime market stalwarts like the communication sector, which performed dismally in 2022, move into developing options like energy, healthcare, utilities, and information technology.

RBS and other banks also say there's nothing wrong with focusing on the positives — like investing in companies striving for Net Zero and exploring emerging markets.

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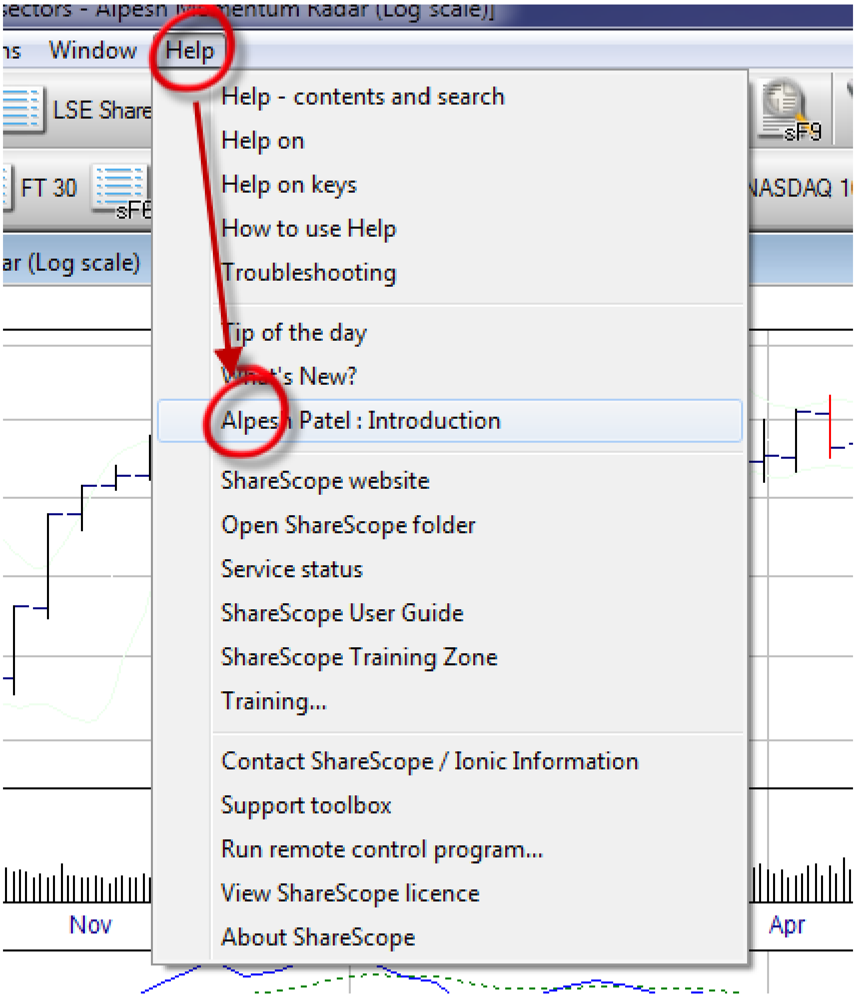
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