

BUSINESS



2022 ECONOMIC PERSPECTIVES: NOT OUT OF THE WOODS YET BUT SLOWLY MAKING WAY

Some of the more pernicious economic conditions still prevail

 Juan A. Hernández, The Weekly Journal

High inflation rates and low yields are making investors seek alternatives to counteract those effect - directly associated to the Covid-19 pandemic- and protect their assets. But, even with some of the more pernicious economic conditions still prevailing, GenTrust Investment analysts assured the financial impact of COVID-19 is over.

“The world did stop... This Titanic just stopped, and it is going to take a lot of muscle to turn that engine on again. We are living it, and the engine is still not cranking. But it will,” said George Pérez, founding principal of GenTrust, a Securities Exchange Commission (SEC) registered investment advisory firm.

According to the firm’s 2022 Economic Outlook, the world’s current situation contrasts greatly with that of March 2020.

“We have a reasonable estimate of how quickly Omicron can spread, the severeness of Omicron and effectiveness of vaccines and treatments. Given these stark differences, while some increase in equity volatility is possible, we do not expect significant market correction due to Omicron,” reads the outlook document.

The firm do anticipates the real economic impacts from the current COVID-19 variant “are more likely to be in the form of temporarily reduced consumer spending and/or further supply chain disruptions.”

On the other hand, GenTrust does anticipate inflation will persist. Nevertheless, the firm analysts question whether the recent inflationary increments will be transitory or not. More specifically, they consider the market “is

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underpricing the possibility that recent inflation will persist,” and point to the fact that Fed data confirm consumer inflation expectations are, in fact, increasing.

As a matter of fact, for Elena Hernández, principal for GenTrust Puerto Rico, this is not new news.

“We’ve been calling for inflation for the last 18 months... for us that is 2020 news,” said Hernández. “Sadly, the market is still behind on inflation. It has taken the market, and investors, time to absorb the situation. It is hard to wake up and say we’ve been living for the last 40 years with a two or a two and a half percent inflation, and now we are closer to three, four, five or even seven percent, like last December.”

The Job Situation

In contrast, while GenTrust also called the labor shortage some 18 months ago, the firm does not expect the so-called “Great Resignation” to continue. GenTrust outlook cites four reasons for it: 1) the end of the U.S. government economic stimulus; 2) the fading of tech and healthcare workers demand; 3) the fading of workers’ rethinking life attitude as they assume new jobs; and 4) inflation moving people back



Elena Hernández, principal for GenTrust Puerto Rico and George Pérez, principal founder of GenTrust.
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into the workforce with higher wages despite less certainty about their retirement.

The outlook document does warn about the possibility of wage inflation picking-up, and its most evident effect in further increases in inflation.

“The current situation has impacted investors everywhere and Puerto Rico is not the exception. We can’t foresee all the risks in the market, but we should, as advisors, plan for some of the changes and how our portfolios will behave,” said Hernández. “We have a for-the-long-run perspective about building portfolios.”

The investment advisor admitted that, while their economic outlook is not necessarily infallible, the firm is goal and solutions oriented, which is why they adhere to the most basic principle when investing: diversification.

“We are here to preserve and make our clients [assets] grow in the most cost efficient, tax efficient, and market efficient way. We may not time things perfectly, but that is not what we are aiming for. But we will take accountability for all of it,” Hernández sentenced. 

In fact,

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