Investors with the discipline and patience to stay invested in line with longer-term goals should thus be rewarded. (ddp)

# How should I invest in 2023?

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**We think 2023 will be "A Year of Inflections"—for inflation, interest rates, and growth. Navigating these inflections will be key to investment success in the year ahead.**

Heading into the year, the market environment remains challenging, and we focus our investment ideas on defensives, value, income, safety, and diversification. But we think a more favorable backdrop for markets should emerge as 2023 progresses. Investors sheltering from volatility will need to plan when, and how, to head back into riskier assets.

**As we enter 2023, we think the near-term market outlook is challenging.**

• Inflation remains high, and the lagged effect of interest rate rises is likely to weigh on economic growth and corporate earnings.
• The risk-reward outlook for markets over the next three to six months is unfavorable, in our view.
• Heading into the new year, we focus our investment ideas on defensives, value, income, safety, and diversification.

**But inflection points for inflation, interest rates, and economic growth are all likely in the year ahead.**

• History tells us that durable turning points for markets tend to arrive once investors begin to anticipate interest rate cuts, and a trough in economic activity and corporate earnings.
• Investors with the discipline and patience to stay invested in line with longer-term goals should thus be rewarded.
• Those currently sheltering from volatility will need to plan when, and how, to head back into riskier assets.

**Navigating these inflection points will be key to investing success in 2023.**

• We like value and defensives, including consumer staples and healthcare stocks. We also prefer high-quality bonds, and safe-haven currencies like the US dollar and Swiss franc.
• More attractive opportunities to buy cyclicals and growth stocks may emerge later in 2023.
• Uncorrelated hedge fund strategies (e.g., macro, equity market neutral, multistrategy) can be a good way to diversify portfolios.

### Did you know?

• The consumer staples and healthcare sectors outperformed the MSCI All Country World Index by 9 and 11 percentage points, respectively, in the first 10 months of 2022.
• Historically, markets start to turn between three and nine months prior to a trough in economic activity and corporate profits.
• Some hedge fund strategies look well-placed to thrive in choppy markets. For example, macro funds have historically produced annualized returns of 6.1% when volatility is high (i.e., the VIX is above 25).

### Investment view

Navigating inflection points for inflation, interest rates, and growth will be key to investment success in 2023. Heading into the new year, we focus our investment ideas on defensives, value, income, safety, and diversification. But we think a more favorable backdrop for risky assets should emerge as the year progresses. Watch a short video on "A Year of Inflections."

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**Content is a product of the Chief Investment Office (CIO).**

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