

Executive Summary

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Turbulent Times

By Chris Holdsworth, Chief Investment Strategist, Investec Wealth & Investment International and member 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 kept its global risk budget score at -1 on a scale of -3 to +3, while the SA risk score was reduced to 1 on a scale of -3 to +3

Economic uncertainty in the US has led to a material pullback in US equities. Even after the recent decline, we estimate that the US equity market is still somewhat expensive.

In addition, there are increasing risks – the labour market is due for a slowdown, tariff uncertainty is elevated and there are rising risks for the US housing market. US consumer balance sheets are still strong though, and while the Fed is unlikely to cut interest rates in the near term, they have the space to cut should there be a downturn.

Fiscal stimulus in Europe should spur growth and a peace deal in Ukraine may well boost growth in the short term, in part offsetting the consequences of higher tariffs. China too is implementing stimulus measures, and in the light of low inflation has the space to stimulate further.

South African assets remain cheap in our view, but the slowdown in structural reform has raised questions about how sustainable a recovery is likely to be, along with increased tariff-related uncertainty.

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