July 2025 | Monthly update

Omnis Managed Portfolio Service

Geopolitical tensions ease and European equities rise, while cautious positioning remains in global portfolios

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Market-moving events

Geopolitical risks in focus. The Israel–Iran flare-up passed quickly from a market perspective, with US involvement raising questions about the success of its mission. While the conflict appears to have subsided, oil prices spiked and then fell back. A sustained rise could have pushed inflation higher, potentially limiting central banks' ability to cut interest rates.

Rate cut bets increase. Following the US intervention, President Trump renewed his call for more rate cuts. With tariff policy unclear, the Federal Open Market Committee (FOMC) is expected to hold steady in July. The Purchasing Managers Index (PMI) shows the economy slowing, but not yet in contraction territory.

Poor UK data in June. Weaker GDP, retail sales and job growth led to increased expectations of an interest rate cut by the Bank of England in August. Despite a significant drop in payrolls, we expect some mean reversion next month. The labour market is loosening and further rate cuts are likely this year, with potential for more than the market expects in 2026.

Investment highlights

Portfolio rebalance with new positioning. In June, we rebalanced portfolios and increased exposure to an existing fund, reflecting our latest tactical views. These changes align the portfolios with emerging global market opportunities.

Increased allocation to European equities. We raised our exposure to the European Equity Leaders Fund. With interest rate cuts expected and increased defence spending in Europe, European equities look promising. Investors have begun reallocating funds from US equities to European equities, which should provide further support to European markets.

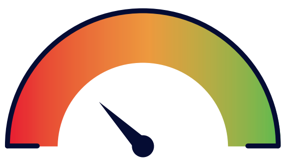
We remain cautiously positioned. We have a slight overweight in bonds and underweight in equities. While equities have performed well, a slowing economy could pressure earnings and share prices. Given expensive US valuations, we remain underweight the US. Our central case is falling inflation, a peak in interest rates and a soft landing, though risks of a deeper recession remain elevated.

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

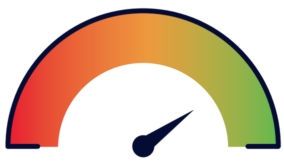
If you'd like more detail on our asset allocation views then please visit our online dashboard.

equities



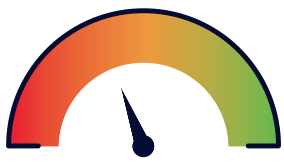
Overweight = UK
Underweight = US + overall

bonds



Overweight = government bonds + overall
Underweight = corporate bonds

alternatives + cash



Overweight = short-dated bonds
Underweight = overall

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Approved by Omnis Investments on 1 July 2025