March 2025 | Monthly update

Omnis Managed Portfolio Service

Markets at a crossroads as European stocks rise, bonds offset losses and caution grows over recession risks

Market-moving events

UK defies slowdown. The FTSE 100 hit a record high, driven by falling inflation and expectations of rate cuts. Sterling also strengthened on better-than-expected GDP data. UK bond yields spiked before easing, reflecting shifting investor sentiment. Despite broader concerns, strong corporate earnings and improved confidence have kept UK stocks resilient.

US growth is slowing. US stocks fell as rising inflation and new tariffs weighed on sentiment. Inflation climbed to 3% in January, reducing expectations of rate cuts. Job growth slowed, with 143,000 jobs added, while unemployment edged down to 4%. Markets remain cautious, with uncertainty over trade policy shaping Federal Reserve expectations.

Markets diverge on tariffs. Trade tensions unsettled markets as the US imposed fresh tariffs and China retaliated. Trump confirmed a 25% tariff on Mexico and Canada. China responded with levies on $14 billion of US exports. European markets, however, rallied as the ECB cut interest rates to support growth.

Investment highlights

European stocks gain momentum. Europe has been the standout market year-to-date, despite tariff threats. European stocks rallied on hopes that increased defence spending and a potential end to the war in Ukraine could boost growth. Recent economic data suggests the region's economy is stabilising, with further support expected from interest rate cuts this year.

Bonds offset equity losses. Global bonds provided a silver lining for multi-asset investors, once again proving to be effective diversifiers against equity losses. While tariffs and stronger-than-expected inflation data raised concerns, bond markets focused on weaker US sentiment and the growing risks to economic growth.

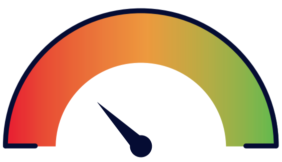
We remain cautiously positioned. We have an overweight allocation to bonds and slight underweight in equities. Although stock markets have rallied, a weaker economy could put pressure on company revenues. Our central case remains falling inflation, a peak in the interest rate cycle and a soft landing,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

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

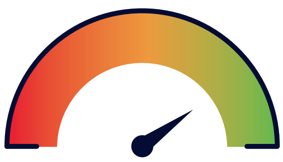
If you'd like more detail on our asset allocation views then please visit our online dashboard.

equities



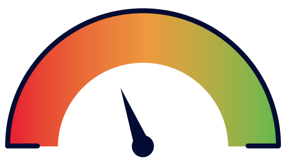
Negative = US + Japan
Neutral = Asia, Europe, UK + emerging markets

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 2025