

Not for granted

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- Didier DURET – Chairman
- Joel GUGLIETTA – Chief Investment Innovator
- Alexis CHIRINIAN - Senior Advisor

Omega Wealth Management May Investment Committee is critical of the market optimism regarding the early possibility of a rate cut in the US as early of July. The decline in money supply, lower energy prices, signs of lower activity are confirming inflation will decline though converging rapidly toward the 2 % target is elusive. This is maintaining a risk attached to monetary policy formulation and its impact on financial markets. Consequently, we recommend to take profit on USD long bond exposure and to increase IG bonds into the belly of the USD yield curve. We also reallocate into the US equity market by taking profit from Europe. A large dispersion within equity indices and larger unusual rotation risk urge us to focus on active managers at the expense of index like exposure. A blatant underinvestment in energy leads us to recommend infrastructure solutions.

Macro Strategy

- There is complacency in current market recalibration of expectations toward a slowdown growth and rapid fall in inflation. Fed funds futures market attributes a larger than 50 % probability of a rate cut as early of next July! A silver lining is the possibility the USA may lead the exit from the 2023 growth slowdown and earnings contraction.
- Switching UST long bond toward 5% yield and above US IG bonds.

Policy risk persistence

- Fed and other CB are tackling simultaneously inflation, supervision and system fragilities in a context of a complicated debt ceiling, serial banking failures and geopolitical risk.

Defensive tactical posture

- Bridging the underinvestment void left by the 2022 major energy crisis is creating niche opportunities in infrastructure projects.
- Switching UST long bond toward 5% yield and above US IG bonds.
- Using low equity volatility to build portfolio insurance.
- Our Collective Intelligence Portfolio (CIP) is exposed to market flows with volatility control.
- High cash levels (UST-Bill), precious metals and CTA as effective risk mitigators.

OWM Balanced Tactical Views (1-3 Months)

