

Omnis Managed Portfolio Service



We're adjusting to a new environment where inflation is fading but interest rates are likely to stay higher for longer, and have positioned portfolios to reflect our cautious investment outlook.

Market-moving events

The world economy is slowing. Signs are increasing that global growth is set to slow. Although we think the slowdown will be shallow, a recession is not out of the question. The expected recovery in the Chinese economy has failed to materialise, while the US services sector is slowing, its labour market is weakening and the political climate is uncertain.

Global inflation is fading. There's a risk that inflation could take off again, but we're confident the downward trend is in place. Recent inflation numbers from the US were largely in line with expectations despite a jump in energy prices. UK inflation is higher and stickier, but should soon fall when last year's rise in energy prices fall out of the annual calculations.

Central banks are pivoting. Policymakers are still talking tough to help reduce expectations of inflation, which can be self-reinforcing. However, the Federal Reserve, Bank of England and European Central Bank have all paused their hiking cycles in order to gauge the strength of the economy. They may begin to reduce rates in the second half of 2024.

Investment highlights

Financial markets dipped. Equities suffered a sharp reversal in October due to a rise in geopolitical uncertainty from the Middle East conflict and US debt ceiling negotiations, as well as central banks adopting a 'higher for longer' mantra on interest rates. Bonds also fell, mostly in the US, with UK yields ending the month near where they started.

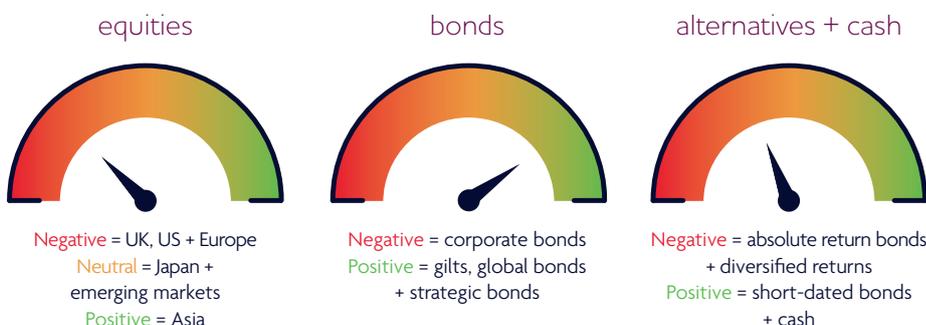
Asset allocation changes. We prefer to anticipate rather than react when making tactical asset allocation decisions. Last month we increased gilts and global bonds in anticipation of a peak in interest rates. We reduced exposure to US, European and Asian equities as we think growth is slowing. We also rebalanced our UK and European fund exposures to match our regional views.

A cautious investment view. We are underweight in most risky assets, and within equities we are underweight in the UK, US and Europe, slightly overweight in Asia ex Japan, and neutral in emerging markets. We are overweight in government bonds and underweight in corporate bonds generally, but have a relatively high weighting to short-dated bonds.

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

If you'd like more detail on our asset allocation views then please visit our [online dashboard](#).



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