March 2024 | Monthly update

Omnis Managed Portfolio Service

Stock markets around the world have hit record highs, while bond values have fallen back slightly.

Market-moving events

US stock markets reach all-time highs. Strong company earnings results, particularly in the technology sector, and better-than-expected economic data propelled US equities to record highs in February. Solid manufacturing, labour and housing data helped to fuel investor confidence over the prospects of a soft landing, where recession is avoided.

UK equities shrug off recession. Data revealed the UK economy fell into recession in the final three months of 2023, after contracting for two successive quarters. The stock market was largely unmoved as it had already priced in the news. The Bank of England encouraged investors to focus on recent indicators, which show economic activity has picked up.

Japanese equities also reach record high. Japan's return to steady growth and domestic corporate profitability continued to underpin investor confidence. Financial markets focused on when the central bank will end its negative interest rate policy. The Nikkei stock index hovered around its highest level in 34 years, continuing its run of strong returns from 2023.

Investment highlights

Equity and bond returns diverge. Global stock markets delivered strong returns in February, while bond values fell owing to faltering expectations on the timing of interest rate cuts. This divergence in performance is good news for multi-asset investors following a period where the diversification benefits between the two asset classes has been less clear.

Inflation and interest rates dominate. Markets are reconsidering the timing and pace of interest rate cuts even though major economies are likely to avoid recession. Central banks have been tempering expectations and investors are waiting to see how inflation trends over the next few months, which will determine the path of rates this year.

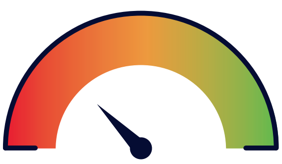
We remain cautiously positioned. We have an overweight allocation to bonds and slight underweight in equities. Although stock markets have rallied, a weaker economy could put pressure on company revenues. Our central case remains falling inflation, a peak in the interest rate cycle and a soft landing, but with a larger than normal risk of a deeper recession.

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

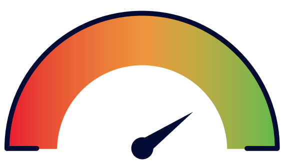
If you'd like more detail on our asset allocation views then please visit our online dashboard.

equities



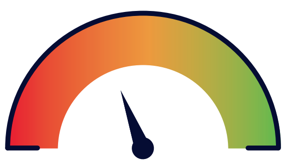
Negative = UK, US + Europe
Neutral = Asia, Japan + emerging markets

bonds



Negative = corporate bonds
Positive = gilts, global bonds + strategic bonds

alternatives + cash



Negative = absolute return bonds + diversified returns
Positive = short-dated bonds + cash

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Omnis INVESTMENTS

Approved by Omnis Investments on 4 March 2024