

## Thematic Innovation

# MONTHLY COMMENTARY

February 2023



## Equity markets recede during the month

### High inflation numbers and a tight labour market weigh on sentiment

The US stock market gave back some of its January gains, with the equity indexes receding in February. Investor sentiment deteriorated significantly after the release of unexpectedly high inflation numbers amid continued tightness in the labour market. This context caused the markets to price in further rate hikes.

### Cautious optimism

Job creation turned out to be much higher than what the consensus surveys had expected, and, in our view, significantly dampened the odds of a recession in 2023. We are cautiously optimistic because we think cooling inflation, a continued slowdown in rate hikes, a strong job market and a resilient consumer will create a base that the market can continue to build on.

## Performance analysis

In the month on February, allocation was negative, driven by our overweight in the health care sector as well as our underweight in the information technology sector. Even so, stock selection in both sectors more than offset the losses.

Generally speaking, stock selection was negative, mainly because of our lack of exposure to Tesla and Nvidia. Bark was also a negative contributor after weaker-than-expected guidance caused by a consumer shift from discretionary goods to essentials.



## Maxime Houde, CFA

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North American Equities and Thematic Investing

- Joined iAIM in 2015
- Close to 10 years of investment experience
- Bachelor's degree in Finance, Université Laval

## We continue to see opportunity in the mega cap technology names

After the release of strong economic data, we think the odds of a recession in 2023 are now lower. We continue to favour a barbell strategy, combining high-quality, dominant firms with the emerging themes of the next decade. As we look at the impressive development in large language models, as well as the secular tailwind driven by reshoring of manufacturing activity in the United States, we think themes such as the energy transition, robotics, automation, artificial intelligence and next-generation computing will drive the next market cycle.

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*"We see renewed opportunity in mega cap technology companies, which are focusing on streamlining and cost discipline in ways not seen before."*

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These companies have adopted a balanced approach between investment in leapfrogging and current profitability. We think this approach creates a strong foundation they can build on.

## Key Takeaways

- Investor sentiment continued to deteriorate after the release of high inflation numbers and strong economic data.
  - We continue to see opportunity in the mega cap technology names.
  - We continue to be cautiously optimistic as we move through 2023.
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## About iAIM

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