April 2025 | Monthly update

Omnis Agility

Central banks held rates, trade tensions escalated and mixed economic signals kept markets on edge

Market-moving events

Central banks stay on hold. The Federal Reserve and Bank of England both held interest rates steady, even as inflation remained above target. While the Fed kept its range at 4.25% to 4.5%, it reiterated that cuts are likely later this year. The Bank of England also paused, with persistent inflation fuelling expectations rates may stay higher for longer.

Tariff tensions escalate. Trade policy took centre stage again as Trump confirmed a fresh round of tariffs, sparking fears of a deeper global slowdown. The EU responded with duties on €26bn of US goods, while China's economic data held up despite growing trade friction. Markets were rattled by the uncertainty, particularly in the US.

UK resilience tested. Despite falling inflation and strong wage growth, the UK economy contracted in January. The Spring Statement offered little near-term stimulus, with welfare cuts offset by increased defence spending. Business surveys showed tentative signs of recovery, but sentiment remains fragile amid ongoing global and domestic pressures.

Investment highlights

A challenging month for equity markets. Donald Trump's tariff announcements, combined with softer US economic data, weakening consumer sentiment and rising inflation expectations, weighed heavily on equities. The bigger story is one of rotation – US equities just recorded their worst quarter relative to global peers since the 2002 accounting scandals.

Germany announces a significant fiscal plan. The focus is on infrastructure, but rising geopolitical risks have pushed defence spending up the agenda. While this won't materially affect growth in 2025, it should from 2026. Other euro area countries are expected to increase military spending too, though most lack Germany's fiscal headroom.

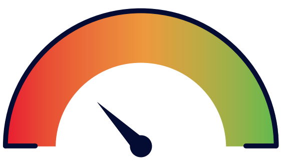
We maintain cautious positioning. We remain modestly overweight bonds and slightly underweight US equities. These moves haven't changed our core views. We still expect falling inflation and that the interest rate cycle has peaked – but see a higher-than-usual risk of a deeper recession.

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

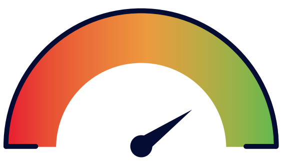
If you'd like more detail on our asset allocation views then please visit our online dashboard.

equities



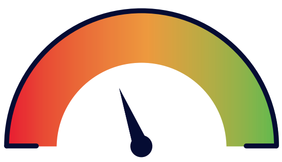
Negative = US + Japan
Neutral = Asia, Europe, UK + emerging markets

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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Approved by Omnis Investments on 1 April 2025