





disappointments, the equity market overall should remain supported by the lower-rate outlook as long as a recession can be avoided, as seen in the chart above. Equity volatility is likely to increase, and we might see more rotation into cheaper parts of the U.S. and international equity markets. However, absolute performance will likely remain supported by the prospects of monetary easing and the U.S. economic outlook.

We expect the equity rally to continue and to broaden beyond U.S. mega caps into U.S. small caps and international equities, including emerging markets. The latest monetary and fiscal stimuli announced by the Chinese authorities are powerful enough to move short-term sentiment positive. Cheaper valuations, lower real rates, and weaker currencies all support the potential for outperformance by emerging market equities. We believe focusing on quality and valuation remains a prudent approach.

### **Implications for multi-asset portfolios**

We continue to like both bonds and equities over inflation-sensitive assets like commodities. Both equities and bonds showed positive performance in September, driven by the outlook of further monetary easing. Commodities showed a strong rebound, partly driven by the bad weather and partly driven by geopolitical risk and China's latest easing measures. That said, the commodity rally is unlikely to last as external demand and global growth remain weaker. We continue to prefer the U.S. and Europe within equities. Within bonds, we still prefer shorter maturities over longer ones because we expect the yield curve to steepen. The U.S. dollar has weakened more meaningfully lately, and in our view, any further weakening would strengthen the case for emerging market exposure.

### **Potential allocations based on today's environment**

The table below depicts our views on short-term trends. These perspectives are developed using quantitative analysis of data over the past 30 years overlaid with qualitative analysis by Allspring investment professionals. The positioning of each bar in the table shows the direction and magnitude of an overweight.



For illustrative purposes only.

Source: Allspring Systematic Edge–Multi-Asset, based on the team's analysis of current data and trends for each category of assets

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