



Independent Financial  
Advice and Planning

in association with



BROOKS MACDONALD



## Market Commentary and Positioning

‘In the face of these uncertainties, Brooks Macdonald continues their slight overweight to equities balanced by the barbell between value and growth equities.’

Equity markets have largely been playing second fiddle to the swings within the fixed income market in recent weeks. The rapid rise in US Treasury yields, partially a story about a hawkish Fed, partially about heightened US Treasury supply, have weighed on risk appetite and kept equities under pressure. Recently, more dovish commentary from the US Federal Reserve (Fed), suggesting a more cautious approach to interest rate hikes given the recent rise in yields, has put that narrative into reverse, buoying equities. This is, at its heart, a cyclical process until inflation breaks out to the downside or to the upside and markets have some additional clarity around the path of economic growth.

Against this backdrop, global equity market valuations have retreated with, excluding the magnificent seven tech stocks, P/E ratios looking subdued. These valuations reflect the market’s uncertainty around the big questions facing investors. One of these is

the question of whether a US recession has been avoided or delayed. On the one hand, lending data and consumer surveys point to a challenging time for demand but other data, such as the recent upside revision to US personal savings, suggests there is still room for demand to be sustained. Another question is whether inflation can sustainably retreat without the US labour market losing momentum. The strength of the US labour market has surprised market participants and has played a major part in the September ‘dovish pause’ from the Fed.

In the face of these uncertainties Brooks Macdonald continues their slight overweight to equities balanced by the barbell between value and growth equities. The whipsawing nature of market sentiment poses significant risks for quick tactical adjustments or sustained conviction around the path of risk assets.

## 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.

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