



SECULAR OUTLOOK 2024

Yield Advantage

The global economy continues to recover from pandemic aftershocks, including trade dislocations, outside monetary and fiscal interventions, a prolonged inflation surge, and bouts of severe financial market volatility.

Our latest Secular Outlook, [Yield Advantage](#), explores the below key macro themes we expect to remain relevant over a five-year horizon and suggests there are three areas that may have recently benefited investors but are vulnerable to rising risks.



Key macro themes

Neutral policy rates to remain low

Monetary policy rates in advanced economies will likely settle at levels seen pre-global financial crisis.

Moving to a multipolar world

Global cooperation may be more limited and new middle powers may emerge.

Inflation and growth diverging globally

Business cycles will be less synchronized with greater macroeconomic and financial market volatility than pre-pandemic.



Potential Areas of Risk

U.S. debt sustainability

Fiscal stimulus has fueled recent U.S. growth, but debt constraints may limit future government support.

AI and productivity

AI is poised to realign labor markets and boost productivity, but significant economic impacts may take years.

Asset valuations and liquidity risks

Markets such as equities and corporate direct lending offer investors little apparent cushion.



Investment Implications: Fixed income resurgence

For investors, the early 2020s inflation shock and steep policy rate hikes produced a generational reset higher in bond yields, offering a potential advantage to investors in the years ahead.

As such, we favor a renewed focus on public fixed income markets, which are poised to generate competitive returns and lower risk compared with other asset classes. Today's yields and a stabilizing inflation outlook are enabling bonds to reassert their fundamental advantages in portfolios: providing potential for attractive income, downside resilience, and stability through reduced correlation with equities.

A FRESH LOOK AT ACTIVE FIXED INCOME:



Generational reset higher in bond yields:

Fixed income looks set to deliver attractive risk-adjusted returns in multiple environments



Rise in term premiums poised to continue:

Emphasizing active management important as yield curve steepens



Global opportunities are abundant:

Active investors can seize global opportunities as economies diverge



Upside potential in asset-based lending:

Consumer strength and bank retrenchment creates a window of opportunity



Avoid areas of excess:

Certain asset classes experiencing remarkable gains may be prone to euphoria and excess

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

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