September 2024 | Monthly update

Omnis Managed Portfolio Service

August was a month of two halves with markets ending up back where they started after some volatility

Market-moving events

Markets wobble but bounce back. Global markets stumbled at the start of August due to US recession fears, following reports of a weaker jobs market and rise in the unemployment rate. But they soon recovered after data showed inflation is cooling and retail spending is strong. The Federal Reserve helped to restore confidence by suggesting rate cuts are on the way.

The UK economy is growing again. Although inflation remains just above its 2% target, the Bank of England has reduced interest rates from 5.25% to 5%, marking the first cut since March 2020. Meanwhile, the economy has continued to recover from last year's recession, growing by 0.6% in the three months to June, following a 0.7% rise in the first quarter

Europe is recovering but risks remain. The euro area economy seems to be improving after narrowly avoiding a recession in late 2023 – GDP expanded by 0.3% in the second quarter. The two main risks to the recovery are inflation, which has risen unexpectedly to 2.6%, and a relatively high level of unemployment. Yet rate cuts later in the year remain likely.

Investment highlights

Relative performance. Large caps outperformed small caps, helped by a broadening of earnings growth outside the technology sector. Corporate bonds outperformed government bonds with the market pricing in a series of central bank rate cuts and forecasting a stable company earnings outlook. Meanwhile, emerging markets outperformed developed markets.

Tactical asset allocation. Rate cuts should pave the way for out-of-favour asset classes to come back into favour, including value, small cap and sovereign debt. Investors are already tilting their portfolios to these areas. Our diversified portfolios hold all these asset classes and we'll continue to make tactical decisions to capture opportunities we identify.

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
Neutral = Asia, Europe, 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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