April 2024 | Monthly update

Omnis Managed Portfolio Service

Expectations of lower interest rates have propelled stock markets around the world to record highs.

Market-moving events

Stock markets on a high. Global share prices surged to new highs in March, driven by expectations that interest rates reductions are on the way. The US Federal Reserve held rates between 5.25% and 5.5% and upheld its projection for three cuts this year. Similarly, the Bank of England held rates steady and is optimistic about the economy's trajectory for cuts.

Inflation continues to fade. Driven by lower food prices, UK inflation dipped to 3.4% in February, raising expectations for a Bank of England rate cut in the summer. US inflation increased slightly to 3.2% in February, challenging the Fed's lower rates outlook, although the economy added 275,000 jobs. Euro area inflation eased to 2.6%, just above the ECB's target.

Better news for China. With industrial output climbing 7% year-on-year and retail sales up by 5.5%, China's economy is showing signs of recovery. However, the property market continues to face challenges, and although consumer prices have increased for the first time in six months, it's premature to determine if deflationary pressures have abated.

Investment highlights

Rally of the unloved. Developed markets outperformed emerging markets in March. At a sector level, utilities, communications and financials outperformed consumer discretionary, staples, healthcare and technology, reversing a previous trend. Meanwhile, value stocks enjoyed a resurgence in popularity after a period dominated by growth stocks.

Rate cuts are on the way. Market forecasts for interest rates have now started to fall in line with the expectations of central banks, which have been on a mission to tame investor optimism until the trajectory of inflation became clearer. However, the battle is not yet over and central banks will remain sharply focused on inflation data before making any decisions.

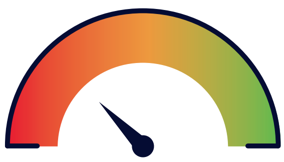
We remain cautiously positioned. We have an overweight allocation to bonds and slight underweight in equities. Although stock markets have rallied, a weaker economy could put pressure on company revenues. Our central case remains falling inflation, a peak in the interest rate cycle and a soft landing,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

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

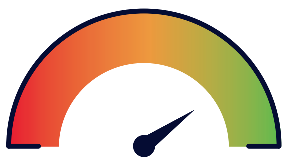
If you'd like more detail on our asset allocation views then please visit our online dashboard.

equities



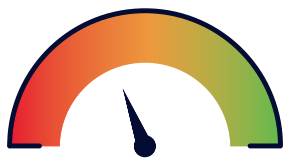
Negative = UK, US + Europe
Neutral = Asia, Japan + emerging markets

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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Approved by Omnis Investments on 3 April 2024