

# Omnis Managed Portfolio Service



## 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 yields rose 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.

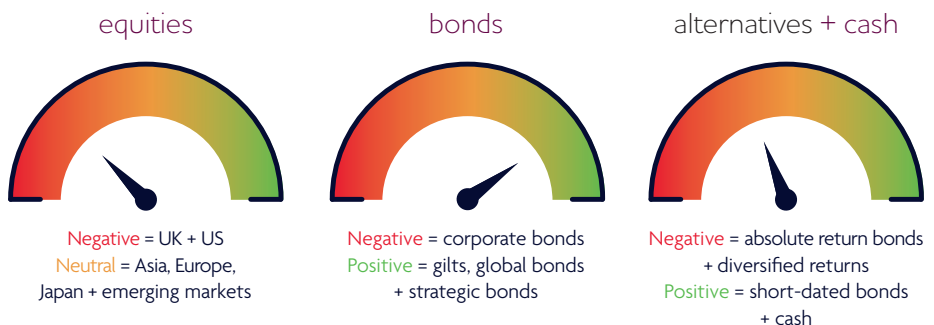
**Tactical asset allocation.** Rate cuts should pave the way for out-of-favour asset classes to come back into favour, including value, small cap and sovereign debt. Investors are already tilting their portfolios to these areas. Our diversified portfolios hold all these asset classes and we'll continue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



[www.omnisinvestments.com](http://www.omnisinvestments.com)

Issued by Omnis Investments, which is authorised and regulated by the Financial Conduct Authority. Registered address: Auckland House, Lydiard Fields, Swindon SN5 8UB. This update reflects our view at the time of writing and is subject to change. The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your financial adviser. Omnis Investments is unable to provide investment advice. Every effort is made to ensure the accuracy of the information but no assurance or warranties are given. Past performance should not be considered as a guide to future performance.

