

Omnis Managed Portfolio Service



Following a challenging first half of the year, financial markets staged something of a recovery in July even as inflation continued to rise and central banks increased interest rates to take more heat out of the economy.

Market moves that mattered

Interest rates may soon peak. The US Federal Reserve raised interest rates for the second month running in an attempt to tame rampant inflation. Its benchmark rate is now between 2.25% and 2.5%. Meanwhile, the European Central Bank raised its benchmark rate for the first time in a decade, taking it from -0.5% to 0%. Yet markets are already looking further ahead and there are expectations that rates may start to fall in the first quarter of 2023.

Economic growth is cooling. The reason for the expectation that rates may fall at the start of next year is that the pace of growth is slowing. Recent data shows the US may already be in recession, defined as two consecutive quarters of contraction. This slowdown may give central banks pause for thought as they strive to balance growth and inflation.

China supports its property market. In a bid to restore confidence in the property sector, China announced a real estate rescue fund to help developers. Although the sums are too small to save the sector, the growing role of the government is an encouraging sign that it is willing to step in to support the economy where it can, and markets responded positively.

Investment highlights

Maintaining our equity underweight. We have been reducing our investments in US and European equities this year in response to a more uncertain outlook for both of their economies. Rising interest rates are putting more pressure on economic growth, and supply disruptions from the Ukraine War present another cause for concern.

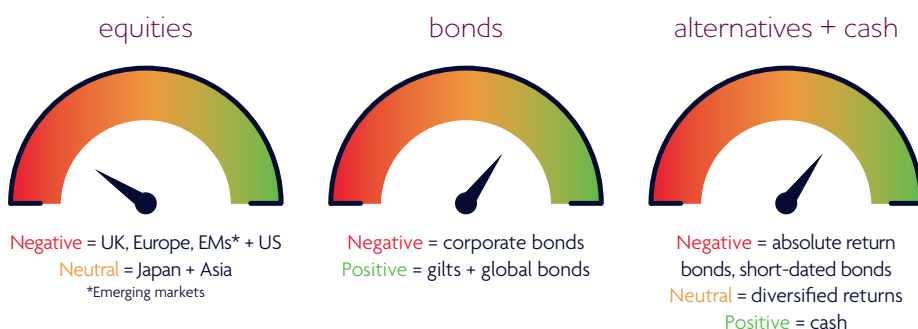
Looking for opportunities in Asia. Within equities, we have a neutral view on Asia. We're watching China, where the economy could respond to stimulus measures. Chinese equities remain attractively priced after the recent downturn and could present a buying opportunity.

Diversification pays off. After a challenging first half of 2022, bond investments have begun to perform well, as expectations for interest rate hikes begin to stabilise. Over the long term, bonds can help manage risk in diversified portfolios. By allocating more to US bonds, we've increased our exposure to the US dollar, which also has useful diversification benefits.

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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