The F words

The stock market pendulum has swung from 'risk on' irrational exuberance to 'risk off' ultra-caution – or, in other words, from unbridled greed to existential fear. Fomo (fear of missing out) has given way to old-fashioned wealth preservation.

The Faangs – American technology companies Facebook (Meta), Apple, Amazon, Netflix and Google (Alphabet) – were the poster children of the free-money era from March 2009, when interest rates bottomed at 0.25% after the global financial crisis, to December 2021, when their upward march commenced from a pandemic-induced low of 0.1% to today's 1.75% and rising.

In the wake of this increase in the cost of money, the leadership baton was passed from the tech titans, the new masters of the universe, to the old stock market heroes, namely the 10 Fs: food, fags, phones, pharma, films, facials, fossil fuels, firearms, finance and fizz.

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Each of the 10 Fs brings a unique strength of its own to the stock-market party, as we cannot live without food, the nicotine in fags is the most addictive substance known to man, and phones (mobile devices and Wi-Fi) are the possessions without which we cannot function.

In a similar vein, pharma represents life-saving drugs and medicines, while films offer cheap escapism from harsh reality (Hollywood came into its own in the Great Depression of 1929). Facials mean affordable luxuries and low-ticket items such as lipsticks, and fossil fuels are the oil and gas supplies that determine the price of everything under the sun, and that drive today's runaway inflation.

When it comes to firearms, these are the beneficiaries of increased defence budgets in the wake of Russia's invasion of Ukraine, finance relates to the banks and insurance companies benefiting from the rise in interest rates and bond yields, and our final 'f' – fizz – is seemingly a national necessity in times of both consolation and celebration.

The strength of these 10 elements lies in their being deeply ingrained in consumers' lives and in the businesses they serve. The market sectors they dominate are seen as recession-resistant (if not recession-proof), and defensive and resilient in the face of an economic downturn. This economic cycle has been exacerbated by the viral germ warfare brought by Covid-19 and the military war waged by Russia.

While Federal Reserve chairman Jay Powell and his global peers might have stood half a chance of reining in inflation given the post-pandemic supply chain issues and pent-up consumer demand, the continued zero-Covid-19 policy in China, and the military aggression of Russia, have combined to create a severe and unprecedented global cost-of-living crisis.

To shut down the global economy overnight and then to start-stop it with multiple lockdowns was never going to be easy or straightforward. The combination of macroeconomic and geopolitical issues has made the job of the world's central bankers nigh-on impossible.

However, this crisis, too, shall pass; growth and the Faangs will be back in vogue again and the 10 Fs will recede when the global recovery eventually arrives. Technology stocks offer the only sustainable, real, long-term growth opportunities in this regard. Indeed, tech stocks are utilities with growth, meaning they are 'must have' rather than 'nice to have'.

In light of this, it is not surprising that nearly every global problem or challenge can be met with a sustainable, innovation-driven technology solution. Where there are costs, there is optimisation; geopolitics spells localisation; environmental issues bring innovation; demographics, automation and inflation, growth. A safe haven in both good times and bad – but only if the price is right.