

# Omnis Agility



## Global markets react to Donald Trump's re-election, UK interest rate cuts and China's stimulus efforts

### Market-moving events

**US stocks reach record highs.** US equities hit all-time highs after Donald Trump's re-election, driven by hopes for tax cuts and deregulation. The dollar posted its strongest monthly gain in years, while bond prices fell before stabilising. Inflation climbed to 2.6% in October from 2.4% in September. Job growth slowed, but consumer confidence rose on an improved outlook.

**UK inflation rises as rates are cut.** The FTSE 100 rose as a weaker pound boosted exporters. Despite inflation rising to 2.3%, driven by higher energy bills, the Bank of England cut interest rates to 4.75%. Britain's economy shrank by 0.1% in September and unemployment rose to 4.3%. However, wage growth outpaced inflation and confidence improved before Christmas.

**China stimulus underwhelms.** Chinese markets fell after a \$1.4 trillion stimulus package failed to boost confidence. Real estate investment dropped over 10% in September, and consumer prices rose at their slowest pace in months. Exports grew at their fastest rate in 19 months, but imports fell. Concerns about a trade war with the US under Trump's leadership added uncertainty.

### Investment highlights

**Relative performance.** Most stock markets rose with small caps outperforming large caps as they should benefit from Trump's policies. Growth outperformed value, which was hurt by a weaker healthcare sector. DM outperformed EM due to China's stimulus measures. Government bonds outperformed corporate bonds, although there are concerns about higher inflation coming from Trump's policy proposals.

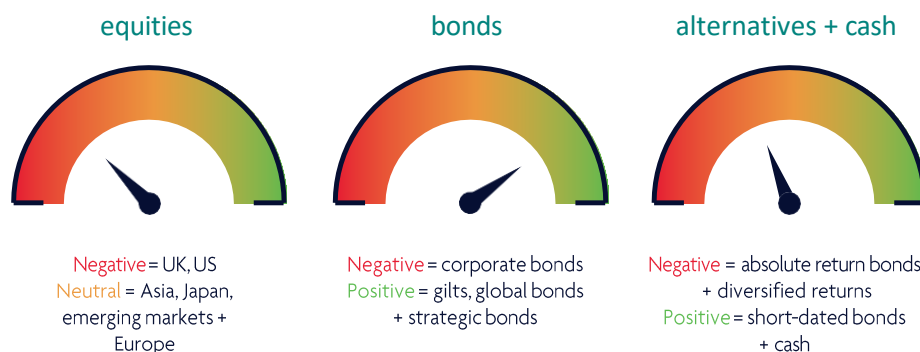
**Tactical asset allocation.** Rate cuts should pave the way for out-of-favour asset classes to come back into vogue, including value, small cap and sovereign debt. Investors are already tilting their portfolios to these areas. Our diversified portfolios hold all these asset classes, and we'll continue 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](#).



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