

Omnis Managed Portfolio Service



With central banks playing a balancing act of managing inflation without slowing the economy by too much, the investment environment remains challenging.

Market moves that mattered

A safer pair of hands. Political uncertainty continued to unsettle UK markets, first with the rollback of the government's fiscal policies by new Chancellor Jeremy Hunt, followed by the resignation of Liz Truss. Rishi Sunak's appointment has been welcomed, although all eyes are now on the Autumn fiscal statement, due to take place later this month.

Forecasts for slower growth. Economic data have been mixed. The UK economy contracted in August and China is growing more slowly than expected, partly due to its zero-Covid policy. Meanwhile, signs of weakness are appearing in the US, including in the housing market. In addition, some companies have missed their earnings forecasts, including many tech giants.

All eyes are on central banks. Inflation remains high and is now above 10% in both the UK and euro area. Central banks have continued to increase rates as part of their efforts to stem the pace of price rises. Towards the end of October, markets rose on hopes that the US Federal Reserve may be nearing the end of its rate hiking cycle.

Investment highlights

Cautious on equities despite superficially attractive valuations. We've maintained an underweight allocation to equities for some time due to concerns about the economic outlook and an expectation that profit growth would fade. There's a risk that analysts will downgrade company earnings forecasts, which could depress stock market values even further.

The macroeconomic outlook remains negative. We expect the sharp increase in rates over 2022 to trigger a recession in most major regions. Over the short term, it is possible that we are nearing the end of the Federal Reserve's tightening cycle, which could provide some relief for stock markets. But the deteriorating growth outlook remains a challenge.

Fixed income continues to play a role. After UK government bond markets threw a mini-tantrum following Kwasi Kwarteng's mini-budget, conditions are now more stable. We continue to prefer good-quality government bonds and have increased our allocation to gilts. Government bonds should provide a safe haven if the global economy falls into 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](#).



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