November 2024 | Monthly update

Omnis Agility

A mixed month for markets against a backdrop of political uncertainty and economic weakness

Market-moving events

Markets react to UK Budget. Some surprises in the first Budget from Chancellor Rachel Reeves caused financial markets to wobble. Gilt yields rose (meaning prices fell) as investors became nervous about increased government spending, and demanded a premium for the additional risk. The stock market recovered most of its losses after some initial volatility.

US election dominates. Investor sentiment was shaped by the US presidential election. With the race too close to call leading up to the result, markets experienced volatility on most headlines. Although quarterly earnings reports were mostly positive, the outlook was underwhelming. Disappointing results from the tech sector caused most US indices to end the month lower.

ECB cuts rates again. European inflation for September was revised down, but October's reading was 2%, driven by the effect of energy prices in the calculation. The European Central Bank (ECB) acknowledged signs of a weaker economy, particularly in the manufacturing sector, and announced a third 25 basis point rate cut, which was in line with market expectations.

Investment highlights

Relative performance. Most stock markets fell over the month. Slower economic growth weighed on small caps, which underperformed large caps, and growth outperformed value. Government bonds outperformed corporate bonds, particularly in Europe. Developed markets outperformed emerging markets, owing to the strong dollar and uncertainty in China

Tactical asset allocation. Rate cuts should pave the way for out-of-favour asset classes to come back into vogue, 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.

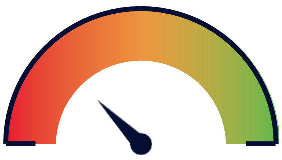
We remain cautiously positioned. We have an overweight allocation to bonds and slight underweight in equities. Although stock markets have rallied, a weaker economy could put pressure on company revenues. Our central case remains falling inflation, a peak in the interest rate cycle and a soft landing,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

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

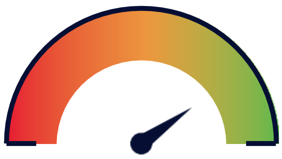
If you'd like more detail on our asset allocation views then please visit our online dashboard.

equities



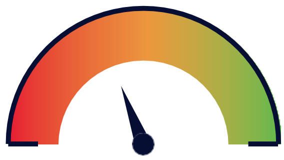
Negative = UK, US
Neutral = Asia, Japan, emerging markets + Europe

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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