

## Prospects of a new cycle

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 maintained at 1.5 on a scale of -3 to +3**

Summary:

Global markets have recently been subject to two sizeable risk-off events – and full recoveries. The resilience of the market has been remarkable and with the Fed cutting rates, there is the prospect of a new cycle starting.

However, there are still several reasons for caution. The US labour market continues to slow, Chinese growth continues to disappoint and the growth outlook for Europe remains weak. Rate cuts may take some time to take effect and, given the current economic backdrop, we would prefer a larger margin of safety in global risk assets.

In contrast, we expect growth in South Africa to surprise on the upside over the coming few years. This expectation is at odds with what is currently priced into South African assets. We expect South African equities and fixed income to perform strongly over the coming few years.

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