

January 12, 2021

**BlackRock®**

# **2021 global outlook**

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# A new investment order

# 2021 investment themes

**The new nominal** – We see stronger growth and lower real yields ahead as the vaccine led restart accelerates and central banks limit the rise of nominal yields even as inflation expectations climb. Inflation will have different implications to the past.

**Strategic implication:** We underweight government bonds and see equities supported by falling real rates.

**Tactical implication:** Our low rate outlook keeps us pro-risk. We like U.S. equities and prefer high yield for income.

**Globalization rewired** – Covid-19 has accelerated geopolitical transformations such as a bipolar U.S.-China world order and a remaking of global supply chains, placing greater weight on resilience – even at the expense of efficiency.

**Strategic implication:** We favor deliberate country diversification and above-benchmark China exposures.

**Tactical implication:** We like EM equities, especially Asia ex-Japan, and are underweight Europe and Japan.

**Turbocharged transformations** – The pandemic has added fuel to pre-existing structural trends such as an increased focus on sustainability, rising inequality within and across nations, and the dominance of e-commerce at the expense of traditional retail.

**Strategic implication:** We prefer sustainable assets amid a growing societal preference for sustainability.

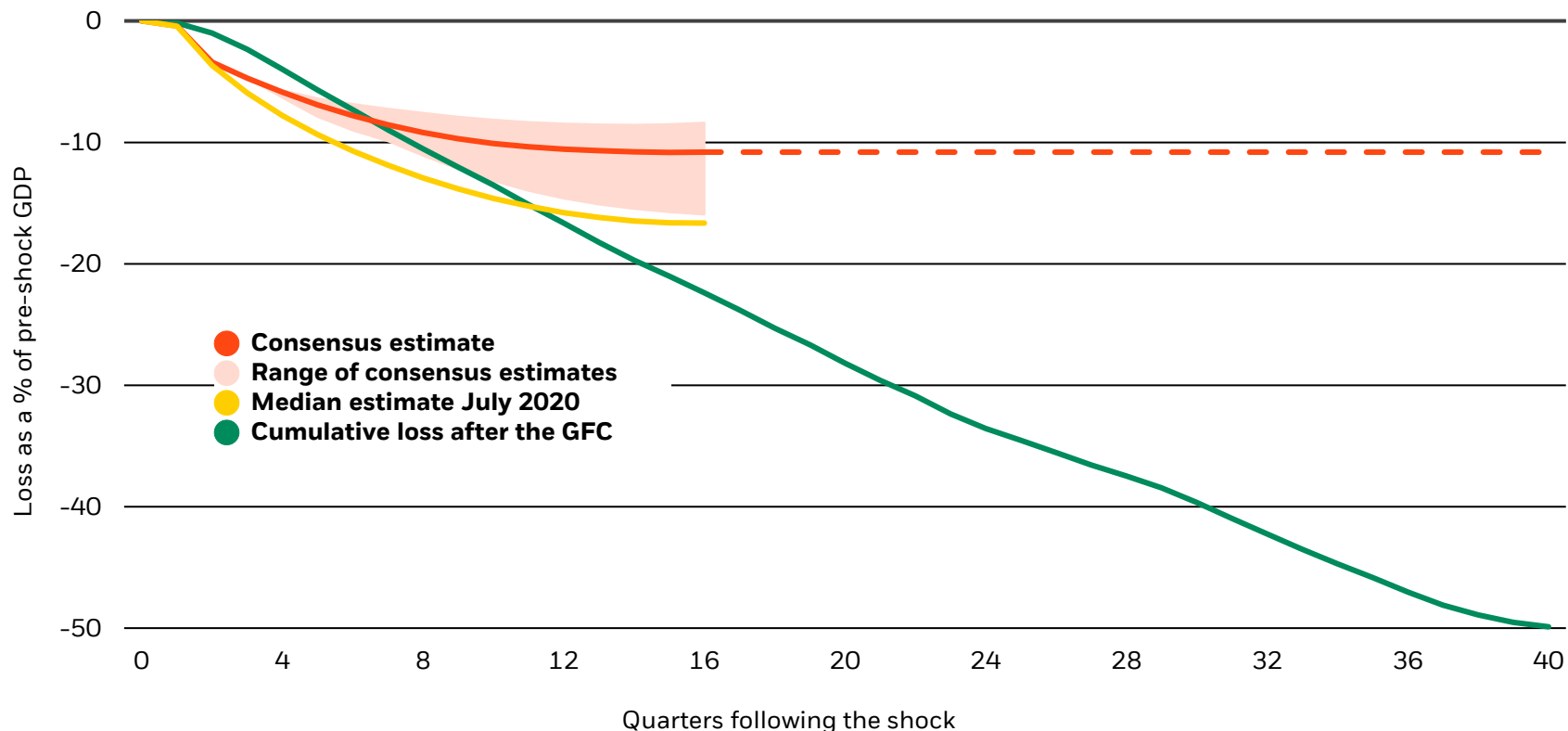
**Tactical implication:** We take a barbell approach, favoring tech and healthcare as well as selected cyclical exposures.

The opinions expressed are as of January 2021 and are subject to change at any time due to changes in market or economic conditions. Strategic implications refer to long-term views, tactical implications refer to asset views on a 6-12 month horizon.

# Covid-19 is more like a natural disaster shock

With the vaccine news, we have even greater visibility on how the cumulative activity loss will likely be limited to just a fraction of that seen after the global financial crisis (GFC), in our estimate.

## U.S. GDP shortfall after the GFC vs. estimated loss from the Covid shock

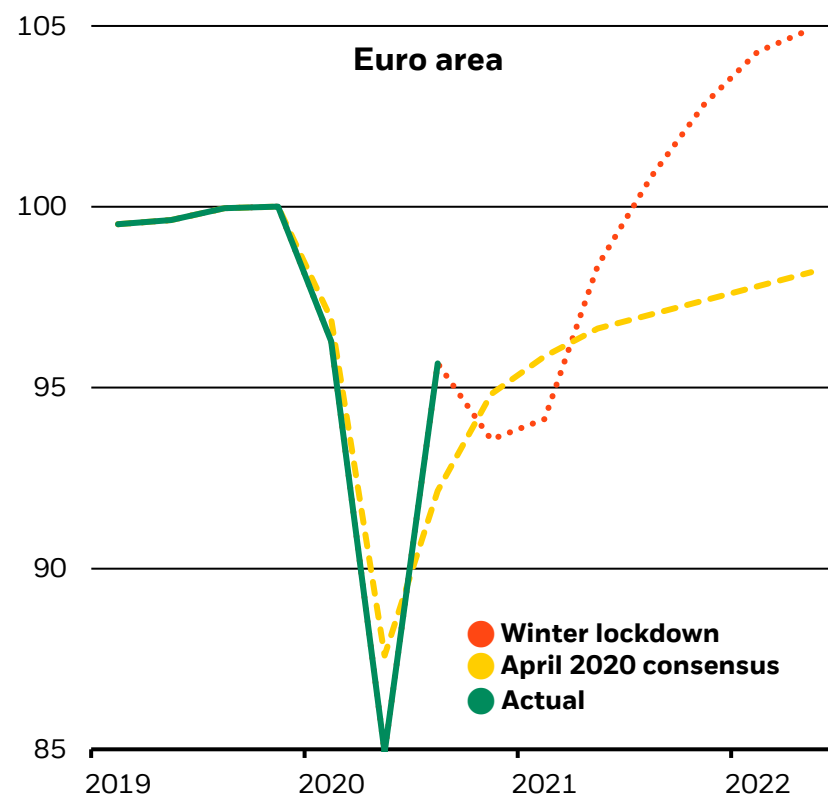
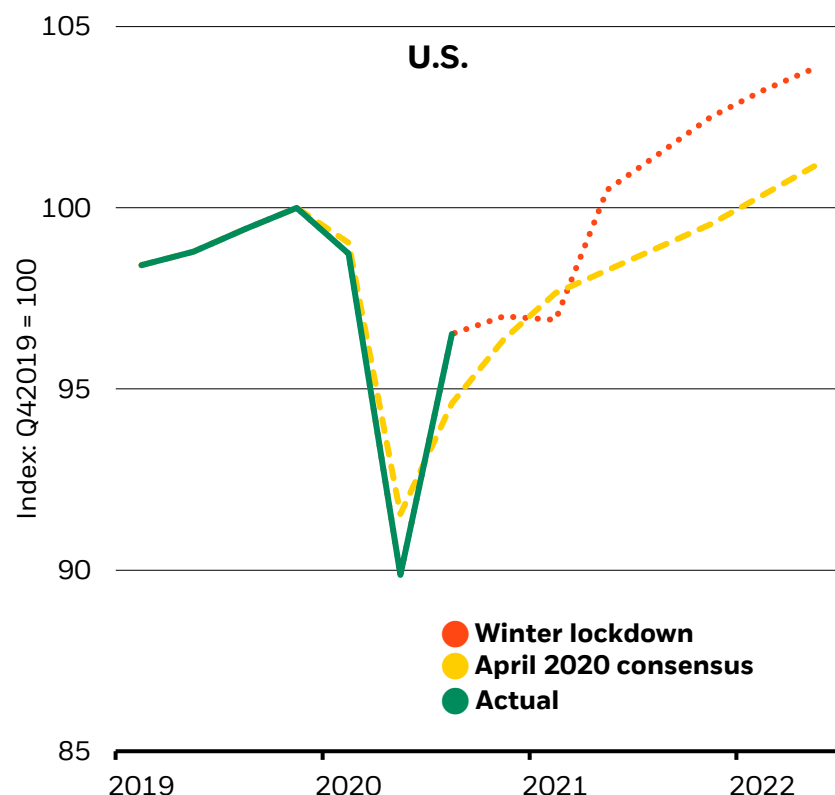


Sources: BlackRock Investment Institute, with data from Reuters News, December 2020. Notes: The green line shows the cumulative economic loss, or the difference between estimated U.S. nominal GDP at the time and where it would have been had it grown at its pre GFC trend level (3.4% a year) from end 2007 onwards. The solid orange line shows the latest estimates of the cumulative economic loss from the Covid 19 shock, measured from a starting point of end 2019 and assuming pre crisis trend growth of 3.35% (a 20 year pre Covid average). GDP estimates reflect the median from a Reuters poll of economists published on Sept. 25, 2020. Poll data are only available for 16 quarters. We assume a return to trend growth after this time (orange dotted line). The yellow line shows the cumulative loss estimates as of July 2020. For illustrative purposes only. There is no guarantee that any forecasts made will come to pass. The hypothetical scenario is subject to significant limitations as the pandemic is evolving and we are still trying to understand the potential for more extensive activity shutdowns.

# Effective vaccine distribution should spur a growth rebound

The economic restart could stutter in the near term as government restriction measures continue – but activity should rebound by mid-2021 as effective vaccines become widely available.

## U.S. and euro area GDP and GDP forecasts, 2019–2022

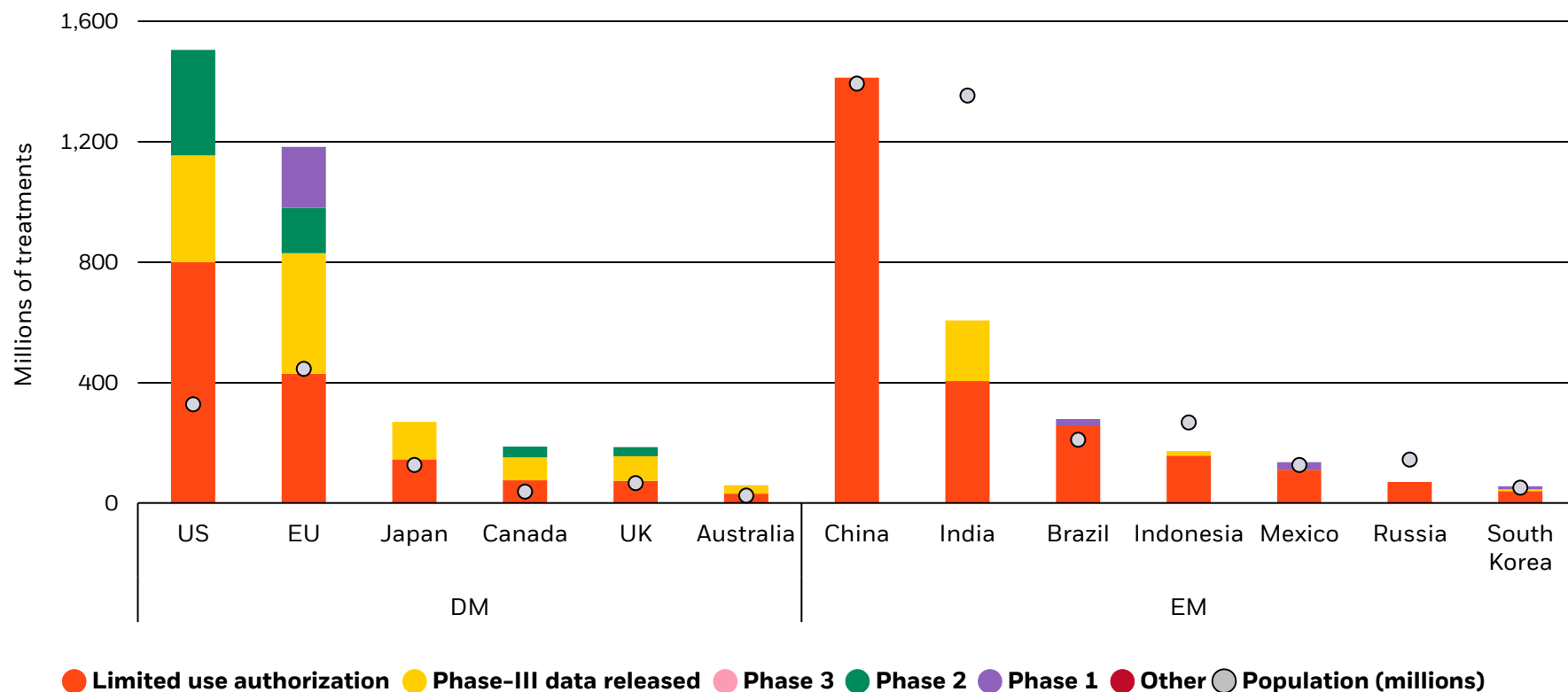


Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute, Refinitiv, with data from Haver Analytics, December 2020. Notes: The green lines show the path of real GDP, indexed to 100 in the fourth quarter of 2019. The dotted orange lines show the implied level of GDP based on our estimate of restriction measures in coming quarters and a projection of the impact they might have on activity. The yellow dotted lines show the consensus expectation of real GDP as of April 2020, immediately after lockdown measures were first introduced.

# Vaccine effectiveness and availability are key for the restart

Vaccine development is giving governments, companies and markets clarity on post-Covid-19 world. The timing of effective and widely available vaccines will be a key driver of the economic restart.

## Covid-19 vaccine purchase agreements and options through 2021, January 2021



Source; BlackRock Investment Institute, with data from the World Bank, the World Health Organisation, corporate filings, January 2021. Notes: The chart shows the sum of purchase and production agreements through the end of 2021, in millions of doses, as reported by respective governments and health authorities. Purchase agreements include purchase options. Dosage data is from the World Health Organisation's draft landscape of Covid-19 candidate vaccines available here: <https://www.who.int/publications/m/item/draft-landscape-of-covid-19-candidate-vaccines>. The phases refer to progressive stages of the regulatory drug approval process.

# The new nominal

We see stronger growth and lower real yields ahead as the vaccine led restart accelerates and central banks limit the rise of nominal yields even as inflation expectations climb. Inflation will have different implications to the past.

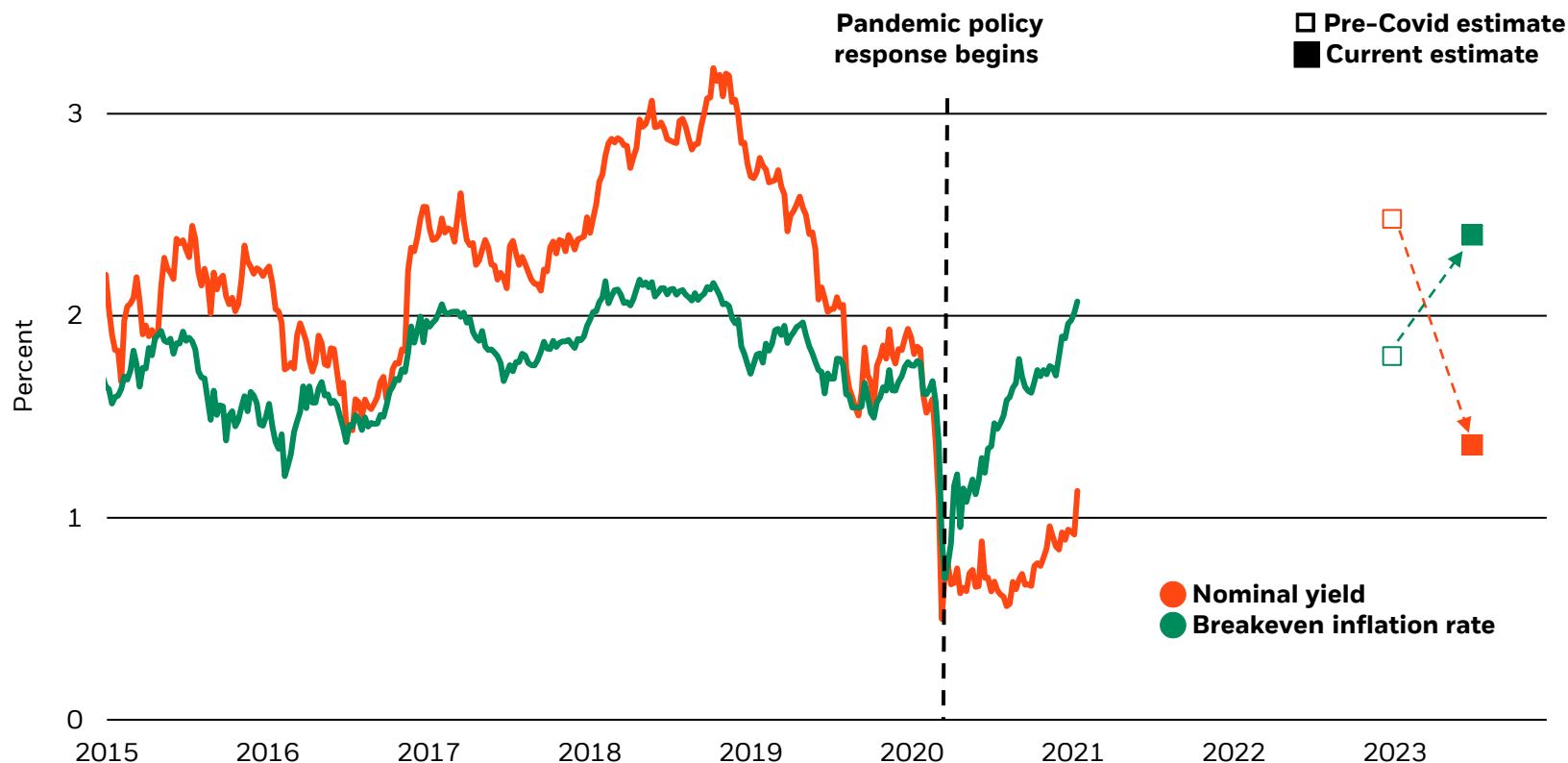
**Strategic implication: We underweight government bonds and see equities supported by falling real rates.**

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# Higher inflation expectations won't mean much higher yields

We have raised our inflation expectation over the medium-term but not our nominal yield expectations, implying a deeper drop real yields that should be positive for risk assets.

## U.S. 10-year Treasury yield and breakeven inflation vs. our expectations, 2015-2023



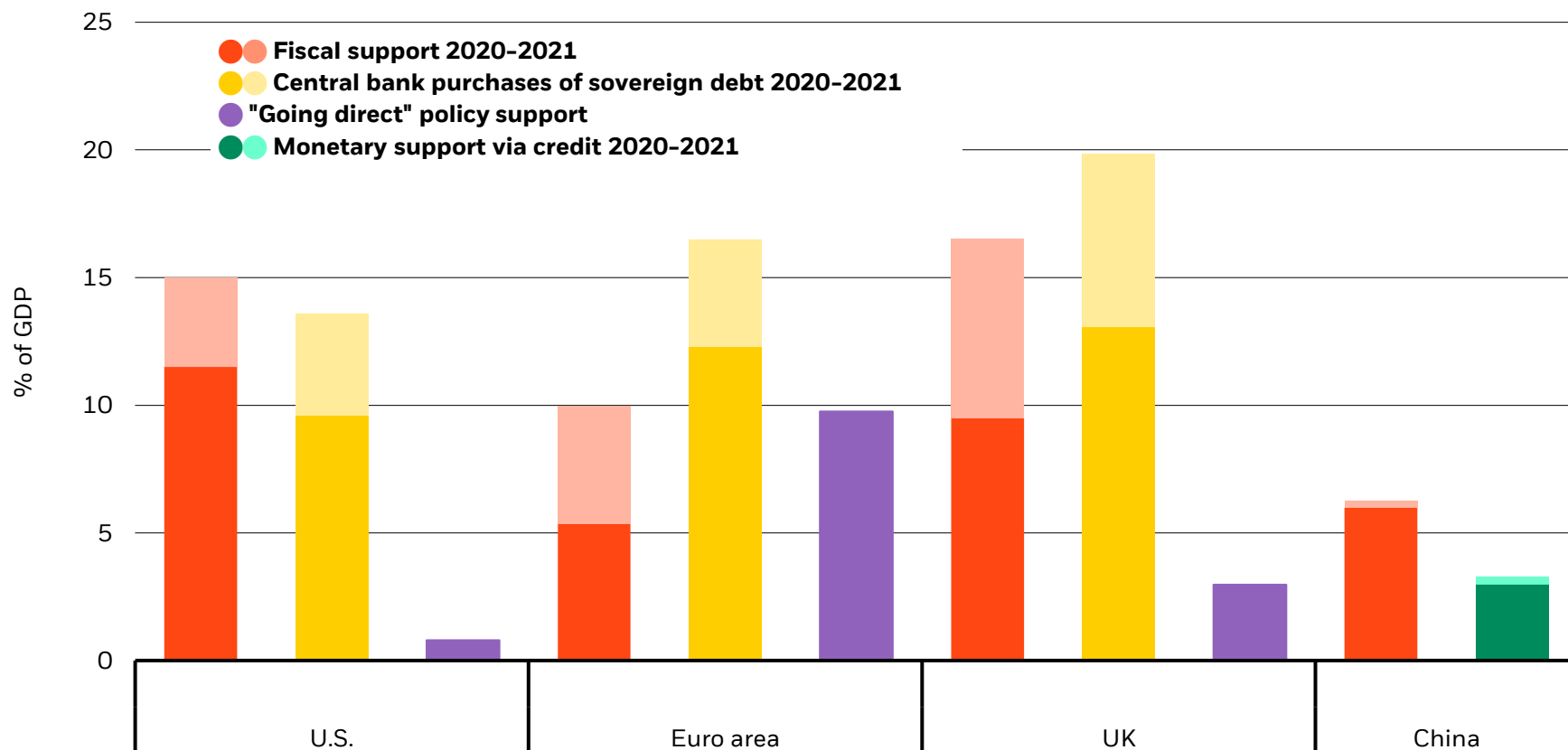
**Past performance is not a reliable indicator of current or future results** Source: BlackRock Investment Institute and Refinitiv Datastream, data as of 11 January 2021. Notes: The chart shows the U.S. 10-year Treasury yield and the 10-year breakeven inflation rate, or the future rate of inflation being priced by markets in TIPS between January 2015 and January 2021. The chart also shows our 3-year ahead expected values for U.S. 10-year nominal yields using the Bloomberg Barclays U.S. Government bond index as a proxy and market implied inflation rate as at Q4 2019 ('pre-Covid forecasts') and as at Q2 2020. Forward looking estimates may not come to pass.



# Fiscal and monetary policy support set to continue into 2021

Ongoing support remains vital to prevent permanent economic scarring. The U.S. faces risks of policy fatigue. In the euro area, monetary policy remains accommodative with fiscal support expected in H2.

## Fiscal and monetary support, 2020-2021

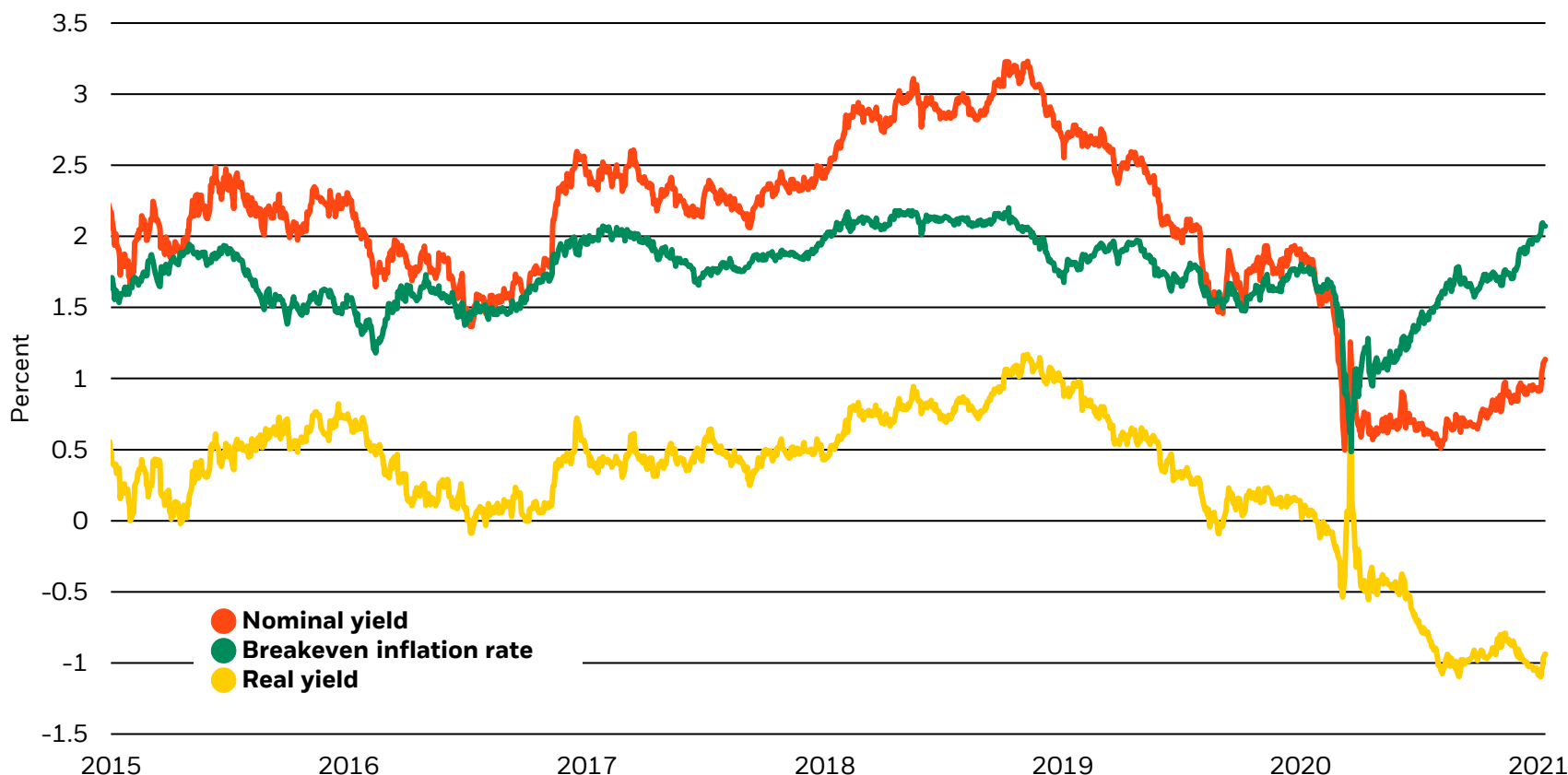


Source: BlackRock Investment Institute, with data from Haver Analytics, December 2020. Note: solid orange bars show estimates of the discretionary fiscal measures in 2020 implemented in response to the Covid-19 pandemic. The light orange bars show the equivalent support for 2021, based on a range of estimates of measures from internal and broker sources. The green bars show the estimated impulse of monetary growth in China measured via total social financing (TSF), the broadest gauge of credit, stripping out local government debt purchases. The purple bars show the direct central bank support via programs such as the Term Funding Scheme for Small and Medium-sized Enterprises in the UK and the Targeted Longer-term Refinancing Operations in the euro area aimed at ensuring flow of credit to banks in return for greater bank lending to the private sector.

# A new playbook needed for higher inflation

The policy revolution has likely diminished the risk of a discount rate shock that might hit valuations across asset classes, particularly equities.

## U.S. 10-year Treasury yield, breakeven inflation rate and real yield, 2017-2021

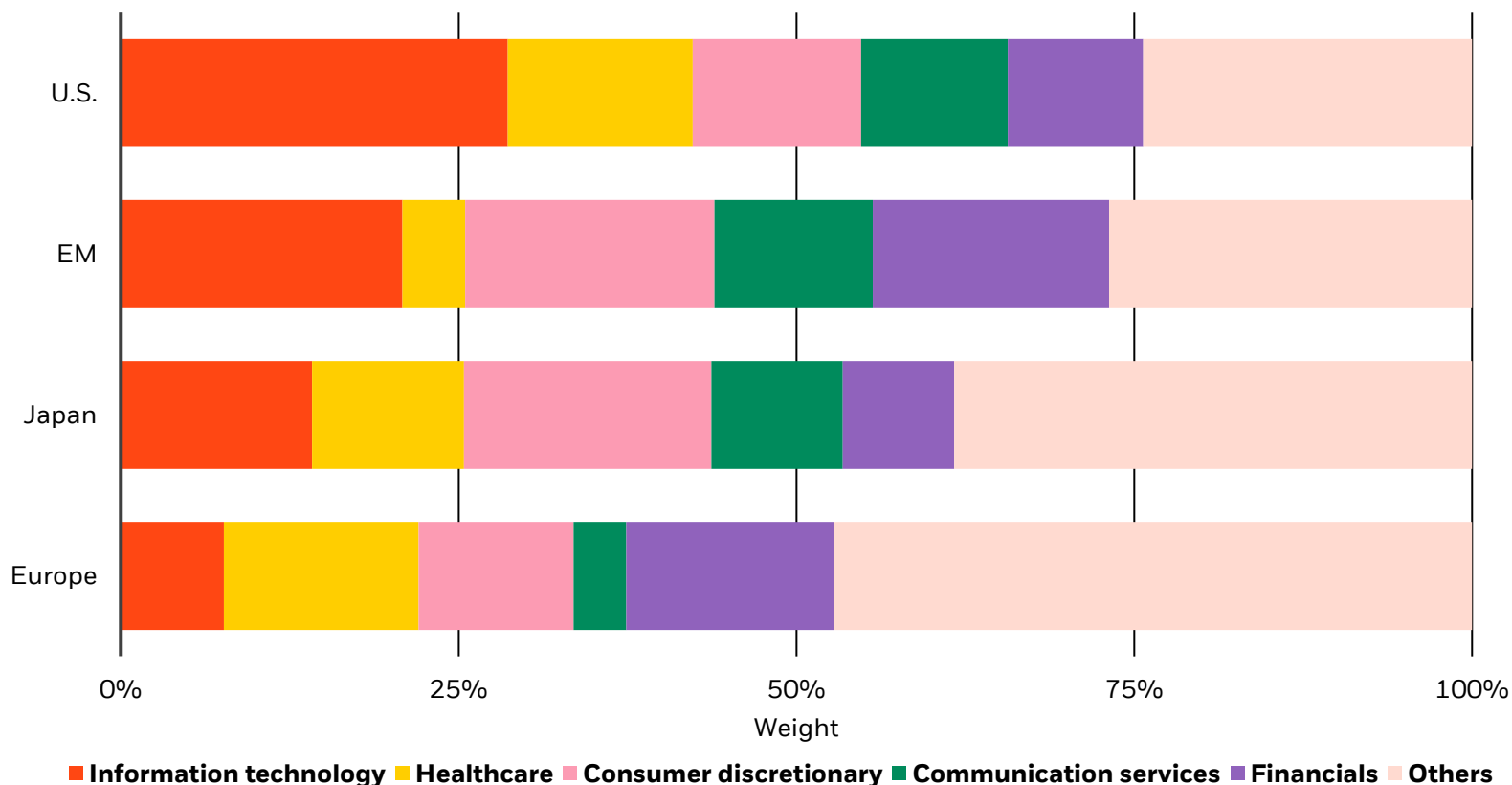


Source: BlackRock Investment Institute and Refinitiv Datastream, data as of 12 January 2021. Notes: The chart shows the U.S. 10-year Treasury yield and the pricing of Treasury inflation protected securities – the 10-year TIPS yield, or real yield, and the breakeven inflation rate, or the future rate of inflation being priced by markets in TIPS.

# We upgrade U.S. equities and focus on sectors

The U.S. stock market has a favorable sector composition compared with peers. It has a higher share of quality companies in sectors backed by long-term growth trends such as tech and healthcare.

## Sector composition of MSCI regional indexes, January 2021

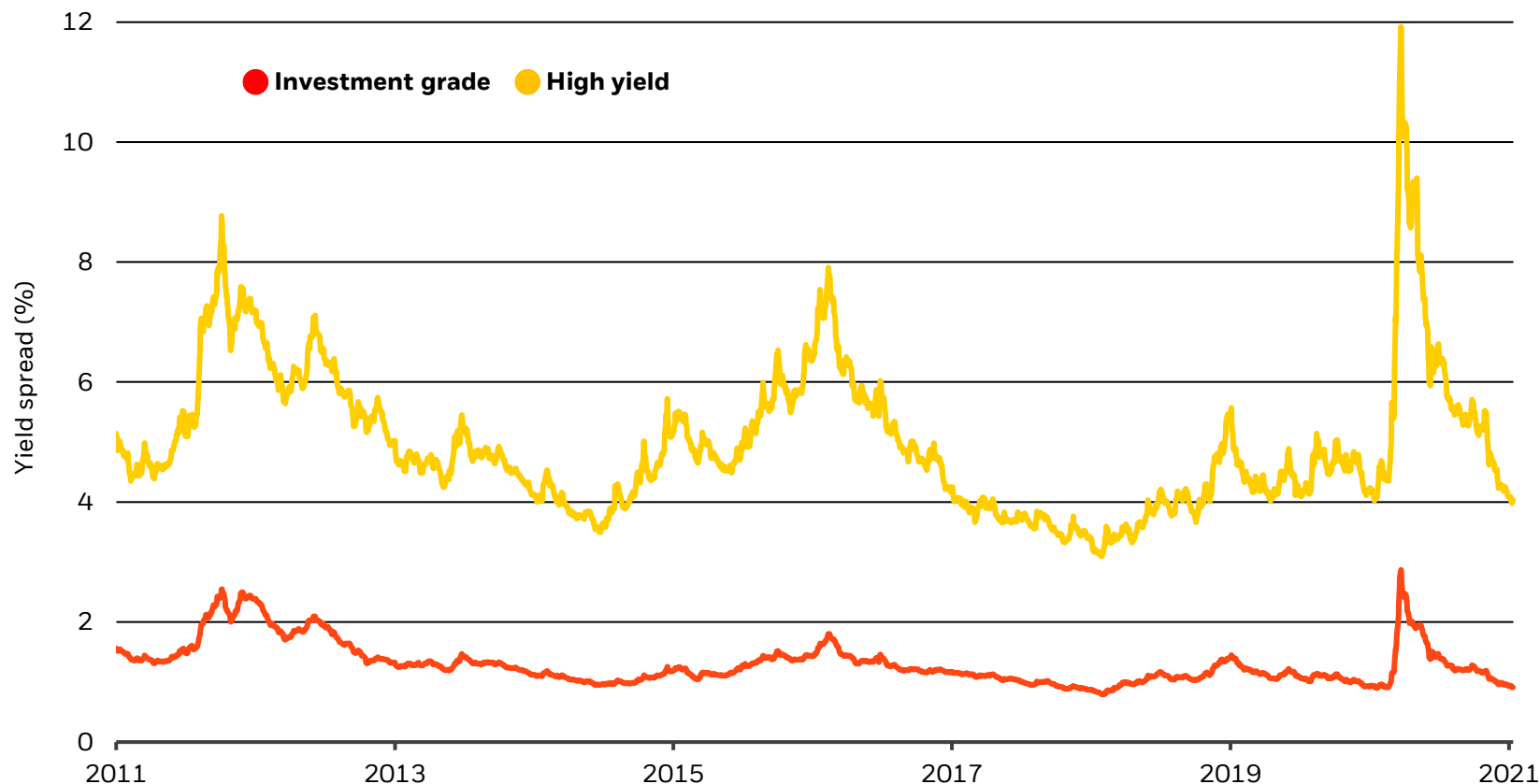


Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute, with data from MSCI, January 2021. Notes: Information technology, healthcare, consumer discretionary, communication services and financials are top five sectors on the MSCI ACWI Index by weight. Others include industrials, consumer staples, utilities, real estate, materials and energy.

# We still like high yield for income potential

We see scope for high yield spreads to tighten further as the economic recovery gathers steam. Risk-reward on IG spreads looks less appealing spurring a tactical downgrade of the asset class.

## Investment grade and high yield credit spreads, 2011–2021



Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute, with data from Refinitiv, January 2021. Notes: The lines show yield spread of investment grade and high yield credit over the past 10 years, represented by the option-adjusted spread of Bloomberg Barclays Global Aggregate Total Return Index and Bloomberg Barclays Global High Yield Total Return Index.

# Globalization rewired

Covid-19 has accelerated geopolitical transformations such as a bipolar U.S.-China world order and a remaking of global supply chains, placing greater weight on resilience – even at the expense of efficiency.

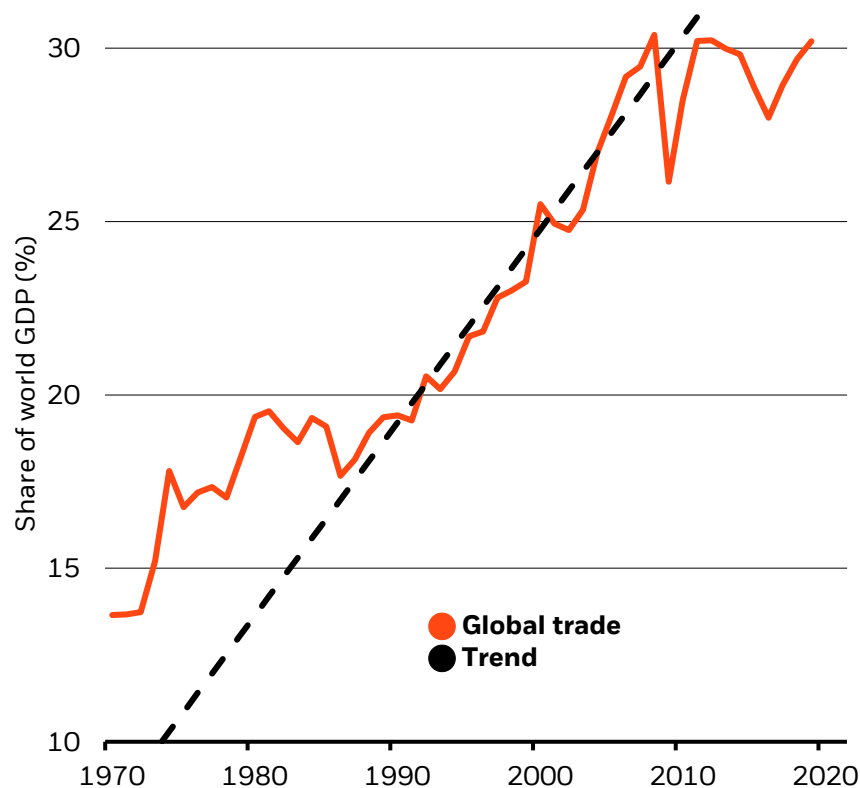
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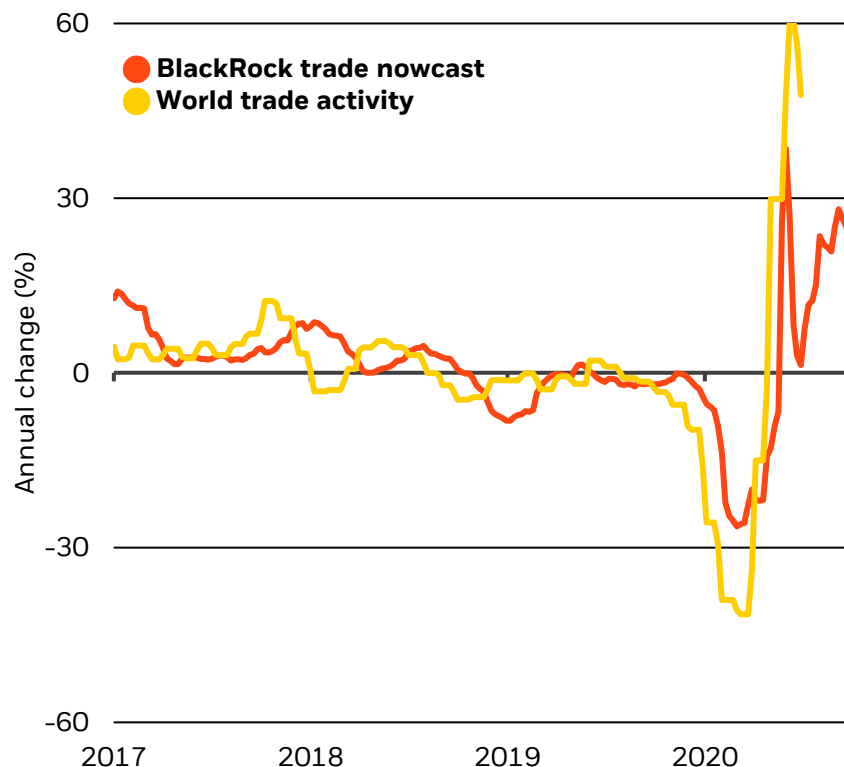
# Global trade activity has rebounded strongly

Resurgent China demand has led the restart, helping stoke a strong recovery in manufacturing and trade activity less hampered by mobility restrictions. Yet globalization appears to have peaked.

## Global trade as a share of GDP, 1970-2020



## Trade nowcast vs activity, 2017-2020

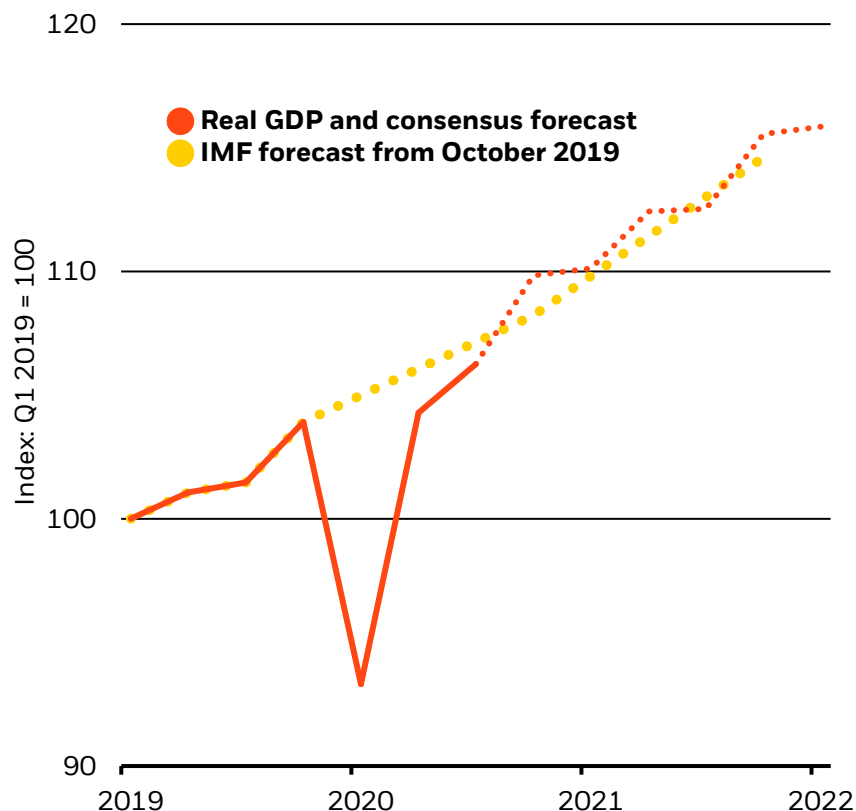


Sources: CPB World Trade Monitor, BlackRock Investment Institute, with data from Refinitiv Datastream, January 2021. Notes: The chart on the left shows world trade as a percentage of global GDP. The dotted line shows the linear trend on global trade as a share of global GDP from 1986-2008, just before the global financial crisis. The chart on the right shows the three-month annualised percentage change in real global goods trade volume (in yellow) and a real-time "nowcast" (in orange) of where that trade volume may stand in three months' time. The nowcast uses principal component analysis based on 50 indicators, such as exports from South Korea and Taiwan, German manufacturing surveys and the export order components of global PMIs, to track global trade activity. Forward-looking estimates may not come to pass.

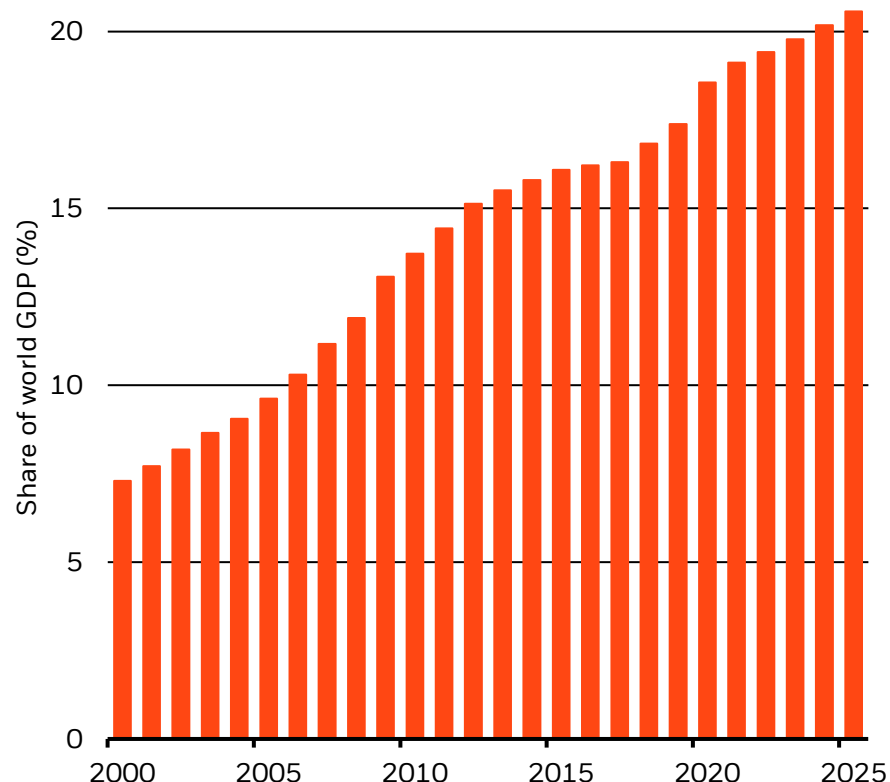
# China leads the post-Covid activity recovery

Better management of Covid outbreaks suggests activity should return to pre-Covid trends far ahead of peers, in our view. Longer term, China is on the verge of becoming the world's largest economy.

## Chinese GDP and forecasts, 2019-2022



## China share of world GDP, 2000-2025

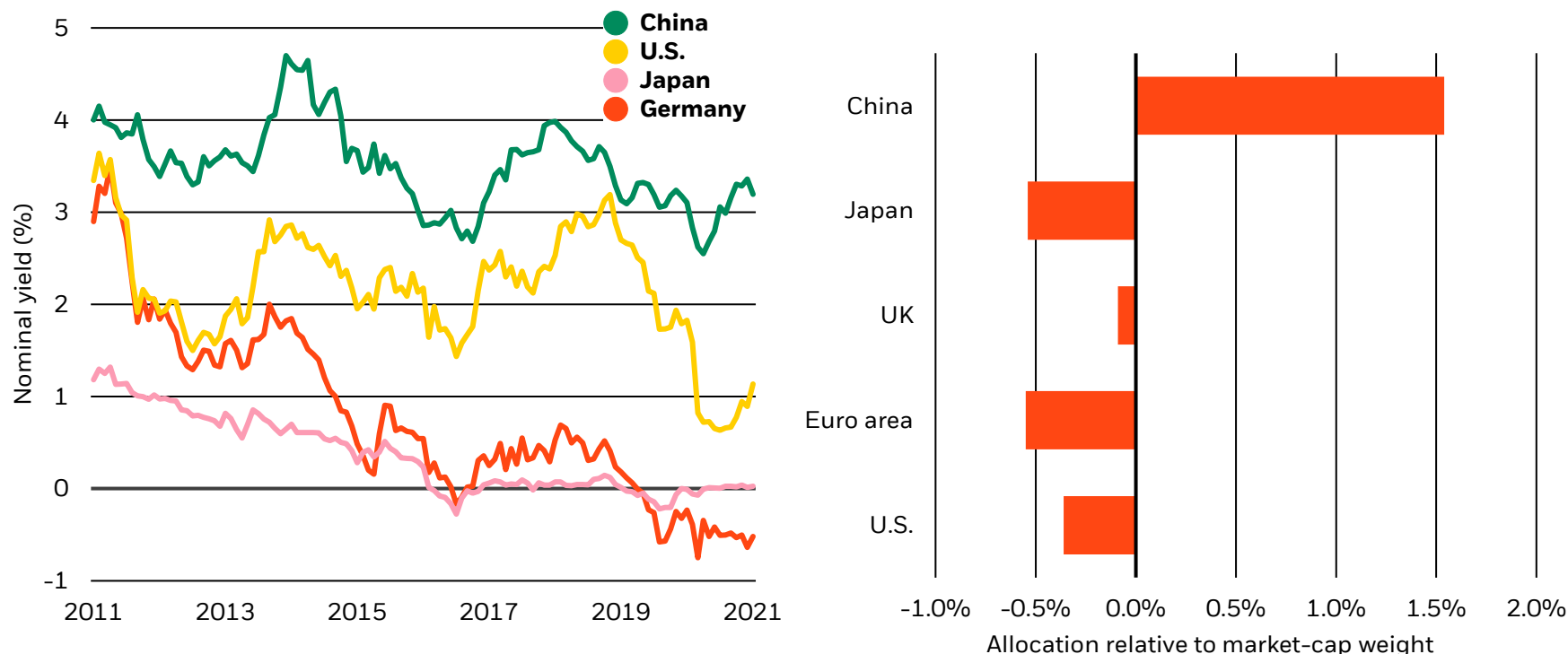


Sources: BlackRock Investment Institute and the IMF, with data from Haver Analytics, December 2020. Note: The left chart shows the path the of real GDP in China, indexed to 100 in Q1 2019 (solid orange line). The dotted orange line shows the implied level of GDP based on Bloomberg consensus forecasts of year-on-year growth rates at a quarterly frequency. The yellow dotted line shows the path of real GDP under the IMF's October 2019 World Economic Outlook forecast. The orange bars on the chart on the right show China's past and expected share of global GDP according to the IMF. **There is no guarantee any forecasts made will come to pass.**

# Growing appeal of China in strategic portfolios

Chinese government bonds' higher yields offer attractive risk-reward in our view. We see a clear case for above-benchmark exposure to China-exposed assets for returns and diversification.

## Government bond yields and hypothetical allocation differentials, January 2021



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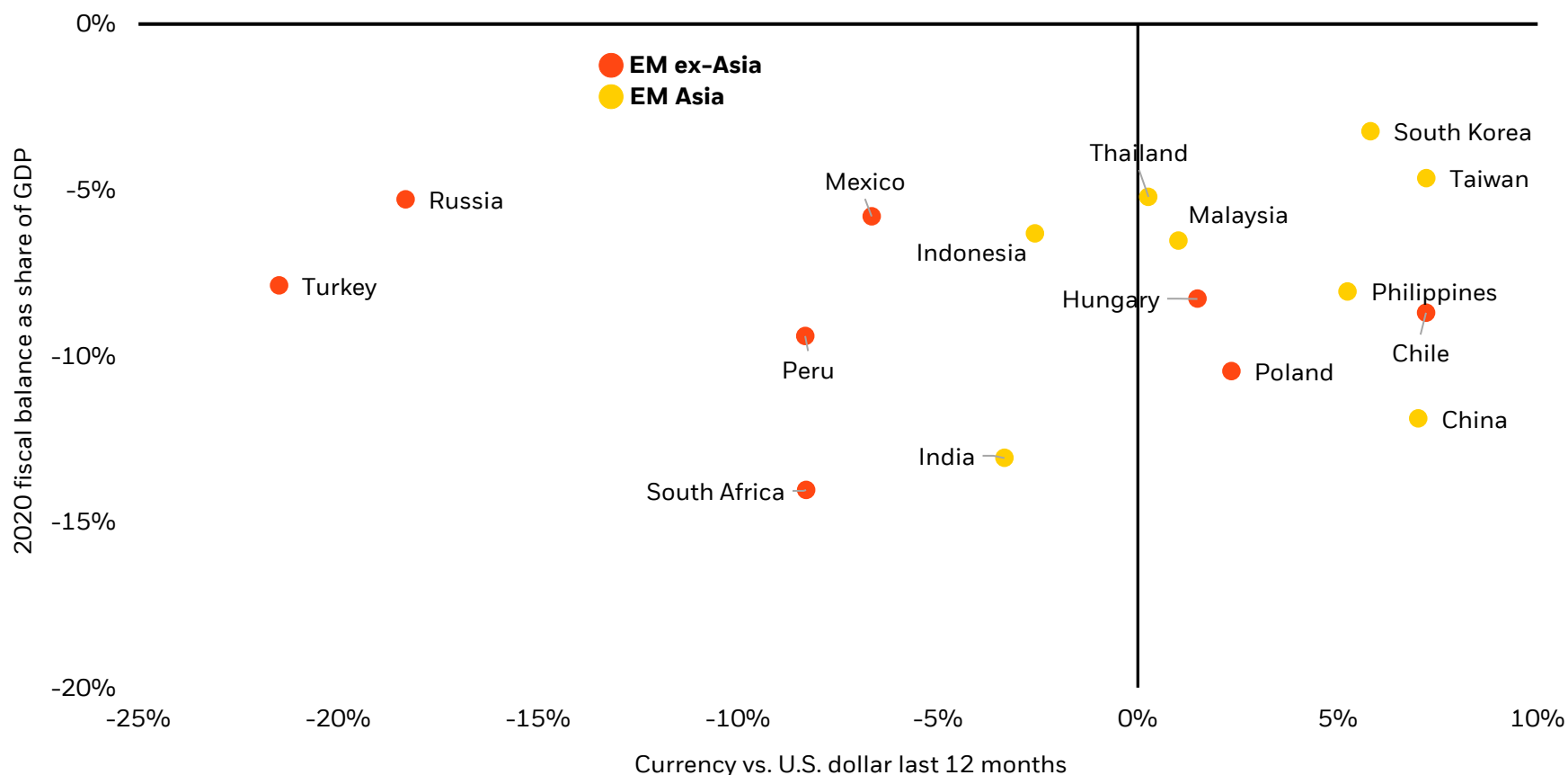
Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, January 2021. Notes: The left chart shows the 10-year government bond benchmark yields. The right chart shows how our government bond allocations in a hypothetical unconstrained, U.S.-dollar based family-office portfolio on a 10-year horizon stack up against an allocation based purely on a market-cap weighting. The market-cap weighting is calculated on BlackRock's Aladdin as of 6 November 2019. The chart shows only the fixed income part of our unconstrained portfolio, scaled up to 100. The results shown are after running our robust optimisation on our CMAs and incorporating our asset class views. Hypothetical data results are based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance. The actual performance of a strategy or fund may vary significantly from index performance due to transaction costs, liquidity or other market factors. An inherent limitation is that the hypothetical allocations were not made under actual market conditions and, therefore, cannot completely account for the impact of financial risk in actual portfolio management. The performance shown does not represent any existing portfolio, and as such, is not an investible product.



# Differentiation within EM is key

The divergence in performance within emerging markets underscores the importance of taking deliberate regional exposures.

## EM government fiscal balance and currency performance, last 12-months



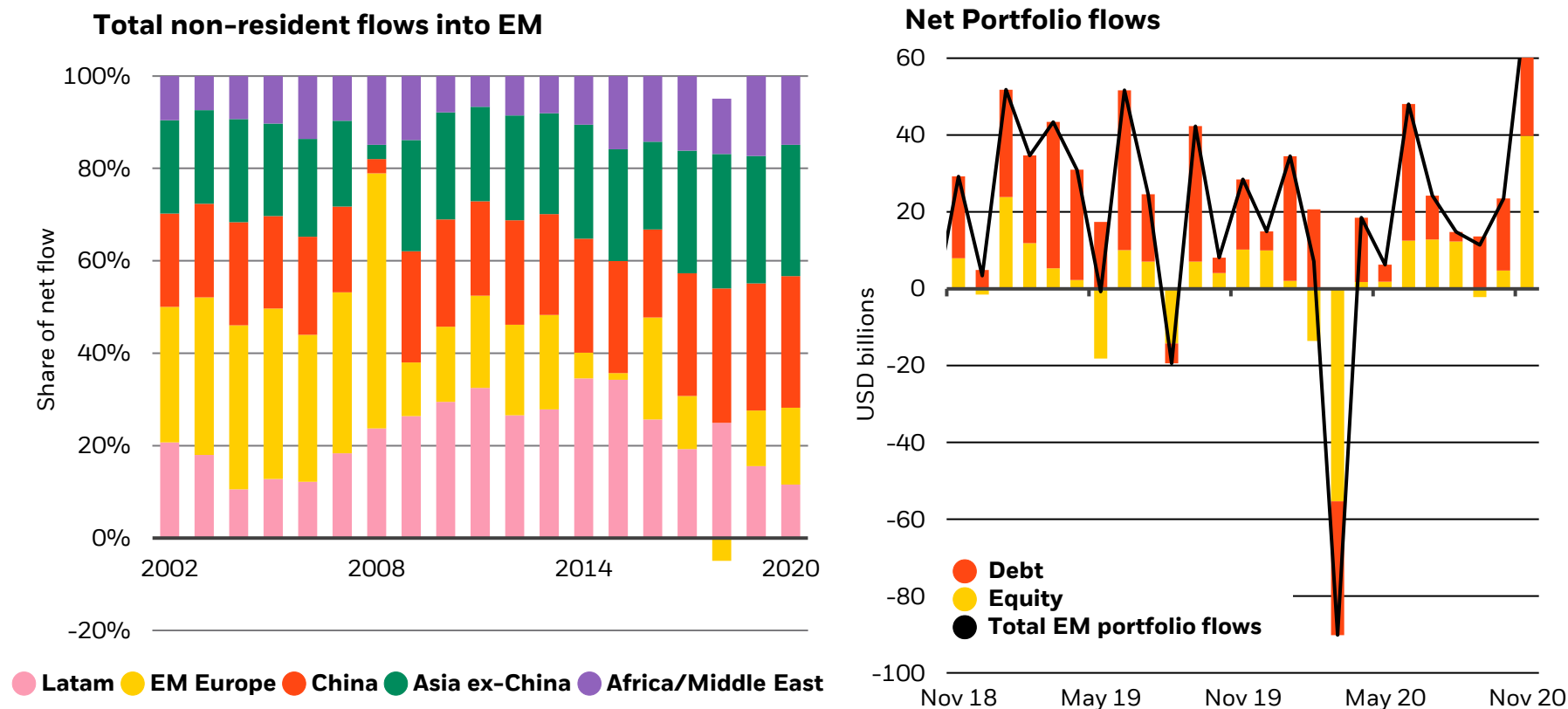
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Sources: BlackRock Investment Institute and the International Monetary Fund, with data from Refinitiv, January 2021. Notes: The chart shows the top 20 countries in the MSCI Emerging Markets Index, excluding those with currencies pegged to the U.S. dollar. The 2020 government fiscal balances are IMF estimates. Yellow dots are Asian economies; orange are other EM.

# Brightening outlook for emerging markets

Investment flows into EMs this year have bounced back after a steep decline in the Covid-19 aftermath. Broader capital flows into Asia, led by China, show a gradual, secular upward trend.

## Net foreign flows into emerging markets 2000–2020 and portfolio flows in 2020



Sources: BlackRock Investment Institute, with data from the International Institute of Finance and Bloomberg, December 2020. The chart on the left shows the share of each region listed in the annual total net non-resident capital flows into emerging markets. The right chart shows the net portfolio – debt and equity – into emerging markets from offshore investors. The data comes from the International Institute of Finance's [Capital Flows Tracker](#). Data for 2020 is an estimate. **Forward looking estimates may not come to pass.**

# Turbocharged transformations

The pandemic has added fuel to pre-existing structural trends such as an increased focus on sustainability, rising inequality within and across nations, and the dominance of e-commerce at the expense of traditional retail.

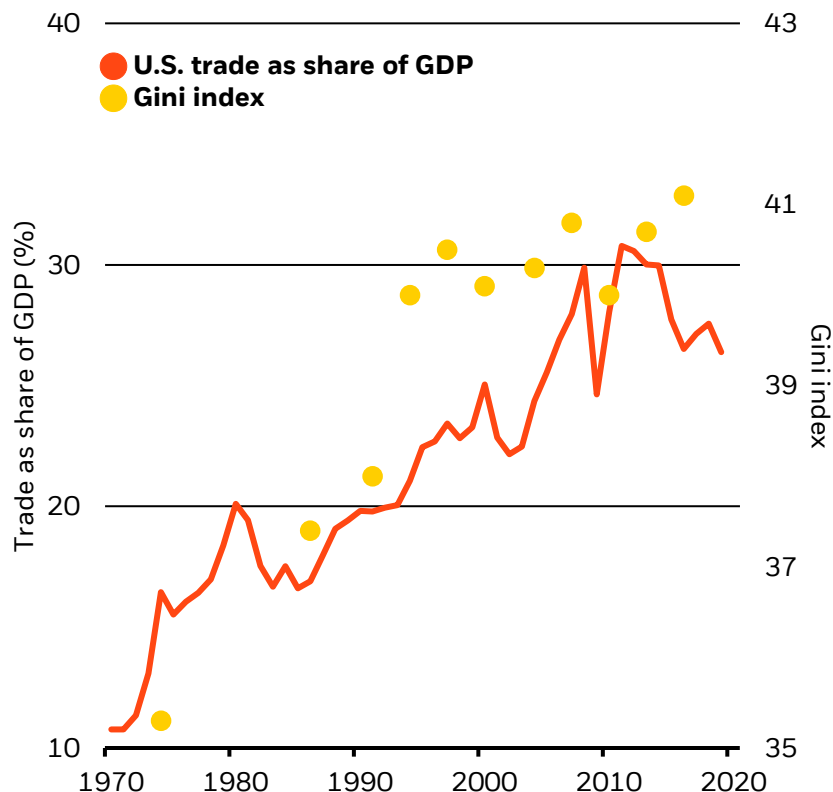
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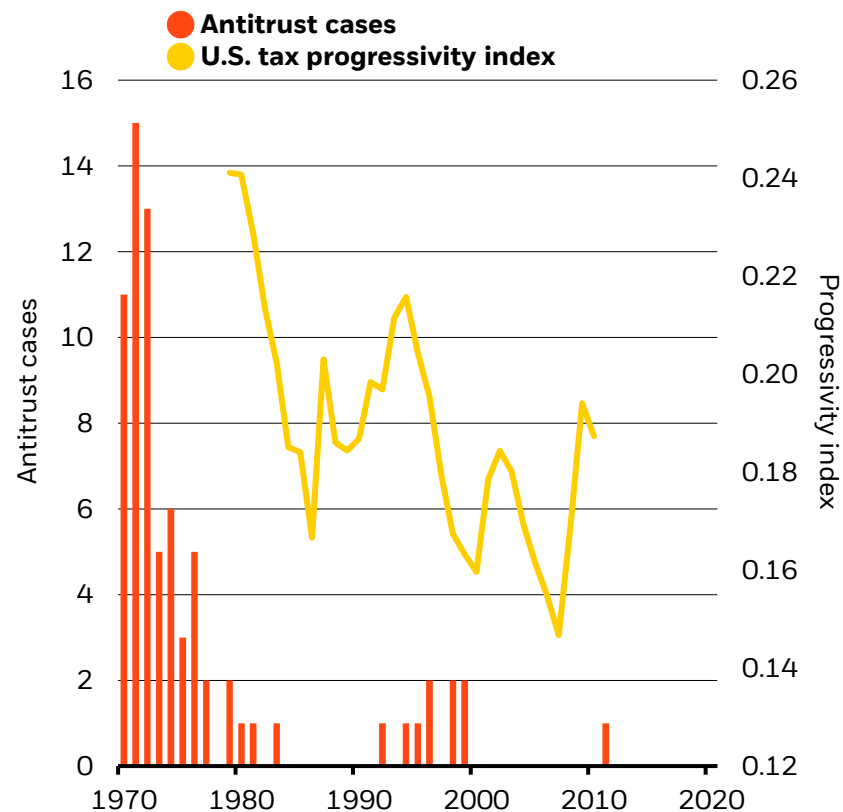
# An increased focus on wealth and income inequality

The benefits of globalization have accrued disproportionately to large firms and skilled workers. Authorities have been less aggressive in combating large companies' expansion in recent years.

## U.S. inequality and global trade, 1970-2020



## U.S. antitrust cases vs. tax policy, 1970-2020

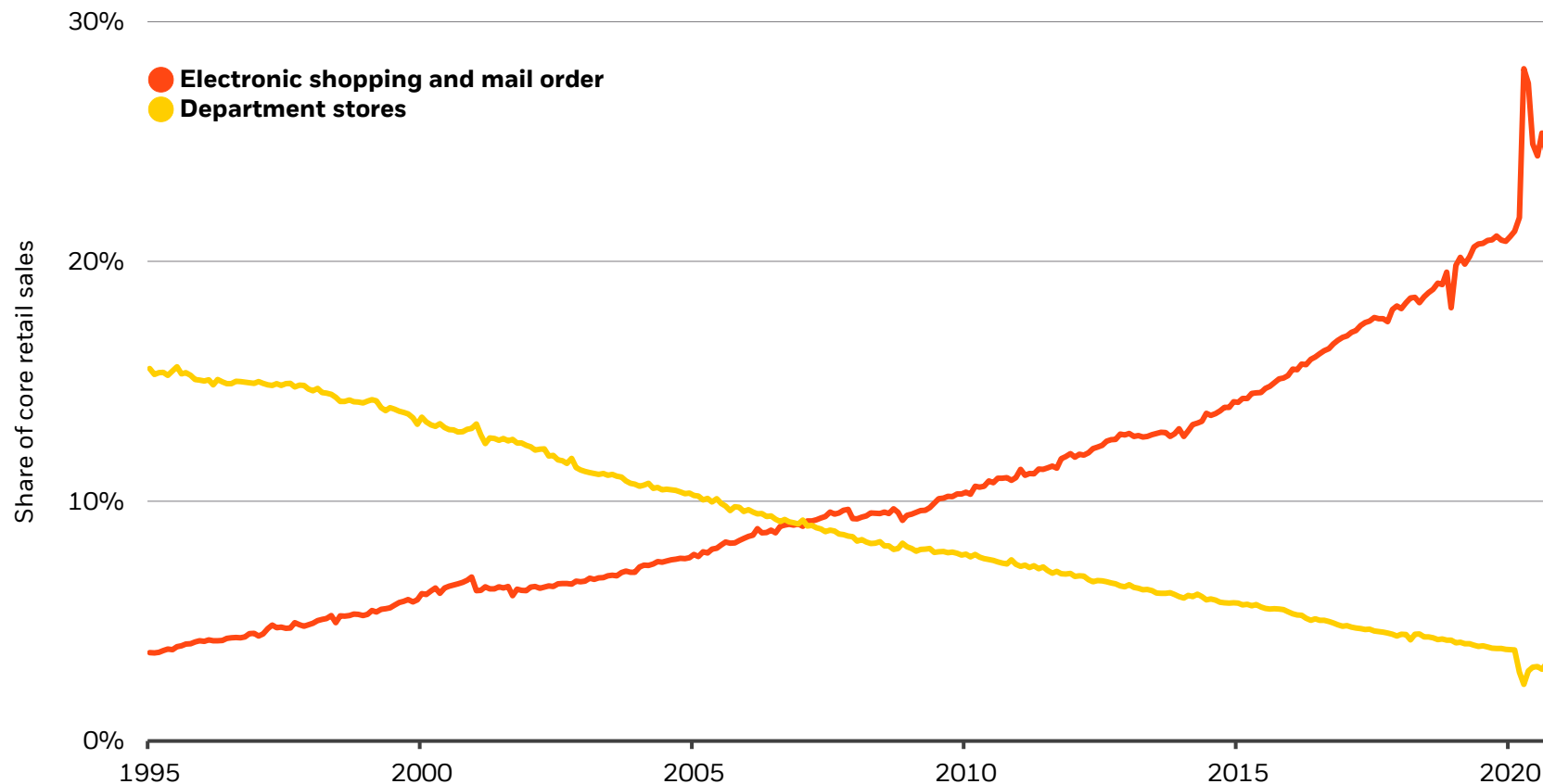


Sources: BlackRock Investment Institute, U.S. Department of Justice, World Bank, and Antràs, de Gortari and Itskhoki (2017), with data from Haver Analytics, December 2020. Notes: the orange line on the left-hand chart shows the sum of U.S. imports and exports as a share of U.S. GDP. The yellow markers show World Bank estimates of the Gini index, measuring the degree of U.S. income inequality, where a higher value denotes greater inequality. The orange bars in the right-hand chart show the number of antitrust cases brought in the U.S. under the Sherman Act. The yellow line shows an estimate of U.S. tax progressivity derived by Antràs, de Gortari and Itskhoki (2017). This reflects the extent to which the tax system redistributes income – from labor, capital, business and other sources – within the economy. A value of 1 implies that there is full redistribution of income, where everyone has the same after-tax income. By contrast a value of 0 implies no redistribution of income whatsoever.

# The pandemic has accelerated structural trends

Changing consumption patterns in the aftermath of Covid 19 have hastened the dominance of e-commerce and demise of struggling brick-and-mortar retailers.

## Share of U.S. core retail sales, 1995-2020

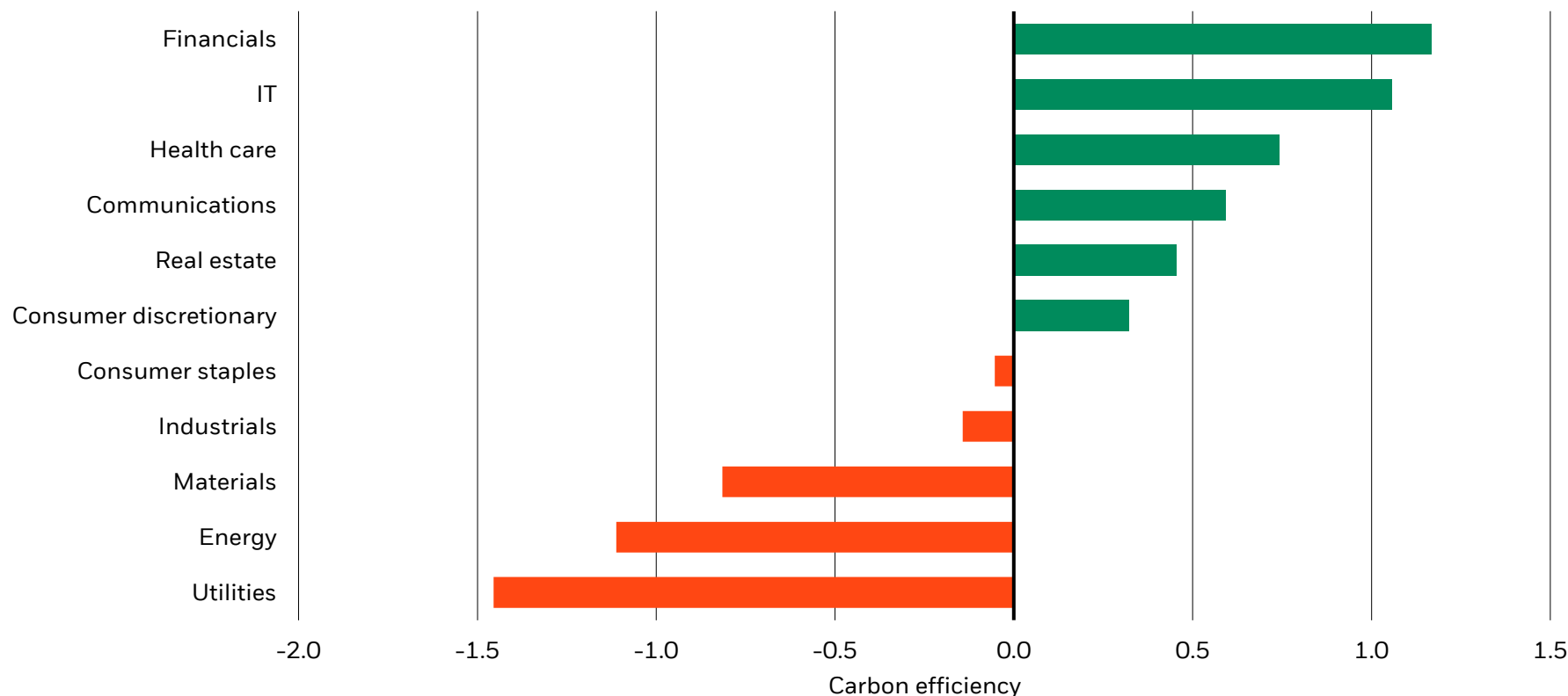


Sources: BlackRock Investment Institute and U.S. Census Bureau, with data from Refinitiv, January 2021. Notes: The lines show U.S. electronic shopping and mail order and department stores retail sales as a share of core retail sales (retail sales excluding building materials, autos, gas stations and food).

# Granular views are key to taking sustainable exposures

Sustainability is likely to be an increasing driver of returns as investors allocate toward perceived ESG-friendly assets. Yet differentiation will be greater at the stock and sector level, in our view.

## Estimated carbon efficiency for MSCI sectors, November 2020

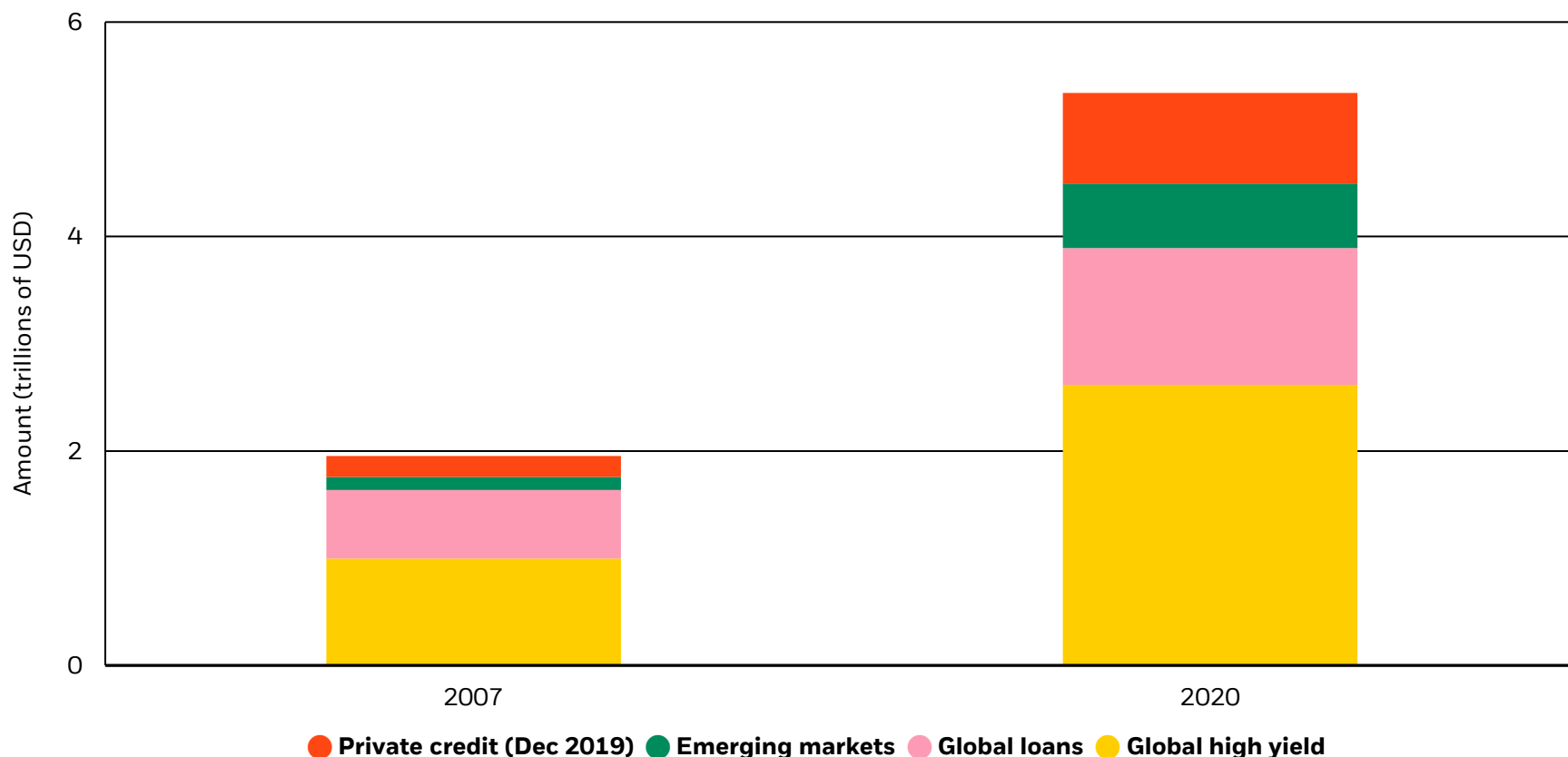


Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute with data from Refinitiv Datastream and MSCI, December 2020. Notes: The chart shows the carbon efficiency measured as total carbon emissions relative to the aggregate firm value for the sectors of the MSCI USA index. The carbon efficiency measure is shown in Z score terms. Both Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from electricity purchased) are considered. These can help gauge the exposure of companies to carbon pricing initiatives as part of climate change mitigation policies.

# Private market opportunities from post-Covid restructuring

Private credit has outpaced the already fast-growing pool of sub-investment grade debt. A wave of corporate restructuring offers opportunities in private credit, but manager selection is crucial.

## Sub-investment grade debt outstanding, 2007 and 2020

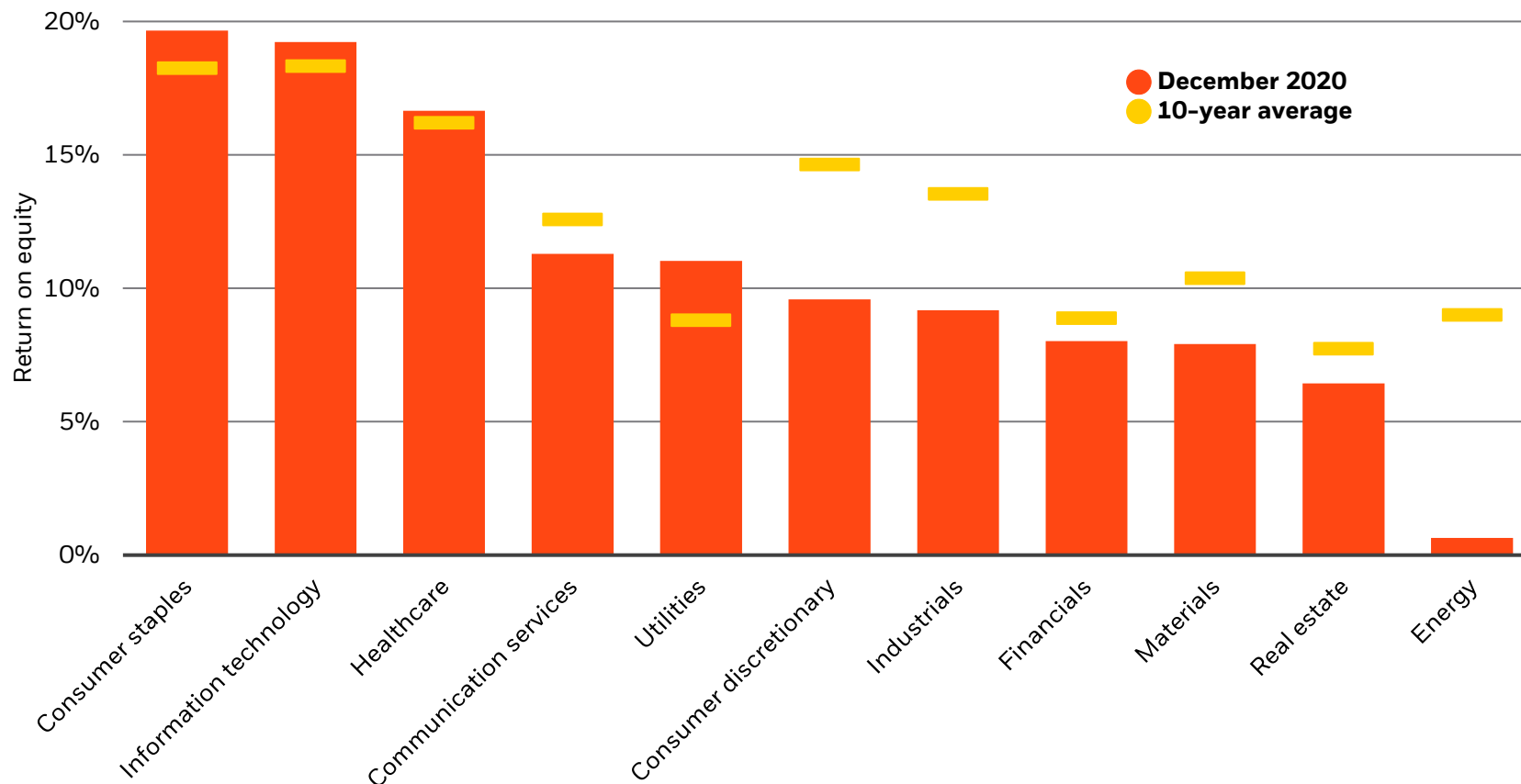


Sources: BlackRock Investment Institute, December 2020. Notes: Private credit data are from Preqin. Indexes used are Bloomberg Barclays Global High Yield Index, S&P/LSTA Leveraged Loan Index + S&P European All Loans Index, and JP Morgan CEMBI Index (emerging markets). Index data are as of June 30, 2020, and the private credit data as of Dec. 31, 2019. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index.

# Tech sector likely to maintain its strengths

Accelerated trends and scarce growth amid rock-bottom yields underpin tech. We see potential for leadership within the sector to broaden to a wider set of beneficiaries across themes, including 5G connectivity.

## MSCI All-Country World equity sectors return on equity, December 2020



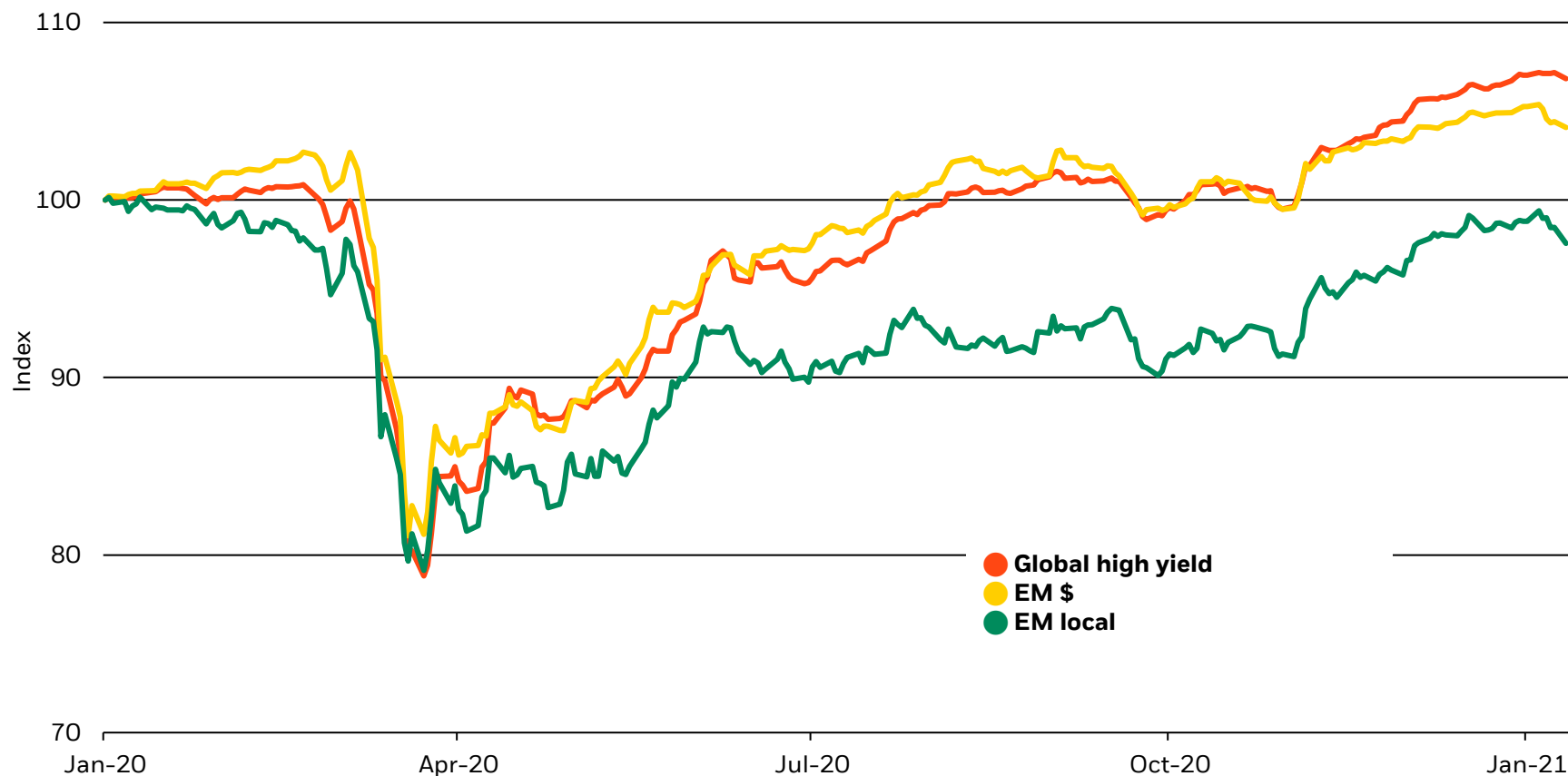
Past performance is no guarantee of future results. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute with data from MSCI and Refinitiv, January 2021. Notes: The chart shows the return on equity by sector of the MSCI All Country World Index as of December month-end, compared with its 10 year average.



# A tilt toward cyclical and credit

The global cyclical rebound in 2021, easy global monetary policy and advancing Covid vaccine development to benefit emerging market (EM) debt.

## Total return on selected bond indexes, 2020-2021

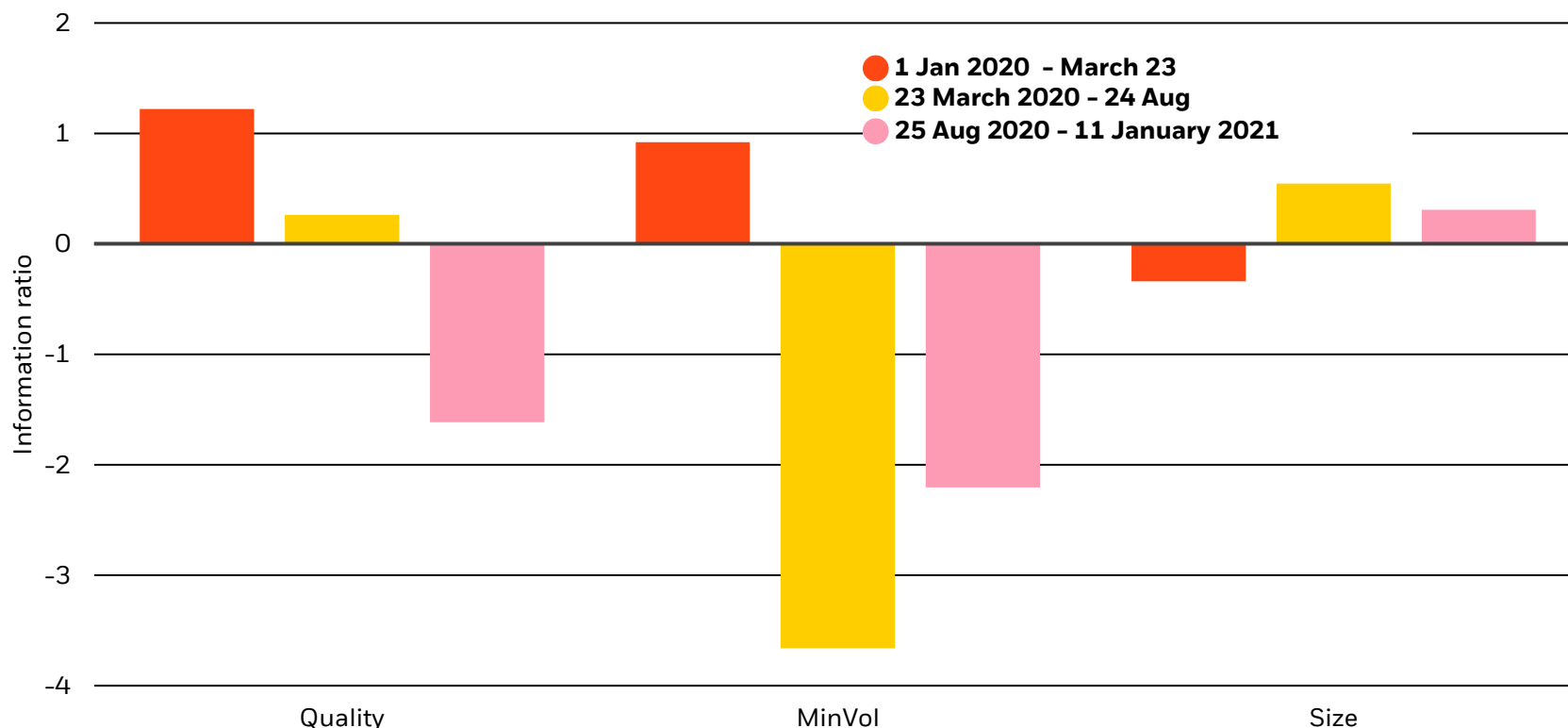


Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute, with data from Refinitiv, January 2021. Notes: The indexes used are the Bloomberg Barclays Global High Yield Index, JPMorgan EMBI Global Diversified Index and JPMorgan GBI-EM Composite Index. Performance is rebased to 100 at the start of 2020.

# We maintain our overweight on the quality factor

We like quality for resilience against a range of economic outcomes. We believe the cyclical upswing benefits small- and mid-cap U.S. companies. We are underweight MinVol as it typically lags in such an environment.

## Risk-adjusted returns for style factors, January 2020–January 2021

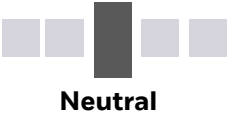
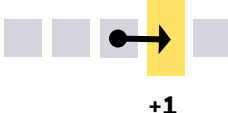
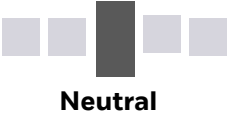









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Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, January 2021. Notes: The bars show risk-adjusted returns of MSCI World Minimum Volatility, Quality, and size indexes from 1 Jan 2020 to 5 Jan 2021. This is split as: 1 Jan to 23 March (Covid-19 Market selloff), 24 Mar to 24 August (rebound from the lows before global equities returned to pre-selloff highs) and 25 Aug to 11 Jan 2021. We use the MSCI AC World Index as the benchmark in this analysis. The risk-adjusted returns – or information ratio – are calculated by subtracting a factor index's return for a given period from the total return of the benchmark, then dividing that result by the tracking error, or the standard deviation of the difference between individual index and benchmark returns.

# Directional views

## Strategic (long-term) and tactical (6-12 month) views on broad asset classes, January 2021

Asset	Strategic view	Tactical view	
<b>Equities</b>	 Neutral	 +1	We are neutral on equities on a strategic horizon given increased valuations and a challenging backdrop for earnings and dividend payouts. We tilt toward EM equities. Tactically, we have upgraded equities to overweight as we expect the restart to re-accelerate and rates to stay low. We like a barbell approach: quality stocks balanced with selected cyclical exposures.
<b>Credit</b>	 Neutral	 +1	We are neutral on credit on a strategic basis because we see investment grade (IG) spreads offering less compensation for any increase in default risks. We still like high yield for income. On a tactical horizon, we see the economic restart and ongoing policy support helping credit perform, even amid tighter yield spreads and the wind-down of some emergency credit support.
<b>Govt bonds</b>	 -1	 Neutral	The strategic case for holding nominal government bonds has materially diminished with yields closer to perceived lower bounds. Such low rates reduce the asset class's ability to act as ballast against equity market selloffs. We prefer inflation-linked bonds as we see risks of higher inflation in the medium term. On a tactical basis, we keep duration at neutral as policy accommodation suppresses yields.
<b>Cash</b>	 Neutral	 Neutral	We are neutral and use cash to fund overweights in equities and credit. Holding some cash makes sense, in our view, as a buffer against supply shocks driving both stocks and bonds lower.
<b>Private markets</b>	 Neutral	 Neutral	Non-traditional return streams, including private credit, have the potential to add value and diversification. Our neutral view is based on a starting allocation that is much larger than what most qualified investors hold. Many institutional investors remain underinvested in private markets as they overestimate liquidity risks, in our view. Private markets are a complex asset class not suitable for all investors.

Note: Views are from a U.S. dollar perspective as of January 2021. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

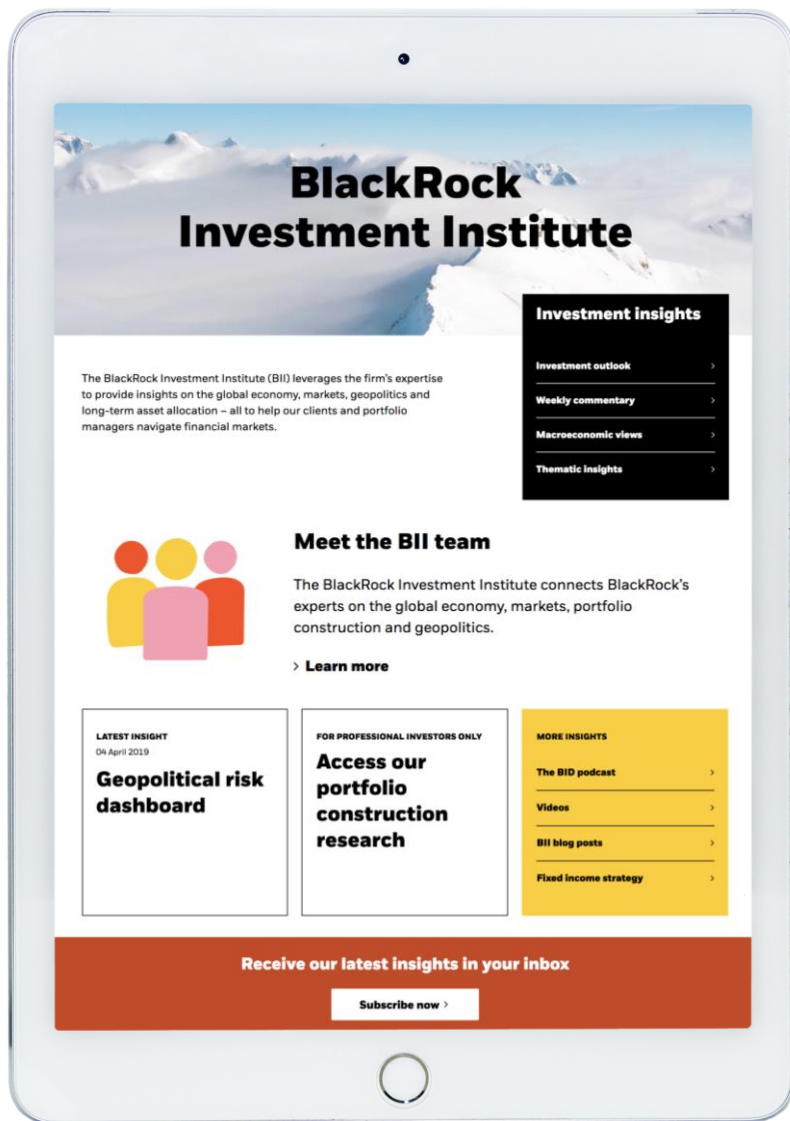
## Tactical granular views

Six to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, January 2021

Change in view  
Previous → New

Asset	Underweight	Overweight	
<b>Equities</b>	United States		We have upgraded U.S. equities to overweight. We see the tech and healthcare sectors offering exposure to structural growth trends, and U.S. small caps geared to an expected cyclical upswing in 2021.
	Europe		We have downgraded European equities to underweight. The market has relatively high exposure to financials pressured by low rates. It also faces structural growth challenges, even given potential for catch-up growth in a vaccine-led revival.
	Japan		We are underweight Japanese equities. Other Asian economies may be greater beneficiaries of more predictable U.S. trade policy under a Biden administration. A stronger yen amid potential U.S. dollar weakness may weigh on Japanese exporters.
	Emerging markets		We are overweight EM equities. We see them as principal beneficiaries of a vaccine-led global economic upswing in 2021. Other positives: our expectation of a flat to weaker U.S. dollar and more stable trade policy under a Biden administration.
	Asia ex-Japan		We are overweight Asia ex-Japan equities. Many Asian countries have effectively contained the virus – and are further ahead in the economic restart. We see the region's tech orientation allowing it to benefit from structural growth trends.
	Momentum		We keep momentum at neutral. The factor could face challenges in the near term as a resurgence in Covid-19 cases and risks of fading fiscal policy support create potential for choppy markets.
	Value		We are neutral on value. The factor could benefit from an accelerated restart, but we believe that many of the cheapest companies – across a range of sectors – face structural challenges that have been exacerbated by the pandemic.
	Minimum volatility		We are underweight min vol. We expect a cyclical upswing over the next six to 12 months, and min vol tends to lag in such an environment.
	Quality		We are overweight quality. We like tech companies with structural tailwinds and see companies with strong balance sheets and cash flows as resilient against a range of outcomes in the pandemic and economy.
	Size		We are overweight the U.S. size factor. We see small- and mid-cap U.S. companies as a key place where exposure to cyclicalities is likely to be rewarded amid a vaccine-led recovery.
<b>Fixed income</b>	U.S. Treasuries		We are underweight U.S. Treasuries. We see nominal U.S. yields as staying rangebound, but real yields declining amid rising inflation expectations. This leads us to prefer inflation-linked over nominal government bonds.
	Treasury Inflation-Protected Securities		We are overweight TIPS. We see potential for higher inflation expectations to get increasingly priced in on the back of structurally accommodative monetary policy and increasing production costs.
	German bunds		We are neutral on bunds. We see the balance of risks shifting back in favor of more monetary policy easing from the European Central Bank as the regional economic rebound shows signs of flagging.
	Euro area peripherals		We are overweight euro area peripheral government bonds despite recent outperformance. We see further rate compression due to stepped-up quantitative easing by the European Central Bank and other policy actions.
	Global investment grade		We have downgraded investment grade credit to underweight. We see little room for further yield spread compression and favor more cyclical exposures such as high yield and Asia fixed income.
	Global high yield		We have trimmed our overweight in global high yield. Spreads have narrowed significantly, but we believe the asset class remains an attractive source of income in a yield-starved world.
	Emerging market – hard currency		We have upgraded hard-currency EM debt to neutral. We expect it to gain support from the vaccine-led global restart and more predictable U.S. trade policies.
	Emerging market – local currency		We have upgraded local-currency EM debt to neutral. We see catch-up potential as the asset class has lagged the risk asset recovery. Easy global monetary policy and a stable-to-weaker U.S. dollar should also underpin EM.
	Asia fixed income		We are overweight Asia fixed income. We see the asset class as attractively valued. Asian countries have done better in containing the virus and are further ahead in the economic restart.

Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index. Note: Views are from a U.S. dollar perspective. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast or guarantee of future results. This information should not be relied upon as investment advice regarding any particular fund, strategy or security.



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# Appendix

## Indexes

Global government bonds = Bloomberg Barclays Global Treasury index

Japan government bonds = Bloomberg Barclays Global Treasury Japan Index

Euro area credit = ICE BofA Merrill Lynch 10+ Year Euro Corporate Index

Global high yield = ICE BofA Merrill Lynch Global High Yield Index

Euro area government bonds = Bloomberg Barclays Euro Aggregate Treasury Index

U.S. credit = Bloomberg Barclays U.S. Credit Index

Global IG credit = Bloomberg Barclays Global Aggregate - Corporate

Inflation-linked bonds = ICE BofA Merrill Lynch Global Inflation-Linked Government Index

Euro area inflation-linked bonds = ICE BofA ML EMU Direct Government Inflation Linked Index

U.S. TIPS = Bloomberg Barclays US Government Inflation-Linked Bond Index

EM debt, local = JP Morgan GBI-EM Index

EM debt, hard = JP Morgan EMBI Global Diversified Index

Japan equities = MSCI Japan index

European equities = MSCI Europe index

DM equities = MSCI World index

EM equity = MSCI Emerging Markets Index

Onshore Chinese equities = MSCI China A Inclusion NET Index

Private equity = BlackRock proxy

U.S. Real estate = BlackRock proxy

*We use BlackRock proxies for selected private markets because of lack of sufficient data. These proxies represent the mix of risk factor exposures that we believe represents the economic sensitivity of the given asset class.*

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