THE SUMMER NO.1

Last week marked the start of the summer season, coinciding with the end of the first half of the year, and, as always at this time of year, everyone is talking about the "summer No.1", meaning, in the world of markets, whether we will have a summer of quiet or busy stock markets. By the way, on 24 June we celebrated the fifth anniversary of the 2016's summer hit, "Brexit", which caused instability and double-digit corrections in European stock markets. At that time, a very negative scenario was ruled out, one that we hope not to see again in the coming summers.

Typically, summer market periods have been characterised by little activity and short bias. Basically motivated by a technical issue as these are times of dividend payments by companies, which generates profit-taking by investors. I won't go into detail on financial calendars, but I will go into the possible "summer hits". The first one could be "Delta", since lately the data of contagions by this variant are becoming significant and, in fact, markets are already seeing new travel restrictions with a consequent punishment of tourism-related companies, which could affect the long-awaited recovery of the summer season. This wouldn't be a good thing, as we would see corrections in all stock markets.

The second hit, which is not as catchy but which is also heard quite a lot, is "*Tapering*", i.e. the end of monetary stimulus by the US Federal Reserve, although it is true that it will probably start to be discussed at the *Jackson Hole* meeting at the end of August. This would make us relive moments like those we experienced in 2018, corrections across the board motivated by the reduction of the Fed's balance sheet.

At the moment these two hits have started to hit hard in the markets that are linked to economic recovery/re-opening as is the case of the Spanish stock market. On the other hand, in the American stock market, thanks to the fact that investors have once again positioned themselves in the so-called growth companies, the great beneficiaries according to the lyrics of these two summer hits, as was the case last year with the pandemic. This caused markets to reach an all-time high.

This has generated a bit of altitude sickness as many of these companies trade at near-perfect multiples. And we know what happens if these companies disappoint the market's expectations.

The coming weeks will see the release of second quarter results, which are expected to be good, at least in comparison to last year. This could be the key to the summer because, besides the publication of results, it may shed light on the second part of the year. Market funds remain very positive. This happens due to strong global macroeconomic data along with the expectations of a recovery in corporate earnings for this year and 2022.

In the end we don't know which song will be this summer No.1 for the markets, but what we can do is to take advantage of possible corrections and buy. Remember that by December, no one will remember the "summer No.1".