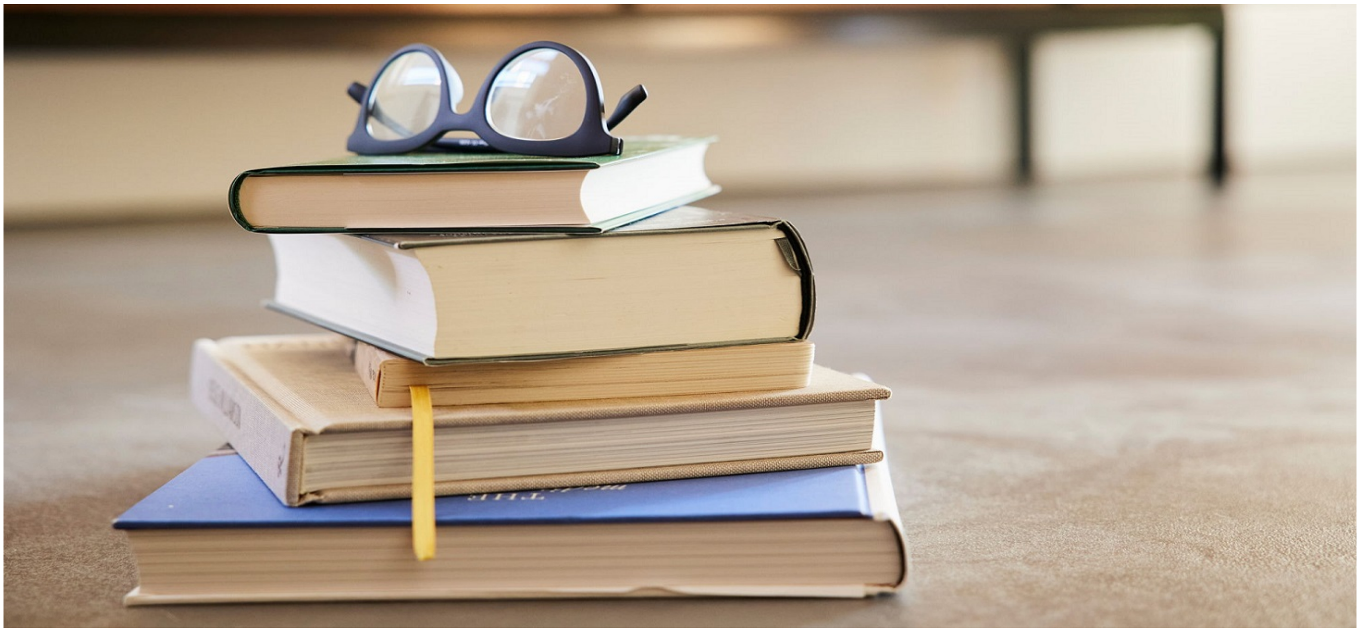

Investors should review portfolios to ensure an effective balance across asset classes to manage potential risks and ensure that returns are durable. (UBS)

Why invest in a balanced portfolio now?

13 February 2024, 4:14 pm CET, written by UBS Editorial Team

The coming months are likely to see elevated complexity and market volatility, but this also brings opportunities to grow wealth. Investors should respond by getting in balance through a globally diversified multi-asset portfolio, and complement this with tactical trade ideas.

In our base case we expect cash, bonds, stocks, and alternatives to all deliver reasonable returns. This, along with geopolitical risks and swinging expectations on US monetary policy, strengthens the case for investors to keep their portfolios well diversified.

A soft landing appears likely.

- While we acknowledge continued bouts of geopolitical stress, the US economy continues to look closer to being in balance, which has led to sharply swinging expectations about US monetary policy.
- Easing inflation and labor markets bolster hopes of an imminent end to rate hikes, along with cuts potentially around mid-2024.
- A US recession looks unlikely, as both the labor market and activity cool gradually, and corporate earnings have improved.

Against this backdrop, we expect decent returns across asset classes.

- The increasingly dovish shift in US monetary policy expectations has seen US Treasuries and equities both rise since the end of October but seems to be petering out in the second half of November.

- Nonetheless. we are at a rare moment when in our base case we expect cash, bonds, stocks, and alternatives to all deliver reasonable returns.
- That's both over the next 6–12 months and over the longer term.

We think it's still appropriate to add exposure to diversified portfolios.

- Adding to diversified multi-asset portfolios usually makes sense as the core of a wealth strategy.
- The positive outlook for all major asset classes, however, makes the timing particularly opportune.
- Part of "getting in balance" means not overallocating to cash, so it's important to manage liquidity.

Did you Know ?

- The S&P 500 index has risen in 15 of the past 20 years.
- While we see upside potential over our forecast horizon—for example, in the US, we expect the S&P 500 to reach 4,700 by December 2024 versus 4,595 at present —uncertainty about the monetary policy outlook may keep markets volatile over the coming months.
- The yield on the 10-year US Treasury started 2023 at 3.84% and trades at 4.24% as of 1 December.

Investment view

Investors should review portfolios to ensure an effective balance across asset classes to manage potential risks and ensure that returns are durable. Professionally managed solutions can potentially enhance investors' ability to systematically rebalance, diversify, reinvest, and access attractive underlying investments.

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