The global economy is exiting a period of massive fiscal and monetary support. Our Secular Outlook, “The Aftershock Economy,” shares our expectations for a period of heightened volatility and the array of potential aftershocks that may follow the recent disruptions.

WE EXPECT FOUR THEMES TO RESONATE OVER THE NEXT FIVE YEARS:

Global growth will likely disappoint
- Lower growth compared to pre-pandemic levels
- Continued aftershocks may further reduce growth

Heightened volatility – less intervention
- Quantitative easing (QE) fatigue and growing government debt may hinder policy support in downturns
- An array of potential disruptions exist, e.g., artificial intelligence (AI), 2024 elections, geopolitical tensions, inflation surprises

Potential supply constraints
- Continued fallout from global shifts in labor markets
- De-risking supply chains may negatively impact overall supply

It pays to be resilient
- High quality fixed income offers the highest starting yields in 15 years
- Opportunity to build resilient portfolios without sacrificing upside potential
In this post-policy era, starting yields – historically strongly correlated with future returns – for high quality bonds are near longer-term averages for equity returns, potentially with significantly less volatility and more downside protection than equities. This may help investors construct prudent resilient portfolios without sacrificing upside potential.

**SECTOR OPPORTUNITIES**

**Core Fixed Income:**
A high quality focus should allow investors to construct resilient portfolios without surrendering upside potential.

**Private Credit & Alternatives:**
Investors may benefit from diversified exposure within private credit and alternatives, such as commercial real estate or specialty finance, but opportunities should continue to improve more broadly over the next few years.

**Flexible Multi Sector Income:**
Bond yields across fixed income will likely be higher over the secular horizon, but there will be winners and losers. An active approach with an up-in-quality focus may help deliver attractive income and returns.

**Currencies & Emerging Markets:**
We believe the U.S. dollar will remain the dominant global currency, but we also see investment opportunities elsewhere. Select EM investments can serve as a diversifier in global portfolios.

Discover how PIMCO’s actively managed fixed income strategies can help you seek stronger outcomes.

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Past performance is not a guarantee or a reliable indicator of future results.

All investments contain risk and may lose value. Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Investing in foreign-denominated and/or -domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio.

Private credit involves an investment in non-publicly traded securities which may be subject to illiquidity risk. Portfolios that invest in private credit may be leveraged and may engage in speculative investment practices that increase the risk of investment loss. Diversification does not ensure against loss. Management risk is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy.

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Investors should consult their investment professional prior to making an investment decision. Outlook and strategies are subject to change without notice.

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