

Global election uncertainty rises

By Chris Holdsworth, chief investment strategist, Investec Wealth & Investment International and Chair of the Global Investment Strategy Group

The Global Investment View distils the thinking of the Global Investment Strategy Group (GISG) that brings together the insights of Investec Wealth & Investment's professionals in the UK, South Africa and Switzerland. The Group meets quarterly to map out our outlook over the following 18 months, setting a risk budget and identifying some of the potential icebergs that lie in the global investor's path.

The GISG maintains its global risk budget score at -1 on a scale of +3 to -3, while the SA risk score has been maintained at +0.5

US GDP growth forecasts have been materially upgraded, even as growth forecasts for the rest of the globe have remained stable. The current consensus forecast of 2.2% seems optimistic and we expect to see downward revisions over the coming few months.

Inflation has surprised on the upside across the globe, and we expect it will continue to do so – raising the prospect of fewer-than-expected rate cuts by the Fed.

In addition to the concerns above, the US market screens as expensive both relative to peers and relative to history. While the rolling out of artificial intelligence (AI) may mean that margins prove sticky, we still expect downward revisions to earnings growth over the year ahead. The net result is we remain risk off globally.

We see South Africa as offering opportunity and we are overweight South African fixed income. However, given the uncertainty around the election in May, our overweight position is relatively modest. We will look to increase our overweight should there be a market dislocation in the wake of the election.

Chris Holdsworth

Chief investment strategist, Investec Wealth & Investment International and Chair of the Global Investment Strategy Group

