



Independent Financial
Advice and Planning

in association with



BROOKS MACDONALD



Market Commentary and Positioning

‘The key question for the rest of this year will be whether economic growth continues to lose momentum.’

Last month the markets were in the midst of the crisis of banking confidence that saw SVB fail and Credit Suisse rapidly bought by UBS as regulators rushed to stabilise concerns. Since then, markets have gradually put the volatility behind them, with the emergency bond market pricing unwinding with expectations for US interest rate cuts in the second half of the year being moderated. While yields are higher than they were during the height of the banking issues, they remain well below the levels set during Federal Reserve Chair Powell’s Congressional testimony in early March. There remains an uncertainty over whether another area of the economy will ‘break’ as 2022’s tighter monetary policy begins to bite. The banking problems are also likely to feed through to tighter bank lending standards which could provide an additional tightening of credit conditions as 2023 continues.

Brooks Macdonald believes that, given this uncertain backdrop, the barbell of value and growth investment

styles remains critical. So far this year, concerns around economic growth as well as lower bond yields have caused technology equities to outperform, reversing much of the underperformance of the growth investment style at times during 2022. The key question for the rest of this year will be whether economic growth continues to lose momentum, whether this ultimately hits the demand side of inflation and then whether that causes central banks to cut rates. Importantly there is a scenario where the global economy begins to show signs of stress, but financial assets benefit from the associated move in interest rate expectations. Until we get further clarity of inflation and interest rate policy, we are comfortable to continue with our equity positioning across risk profiles.

Outside of equities we continue to favour defensive positions in our non-equity bucket. In particular, we strongly believe in attractively yielding ultra-short duration funds with high levels of credit quality.

Important information

Investors should be aware that the price of your investments and the income from them can go down as well as up and that neither is guaranteed.

Past performance is not a reliable indicator for future results. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. Investors should be aware of the additional risks associated with funds investing in emerging or developing markets. The information in this document does not constitute advice or a recommendation and you should not make any investment decision on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others.

Brooks Macdonald is a trading name of Brooks Macdonald Group plc used by various companies in the Brooks Macdonald group of companies. Brooks Macdonald Group plc is registered in England No 04402058. Registered office: 21 Lombard Street London EC3V 9AH. Brooks Macdonald Asset Management Limited is regulated by the Financial Conduct Authority. Registered in England No 03417519. Registered office: 21 Lombard Street, London EC3V 9AH.

More information about the Brooks Macdonald Group can be found at www.brooksmacdonald.com



BROOKS MACDONALD