

Markets still at a crossroads in Q3

By [Fred Razak](#)

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The trend where the central government and the central banks from different countries will go ahead and make the adjustments to the economy that they see fit in order to keep their countries above water will continue.

It seems that governments and central banks are doing everything they can to stop the markets hitting some sort of panic, because every time the markets sell off, they actually make a comeback.

Focus on big tech stocks

There is a lot of attention focused on big tech stocks. They are so profitable and in a more advantageous position than the rest of the market – and have been for a while.

Q2 2021 saw a surge in global companies in the tech space achieving unicorn status. While it was the US major players that accounted for the majority of new unicorns, there are dark horses to look out for too.

It's a bit of a ripple effect. Companies like Apple, Amazon, Microsoft Netflix and Google have a widespread effect on market trends and there are other secondary companies that are riding the wave.

Semiconductors, for example – like Jupiter Networks, Cisco and Intel – used to be the primary companies about 20 years ago but are now playing second fiddle to the bigger tech players. These companies are reaping the benefits of what is happening in big tech stock trading.

Cash for years

The tech unicorns are sitting on a lot of cash. They could almost close their doors tomorrow, not sell another product and still be making money.

The fact that their valuations are massively high has kept expectations about their performance consistent for about two years, during which there has been tremendous inflation in the market.

If you take inflation vs the appreciation of the markets, the valuations we're seeing are being attributed to super inflation.

This is affecting real estate, which is very scary because we're getting into hard assets there, and when the hard assets have super inflationary valuations ascribed to them, their valuations could quadruple or triple in a short space of time.

But they have a ceiling for how far they can go. That's when things become a little bit more concerning – when hard assets get to the point that they are so over valued – and I think we're reaching that point right now across the board.

Changes in the trading landscape

In terms of trading methodologies, there have been major shifts because of the pandemic.

There has been much less focus on the currencies and traditional forex trading, and just when it looked like currencies were starting to wake up again for a bit, they went back to sleep.

Everything is really equity in the market right now. I think that moving forward, we're probably going to continue that trend.

Markets are trending and adjusting based on the information out there in terms of how coronavirus is being handled from country to country.

We're waiting with bated breath to see what economic assistance central governments and central banks will offer their specific countries.

So, there are a lot of things happening in terms of methodologies that are being shifted right now because of how the market is playing this all out.

Bitcoin trading is becoming a haven investment, where naturally gold was traditionally the safe bet. That's a drastic change.

So what next?

While the pandemic isn't over yet, there is a growing sense of optimism as Covid-19 vaccine distribution accelerates globally, and its possible investors may start to focus on the sectors expected to remain attractive in the post-pandemic world.

So, a common question is, what could the new unicorns be as this unfolds?

Theoretically, I don't think that we're going to have new unicorns per sé. We're not out of the woods just yet.

We all hoped that once we had the vaccine, things would start slowing down. And indeed, they did seem to be looking that way for a while.

In March, April and May you saw a tremendous acceleration of the vaccines. Fewer people were dying, and things were looking up. But the new mutations are slipping in, specifically Delta and new concerns have arisen.

We are still at a crossroads, waiting to see how these mutations will play themselves out.

ABOUT THE AUTHOR

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