Manulife Investment Management

# 2023 Q4 multi-asset allocation views

Since our last update, we've seen some material moves in markets from August through October. Obviously, we saw yields increasing to the highest levels that have been seen certainly in U.S. markets for many a year. The impact of that on risk assets led to a decline in the risk asset values. But as we look at things today, the world is a different place. The market is pricing in peak of cycle in rates, certainly for U.S. markets, and that has led to a fall in yields, which has had the knock-on impact of an increase in positive sentiment towards equity markets, in the U.S. in particular.

In terms of how we're thinking about positioning portfolios, we do like to anchor our views in certain things. And as of today, and for a short-term forward-looking basis, our focus will be on three main things.

The first is recession and the base case that we have for a potential recession in the U.S. in early 2024. But aligned with that, looking at the macro data, we do see enormous resilience from the U.S. consumer, from the earnings that we're seeing coming through from companies and the tightness of the labor markets. All of these lend to a somewhat accommodative macro environment. Where else are we looking? As a global team, we review markets across the world, across asset classes and geographies.

We believe that Asia offers attractive tactical opportunities in select markets, and we're certainly looking to position our portfolios that way. And then the final piece for me, and certainly this environment potentially going into a recession, is to focus on quality from bottom-up security selection—selecting those stocks that have less leverage, that have better balance sheets and offer higher credit quality. There's more detail on the rest of the website. I hope you enjoy looking at it.



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