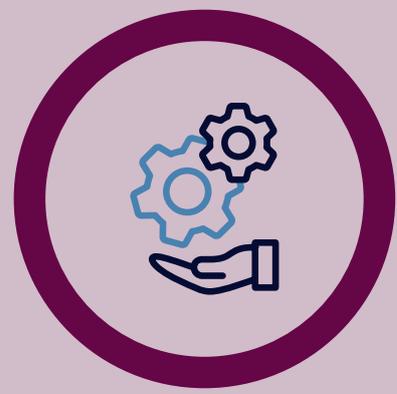


Omnis Managed Portfolio Service



Conditions in financial markets remained unsettled throughout June, and while there were some optimistic signs that inflation could start falling soon, the outlook for the global economy looks uncertain.

Market moves that mattered

Applying the economic brakes. With inflation still stubbornly high, central banks are rapidly increasing interest rates. The US Federal Reserve and Bank of England hiked their interest rates in June and the European Central Bank (ECB) suggested it may do so soon. However, there are signs that inflation may be peaking.

A fine balance. If central banks increase interest rates too much when the economy is already slowing, this could grind economies to a halt. But if the rate of inflation does begin to slow then central banks will feel less pressure to increase interest rates so aggressively. Slowing growth and rising interest rates are still likely to tip us into a recession over the next 18 months.

Readjusting after the pandemic. The world is resetting itself after two years of economic activity driven by Covid-19. While the possibility of a recession may feel unnerving, it's worth putting this into context. The labour market remains strong with low unemployment, and households have substantial savings they can spend to support the economy. As a result, any recession may be mild and short-lived.

Investment highlights

Broadening our equity underweight. We've reduced our investments in US and European equities. Notably, the outlook for Europe's economy has become more uncertain. The European Central Bank's announcement that it is likely to increase interest rates puts more pressure on economic growth, and energy rationing may take place due to supply disruptions from the Ukraine War.

Looking to the east. Within equities, we have a neutral view on Asia. We're keeping a close eye on China, where the economy could begin to respond to stimulus measures. Chinese equities are much cheaper after the recent downturn and could present a buying opportunity.

The benefits of diversification. Holding bonds in a multi-asset portfolio offers diversification benefits when conditions are challenging. By allocating more to bonds issued by the US government and US corporates, we've increased our exposure to the US dollar. We believe these assets will perform better because inflation is likely to peak in the US ahead of other regions.

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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