

## Harmony Portfolios Factsheets & Performance Update

Dear Investor,

Markets began to consolidate in January and returns ended the month in a more mixed fashion. After initial trepidation, some positive economic data and growing optimism for a soft-landing led US equities to make further progress, with gains being again somewhat concentrated among mega-cap tech stocks. Bond markets experienced a mild setback, as a concerted effort by the Fed to push back on markets' seemingly excessive rate cut projections pushed yields higher. A similar narrative played out in the UK and Europe, with central bank members attempting to persuade markets that despite good progress, declaring victory over inflation would be premature. China's economic woes continued, with notable signs of weakness with retail sales decelerating and housing activity remaining soft, forcing the government to make a more concrete effort in their monetary and fiscal stimuli. The Bank of Japan, as anticipated, maintained its ultra-loose policy, but signalled a somewhat more hawkish approach to its negative interest rate policy and displayed more confidence about reaching long-term inflation targets.

Prospects of a soft landing have therefore continued to increase, and we remain constructive for risk assets over the course of the year. The monetary policy cycle is at a turning point and the next major move in rates will be down, underpinning markets. But in the short term we are concerned that investors are still pricing in too much policy loosening this year and are potentially complacent about the inflationary risks of the tight labour market, high fiscal spending and geopolitical risks. A disconnect is building between the market's expectations for the pace and extent of cuts and the resilience of the economy.

[Download the Harmony Portfolios factsheets - click here.](#)

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