



## SECULAR OUTLOOK 2023

# The Aftershock Economy

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



## Investment Implications

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



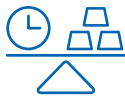
#### **Core Fixed Income:**

A high quality focus should allow investors to construct resilient portfolios without surrendering upside potential.



#### **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.



#### **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.



#### **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.

**Global opportunities call for active management.**

**For information about our actively managed strategies – designed to help your clients navigate markets and reach their goals – please contact your PIMCO account manager.**

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