BlackRock

Global Outlook Q4 update

October 2024

BlackRock **Investment** Institute

Q4 Global outlook themes

1. Getting real

We see a new wave of investment into the real economy transforming economies and markets. Spotting winners will require deep insights on the technology being developed – and the potential disruption it entails.

2. Leaning into risk

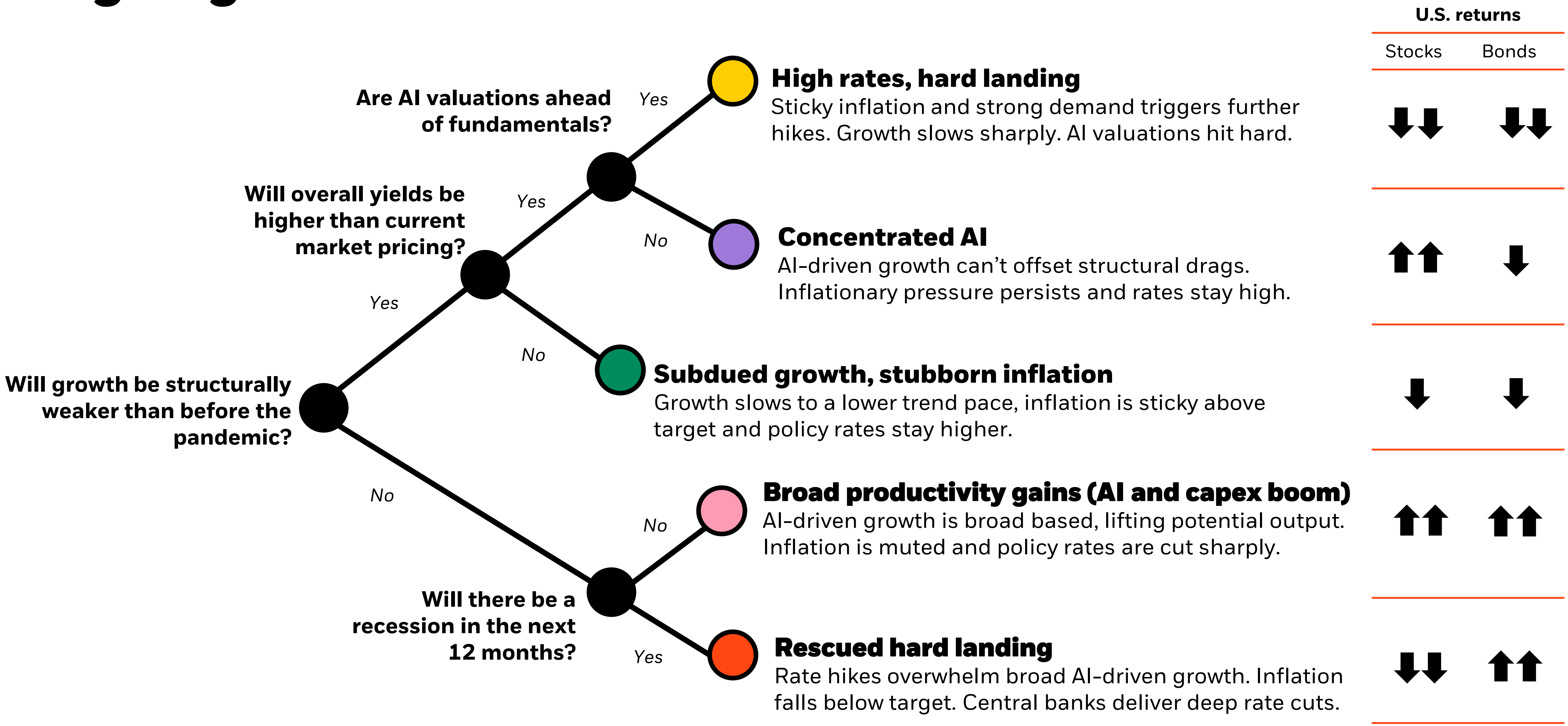
We look for investments that can do well across scenarios and lean into the current most likely one. For us, that's a concentrated artificial intelligence scenario where AI winners and other beneficiaries can keep driving stocks.

3. Spotting the next wave

Investors should look for where the next wave of investment opportunity may come. We stay dynamic and ready to overhaul asset allocations when outcomes can be starkly different.

The opinions expressed are as of October 2024 and are subject to change at any time due to changes in market or economic conditions. 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.

Weighing near-term scenarios



The opinions expressed are as of October 2024 and are subject to change at any time due to changes in market or economic conditions. 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. Sources: BlackRock Investment Institute, October 2024. Notes: Our five scenarios here can be represented as nodes on different pathways. The arrows indicate our expectation for U.S. equity and Treasury returns in each scenario, as two examples. Two arrows represents that a larger relative move is expected in this scenario than a single arrow. We only show U.S. equities and Treasuries but have run this analysis across several asset classes. For illustrative purposes only. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

Our key calls

Our highest conviction views on tactical (6-12 month) and strategic (long-term) horizons, October 2024

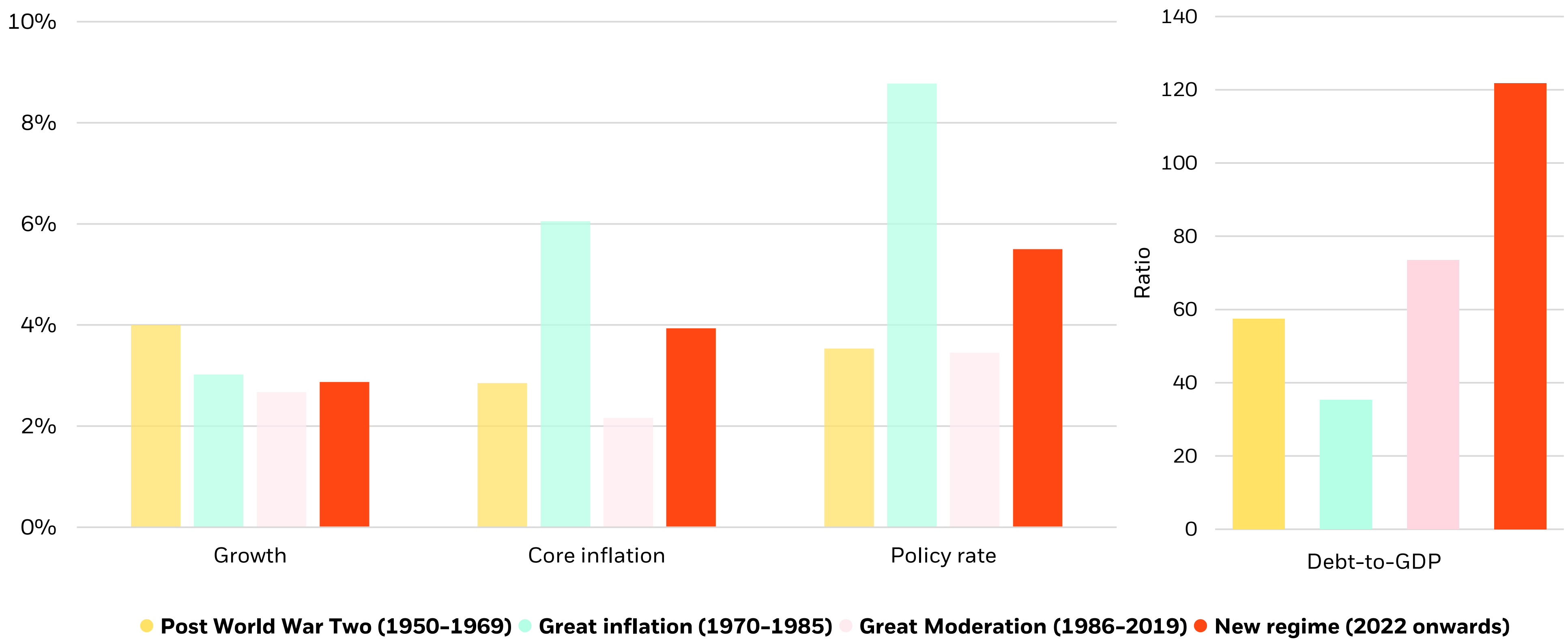
Tactical	Reasons
AI and U.S. equities	• We see AI creating opportunities across sectors. We get selective, tilting towards non-tech beneficiaries.
Japanese equities	• Mild inflation and corporate reforms boost earnings. Yet risks from yen strength and BOJ missteps remain.
Income in fixed income	• We like quality income in short-term government bonds and credit. We’re neutral long-term U.S. Treasuries.
Strategic	**Reasons**
Private credit	• We think it will earn lending share as banks retreat – and at attractive returns relative to public credit risk.
Fixed income granularity	• We prefer intermediate credit on a risk-adjusted basis. We also like short-term government bonds and UK gilts.
Equity granularity	• We favor emerging over developed market stocks. We get selective in EM via mega forces. In DM, we like Japan.

Note: Views are from a U.S. dollar perspective, October 2024. 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.

An unprecedented starting point

We are in an unusual macro environment, shaped by supply constraints such as shrinking working-age populations. We see higher inflation and interest rates – yet more subdued growth – relative to pre-pandemic decades.

Key U.S. economic statistics, 1950-2024

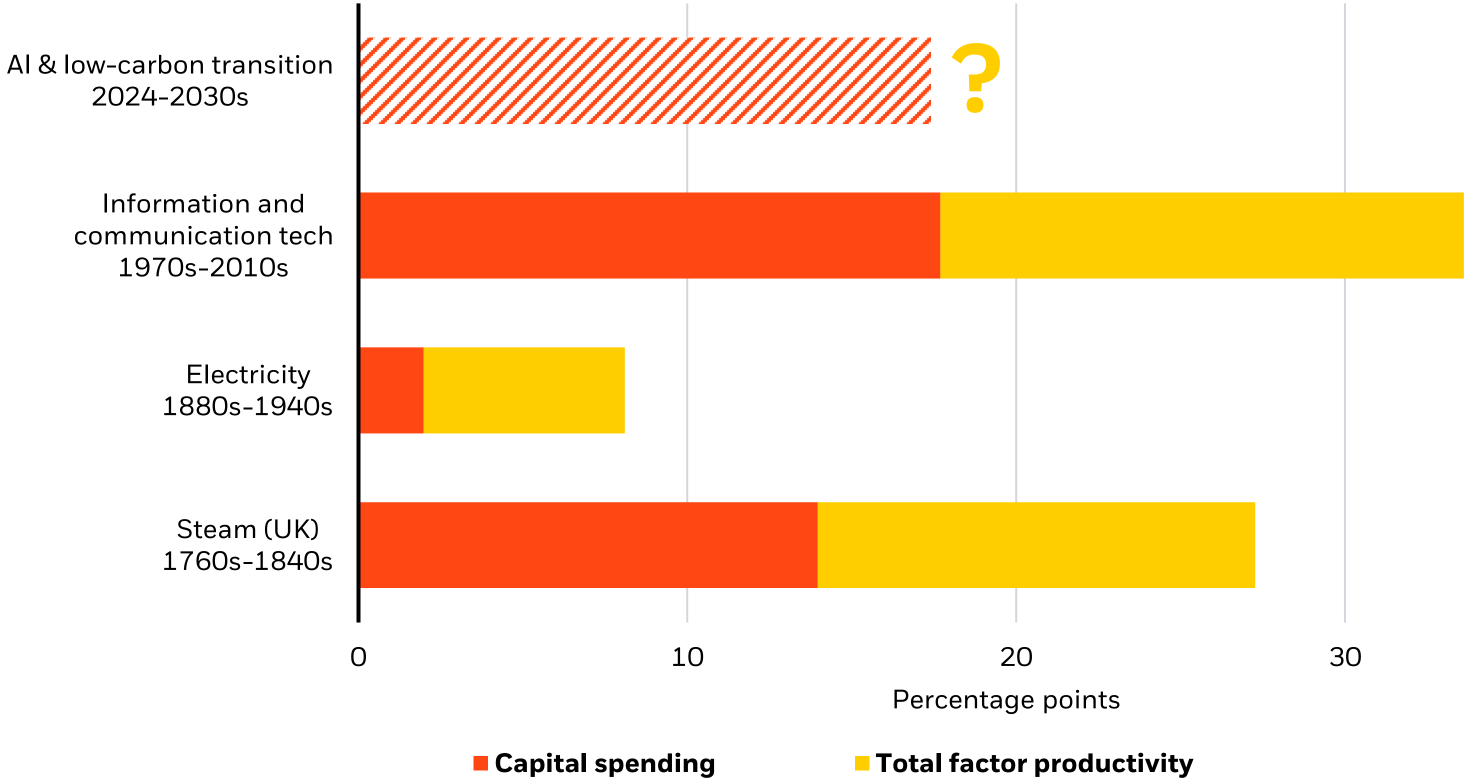


Source: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, with data from Haver Analytics, October 2024. Notes: The chart shows the annual average of three key economic gauges, the growth of GDP and GDI average, core inflation, and policy rate, from post-World War Two onwards. The policy rate for the new regime is the actual fed funds rate as of July 2024.

Mega forces driving the transformation ahead

A potential wave of investment in artificial intelligence (AI), the low-carbon transition and a rewiring of global supply chains could put us on the verge of a major transformation. But its speed, scale and impact is highly uncertain.

Total contributions to GDP growth

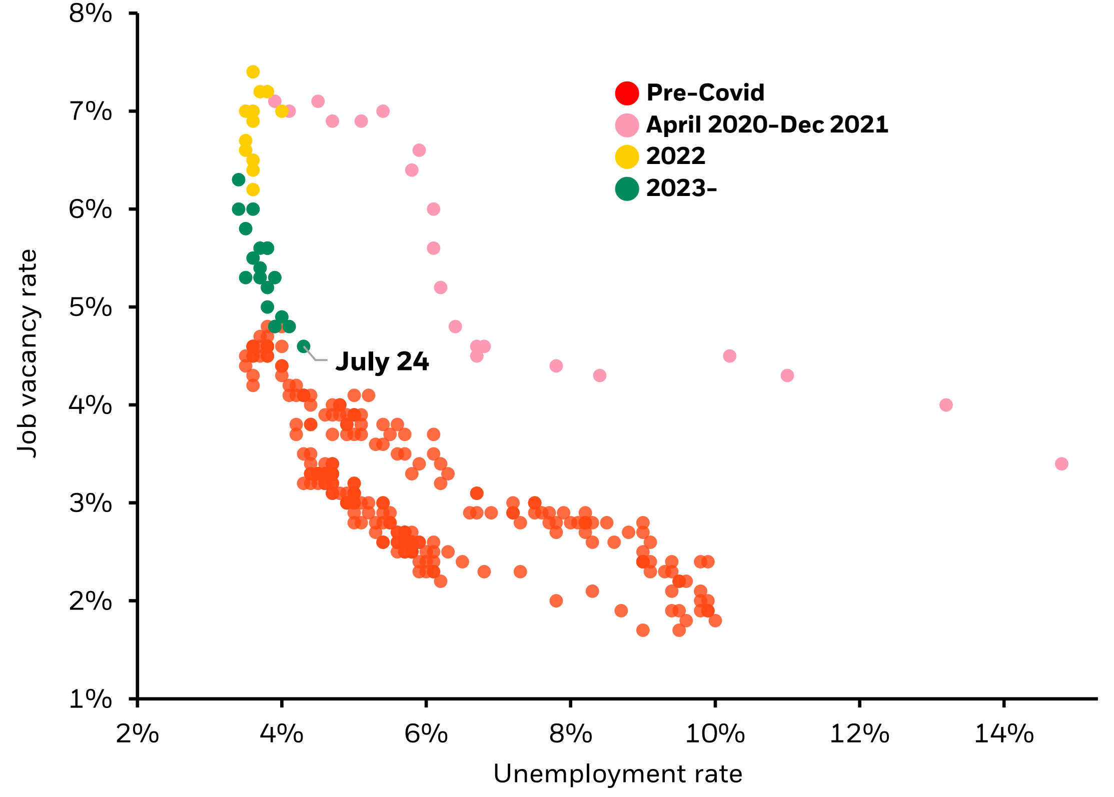


Forward looking estimates may not come to pass. Source: BlackRock Investment Institute, June 2024 with data from Crafts (2021). Notes: The chart shows annual contribution of previous U.S. technologies (except "steam") to GDP growth. The estimates for information and communication tech, electricity and steam are taken from historic economic literature as in Crafts (2021). The spend needed for artificial intelligence (AI) and the transition is a BII estimate based on external research on data center investment requirements and the BII Transition Scenario (for professional investors here). Other revolutions took place over decades so our estimates for AI and transition-related spend assumes an optimistic case over a short span of time.

Not an economic cycle, but rather a labor supply boost

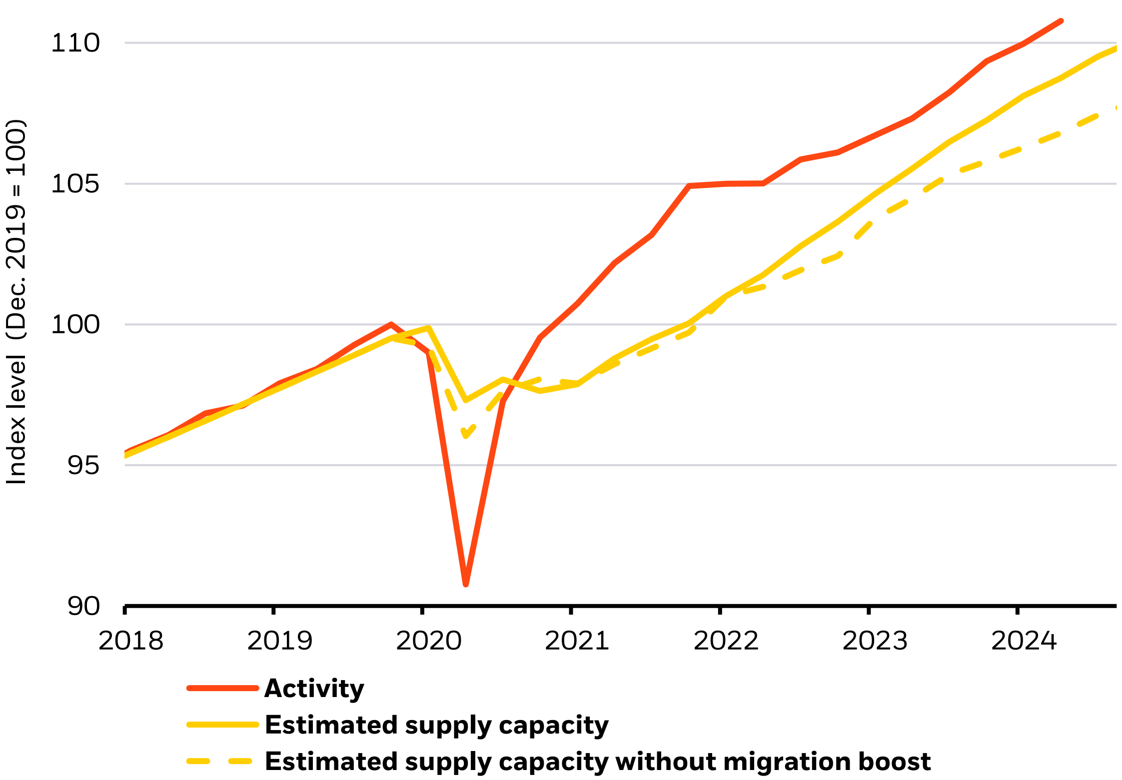
The U.S. labor market is normalizing from the pandemic-era mismatches, and a surprise surge in migration is boosting economic activity for now. We don't think that boost will last and that risks inflation resurging later.

U.S. Beveridge curve



Source: BlackRock Investment Institute, U.S. Bureau of Labor Statistics, with data from Haver Analytics, October 2024. Notes: The chart plots the job vacancy rate against the unemployment rate, widely known as the Beveridge curve.

U.S. economic activity, 2018-2024

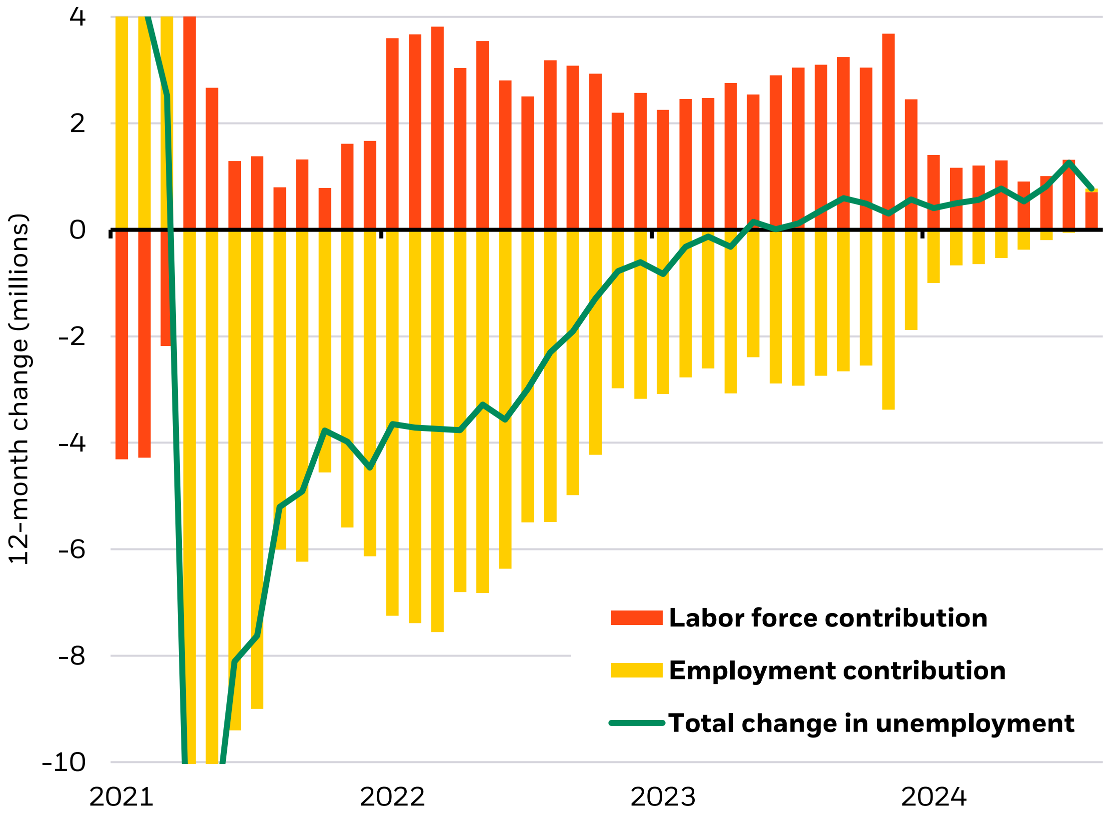


Estimates are made with the benefit of hindsight and are only an approximation. Source: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, with data from Haver Analytics, October 2024. Notes: The chart shows U.S. activity measured by the average of GDP and GDI (gross domestic income) and our estimates of the how much the economy can produce without inflation resurging – both with and without the impact of migration.

We think U.S. recession fears are overdone

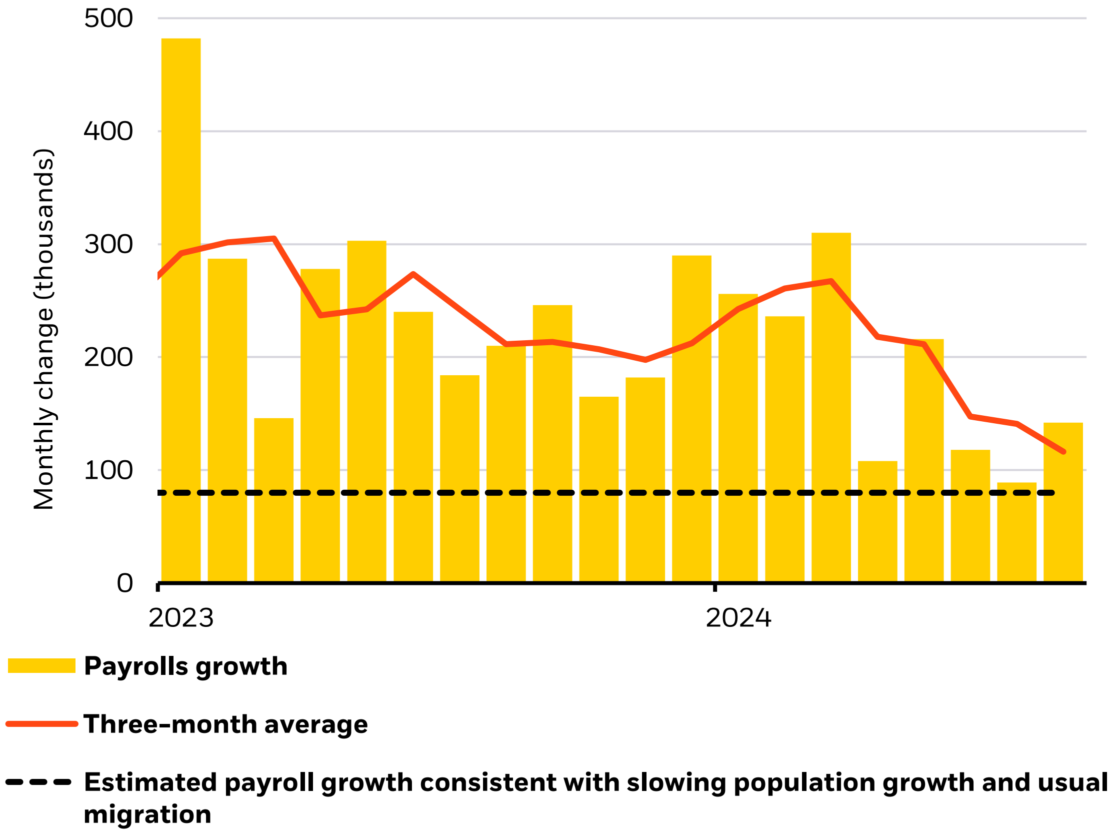
Recession fears have jolted markets – but we don't think those concerns are in line with the data. Unemployment is rising but only because of growing labor supply, not layoffs. Employment is still growing, just more slowly.

Factors driving change in U.S. unemployment



Source: BlackRock Investment Institute, U.S. Bureau of Labor Statistics, with data from Haver Analytics, September 2024. Notes: The chart shows the rolling 12-month change in unemployment in thousands and its underlying components: the labor force and employment. Negative numbers mean the component is pulling unemployment down.

U.S. payroll growth, 2023-2024

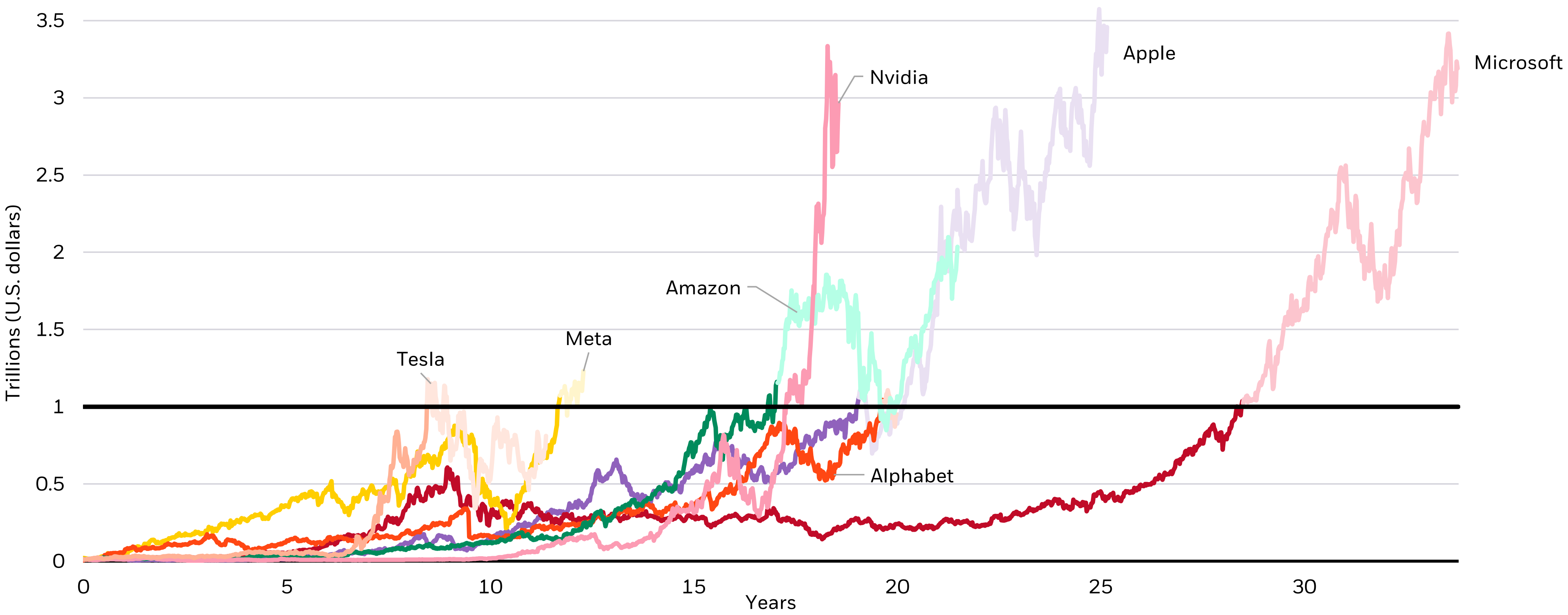


Estimates are made with the benefit of hindsight and are only an approximation. Source: BlackRock Investment Institute, U.S. Bureau of Labor Statistics, with data from Haver Analytics, September 2024. Notes: The chart shows monthly changes in U.S. payroll employment, the three-month average of payroll gains and our estimate of 'steady state' employment growth – where the level of employment keeps pace with population growth, allowing for an expected decline in growth due to the population aging.

Volatile AI stock valuations reflect the uncertainty ahead

Much investment ahead will flow into tangible assets and industries like infrastructure and tech, in our view. Nvidia's surge to $3 trillion in market cap – and volatility – reflects both the big expectations and uncertainty from AI.

Years to go from $10 bln to $1 trln in market capitalization

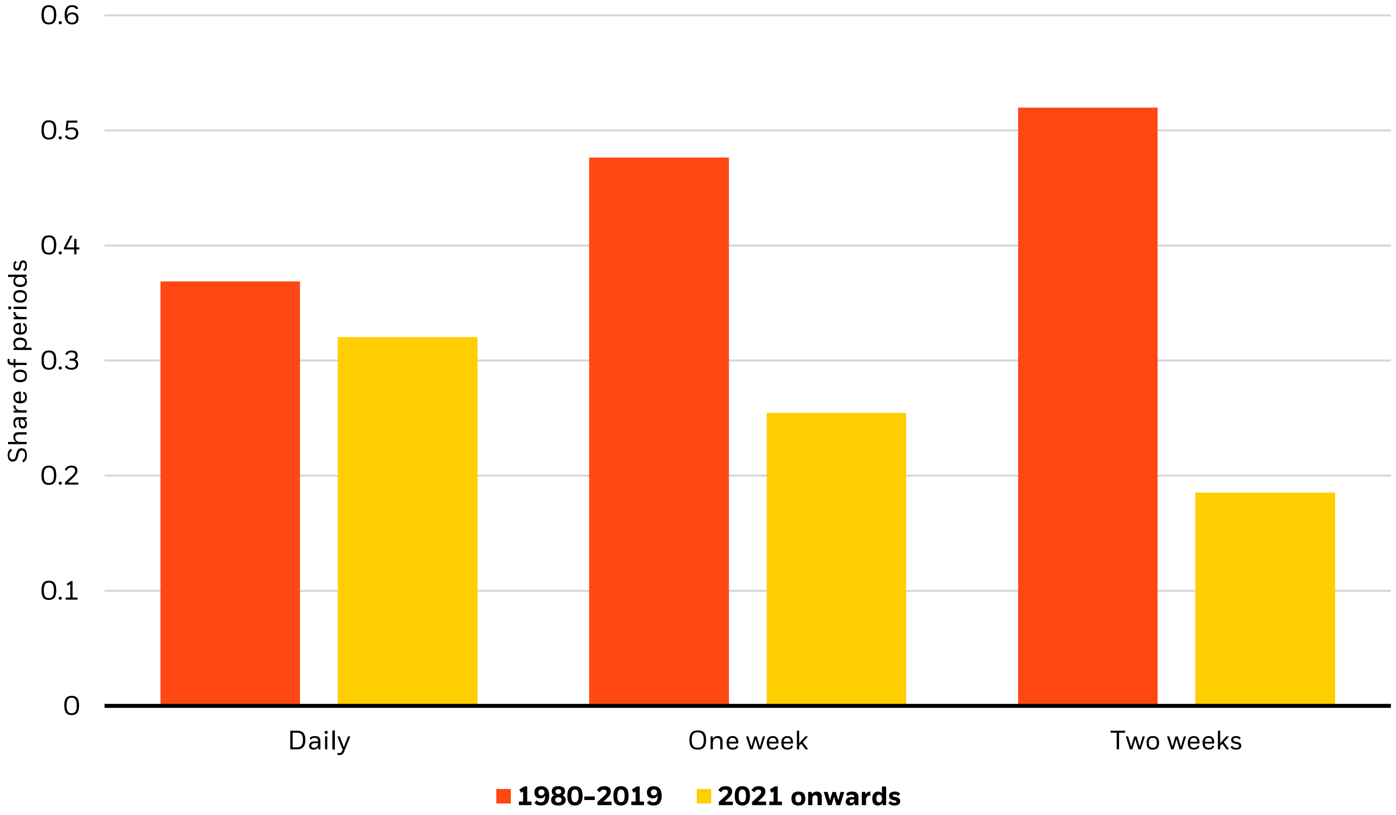


This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise – or even estimate – of future performance. Past performance is not a reliable indicator of future results. Source: BlackRock Investment Institute, with data from LSEG Datastream, October 2024. Notes: The chart shows how long it took for the "magnificent seven" stocks to go from $10 billion to $1 trillion in market capitalization.

Bonds have become a less reliable hedge in the new regime

Markets whipsawed through Q3 as growth fears gripped markets and sent stocks sliding. Yet government bonds still aren't providing the same cushion to equity selloffs that they used to – a defining feature of the new regime's volatility.

Share of periods when bonds rose over 0.3% when stocks fell 1% or more

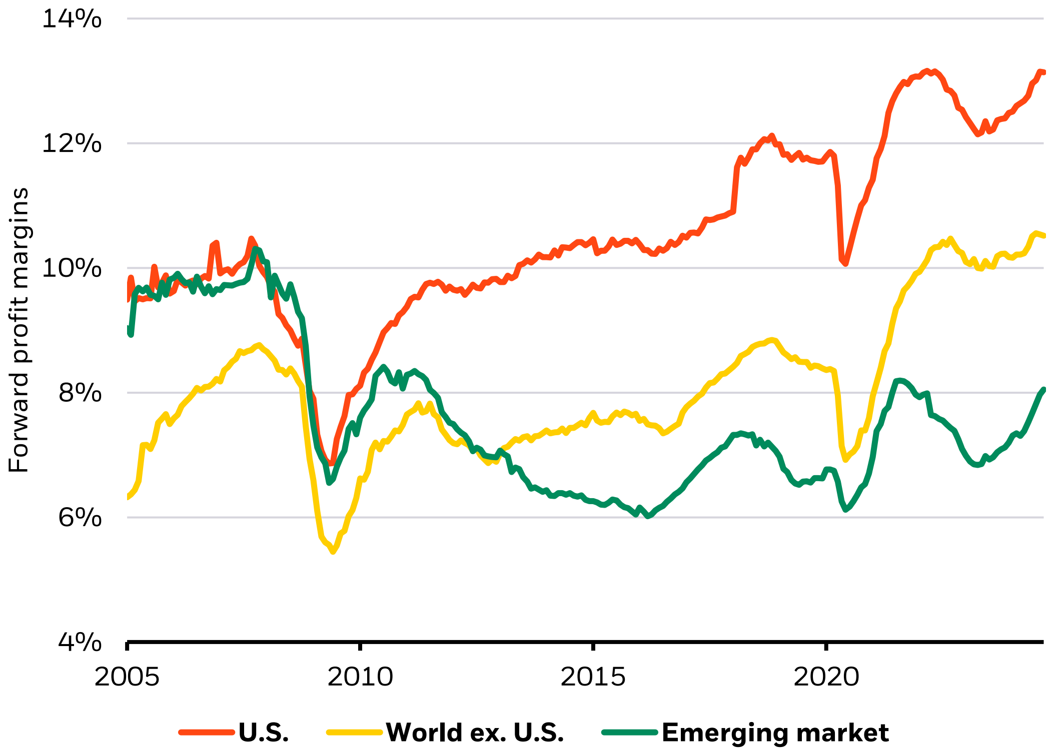


Past performance is not a reliable indicator of future results. It is not possible to invest in an index. Index performance does not account for fees. Source: BlackRock Investment Institute, with data from LSEG Datastream, October 2024. Notes: The chart shows the share of periods where U.S. government bonds rose over 0.3% when U.S. stocks are down 1% or more. Index proxies used: Bloomberg U.S. 10-year Treasury index for bonds and MSCI USA for stocks.

We think U.S. equity gains can broaden

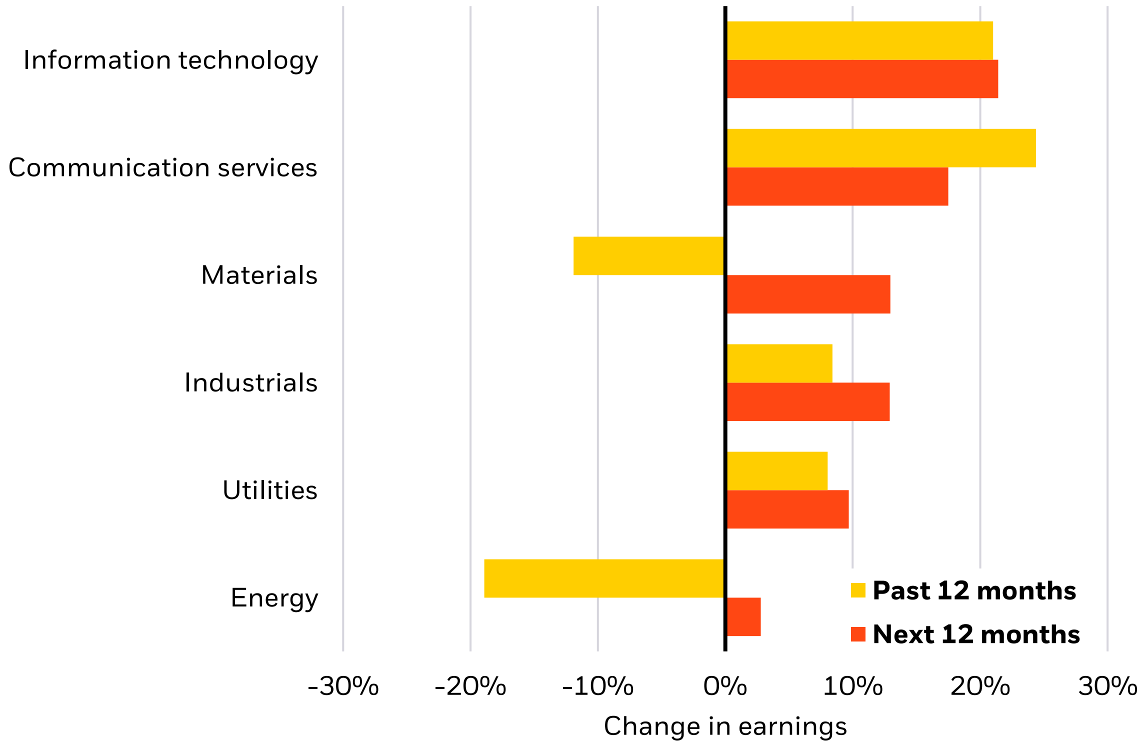
Broad-based earnings growth and a quality tilt make us overweight U.S. stocks overall. Falling inflation could provide a further boost to already-high corporate profit margins beyond tech.

Global forward profit margins, 2005-2024



Past performance is not a reliable indicator of current or future results. Forward looking estimates may not come to pass. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, MSCI, with data from LSEG Datastream, October 2024. Notes: The lines show the 12-month forward profit margins for the following MSCI indexes: MSCI EM, MSCI World ex. U.S. and MSCI USA.

U.S. sector earnings, Sept. 2024

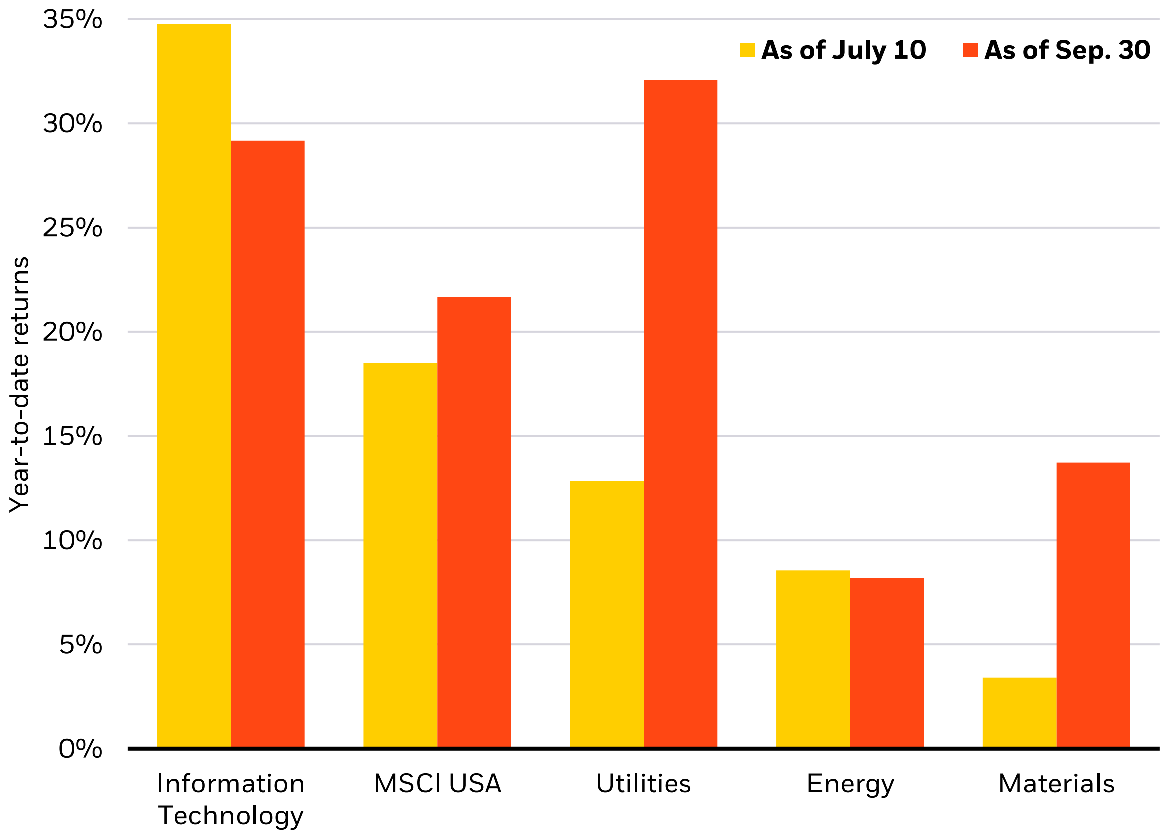


Past performance is not a reliable indicator of current or future results. Forward looking estimates may not come to pass. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, MSCI, with data from LSEG Datastream, October 2024. Notes: The chart shows the change in aggregate analyst earnings forecasts for U.S sectors. Index proxies are: MSCI USA IT, MSCI USA Communication Services, MSCI USA Materials S, MSCI USA Industrials, MSCI USA Utilities S, MSCI USA Energy S

Focusing on a wider set of winners from the AI buildout

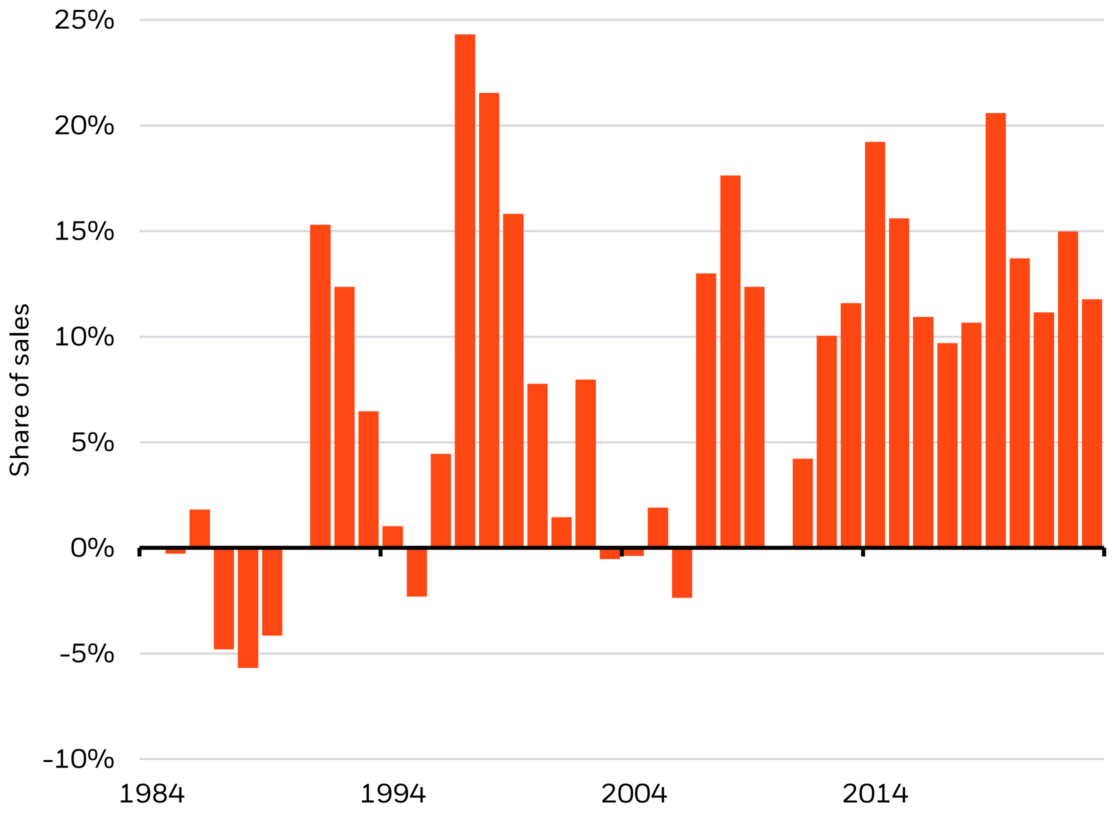
We still favor the artificial intelligence (AI) theme but fine-tune our exposure. We see beneficiaries outside of tech like energy and utilities. AI-related investment is just getting started, in our view.

U.S. sector year-to-date performance, 2024



Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, with data from LSEG Datastream, October 2024. Notes: The bars show the year-to-date performance for different U.S. equity sectors as of July 10th – when U.S. tech's outperformance peaked - and the latest figures. MSCI $ index proxies used: MSCI USA IT, MSCI USA, MSCI Utilities, MSCI USA Energy, MSCI USA Materials

U.S. semiconductor and tech capex to sales ratio

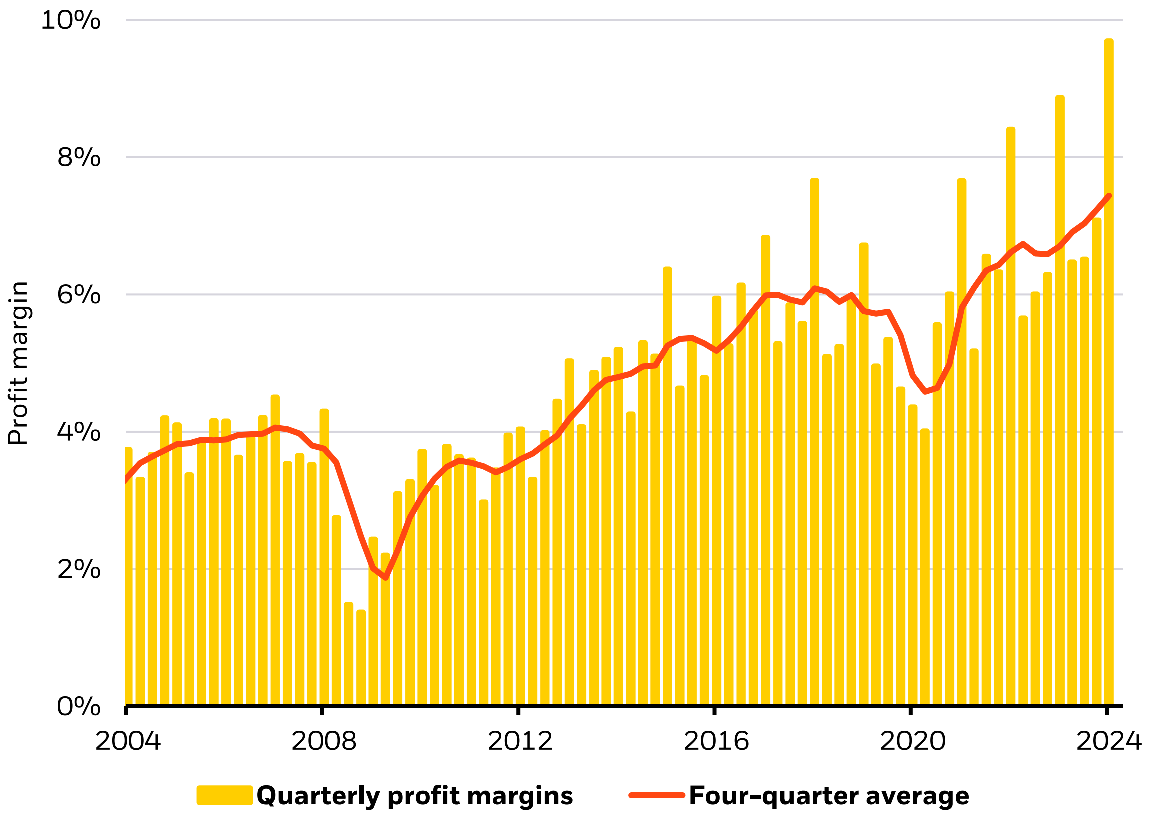


It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, with data from LSEG Datastream, October 2024. Notes: The chart shows the capital expenditure (capex) of the U.S. semiconductor and tech sectors relative to their sales. We use index proxies for sectors constructed by Datastream – US DS Semiconductors and US DS Technology.

We stay overweight Japanese equities but trim it

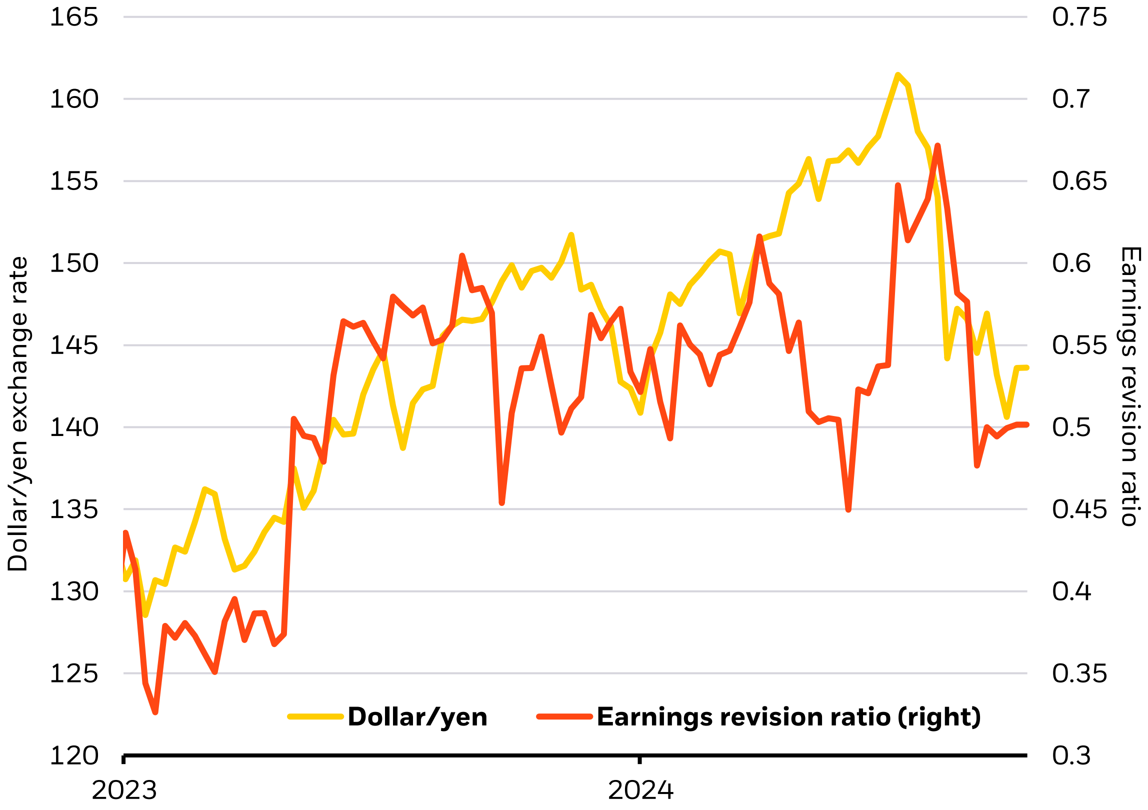
A brighter outlook for Japan's economy and corporate reforms are driving improved earnings and shareholder returns. Yet the drag on earnings from a stronger yen and mixed policy signals from the Bank of Japan are risks.

Corporate profit margins, 2004-2024



Past performance is not a reliable indicator of current or future results. Source: BlackRock Investment Institute, Japan Ministry of Finance (MOF), with data from Haver Analytics, September 2024. Notes: The bars show the operating profit margins (profit as a share of sales) of companies in all industries (excluding finance and insurance) based on data from MOF's Financial Statements Statistics of Corporations by Industry, Quarterly.

Dollar/yen rate & MSCI Japan earnings revisions

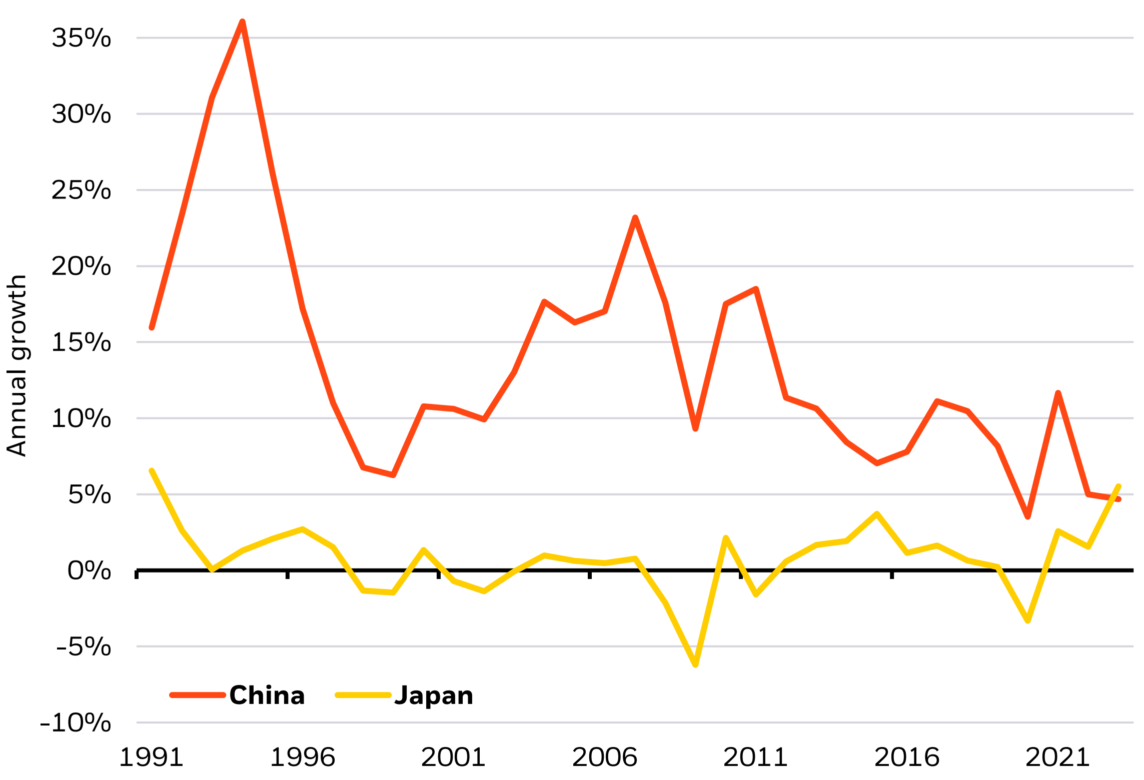


Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, with data from LSEG Datastream, September 2024. Notes: Earnings revision ratio defined as ratio of number of estimates with 12-month forward EPS higher since previous month to the sum of number of estimates for 12-month forward EPS revised higher and lower from the previous month.

China’s stocks are at a deep discount to DM peers

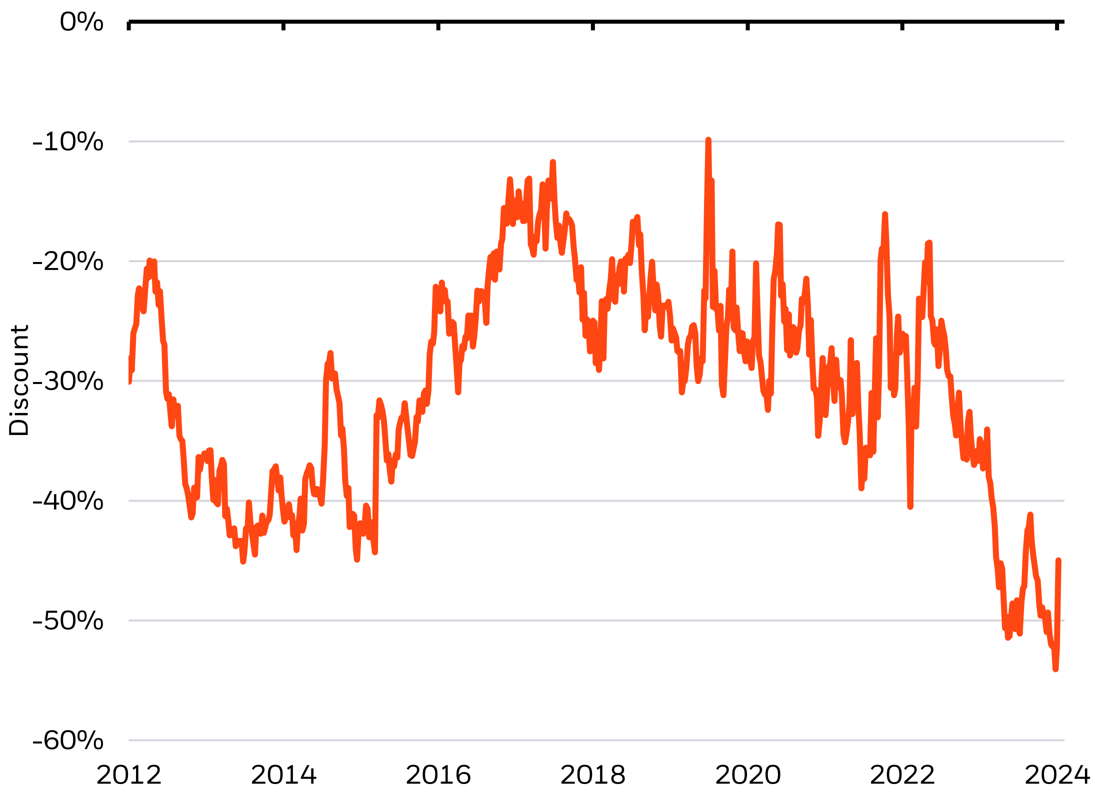
We are modestly overweight. Major fiscal stimulus may be coming and prompt investors to step in given Chinese stocks are at a deep discount to DM shares. Yet we stay ready to pivot. We are cautious long term given structural challenges.

Annual GDP growth, 1991-2024



Source: BlackRock Investment Institute, China National Bureau of Statistics, Cabinet Office of Japan, with data from Haver Analytics, October 2024. Notes: The lines show the annual nominal GDP growth for China and Japan.

China vs. developed market (DM) equity valuations

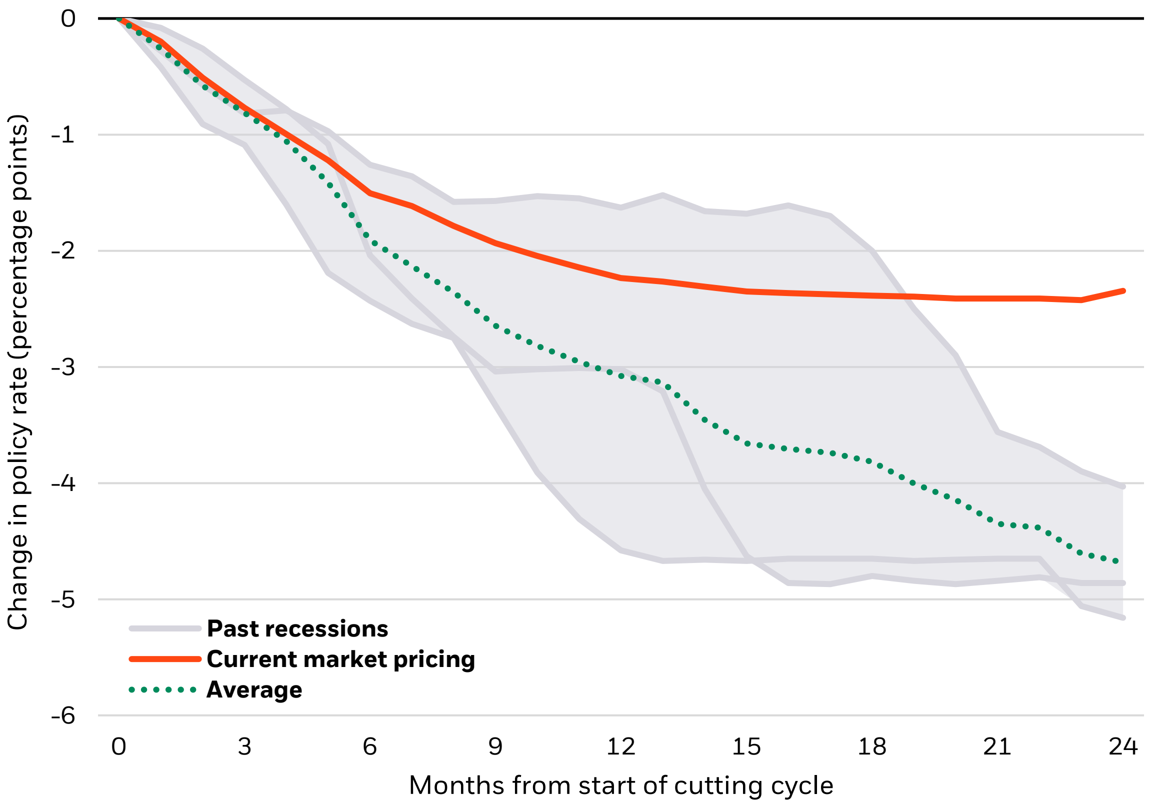


Past performance is not a reliable indicator of future results. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, MSCI, with data from LSEG Datastream, October 2024 . Notes: The line shows the valuation discount (as measured by the historic price-earnings ratio) of the MSCI China index relative to the MSCI World index which is used as a proxy for developed market (DM) equity.

Market pricing of Federal Reserve cuts may have gone too far

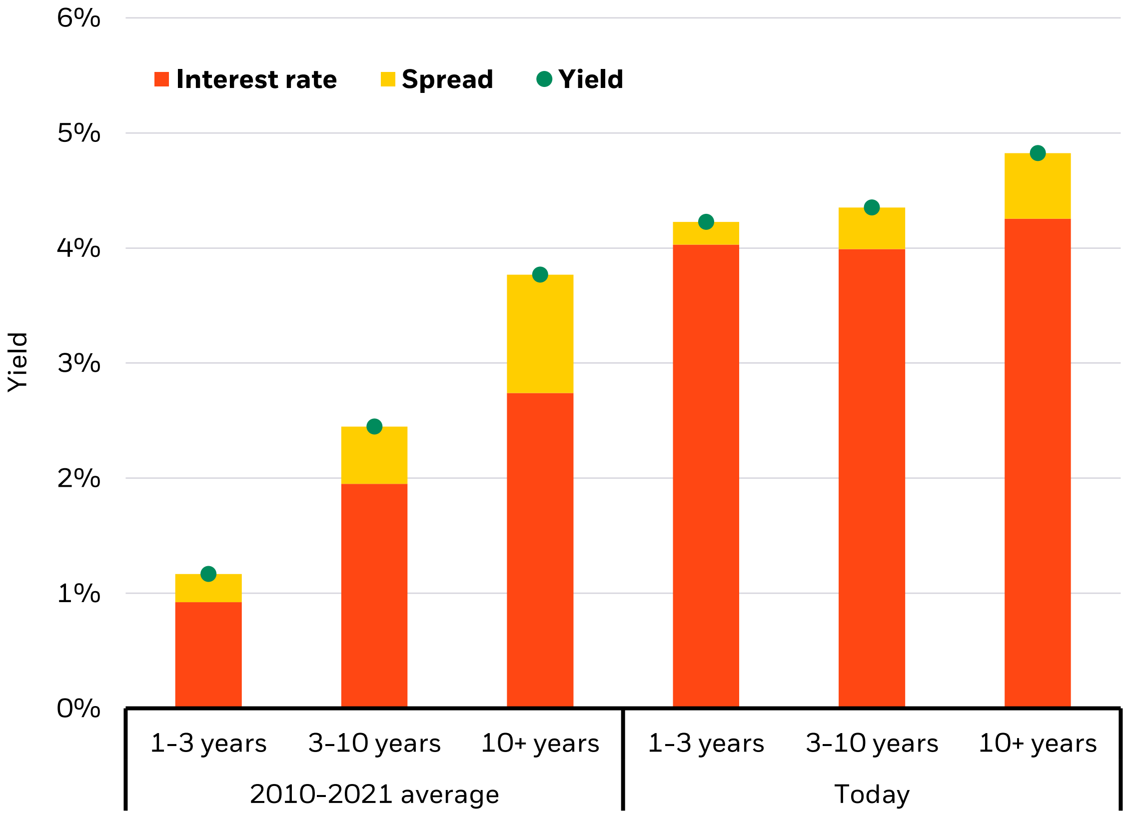
Pricing of the Fed path suggests a much weaker economy than the data reflect, in our view. We go underweight short-term U.S. bonds as we think short-term yields have overshot and lean into other income opportunities.

Fed rate cuts in response to previous recessions



Forward looking estimates may not come to pass. Source: BlackRock Investment Institute, U.S. Federal Reserve Board with data from Bloomberg and Haver Analytics, October 2024. Notes: The chart shows the changes in the policy rates for Federal Reserve cutting cycles during recessions compared with current market pricing of Fed rate cuts using fed funds futures.

Bloomberg U.S. Aggregate bond index components

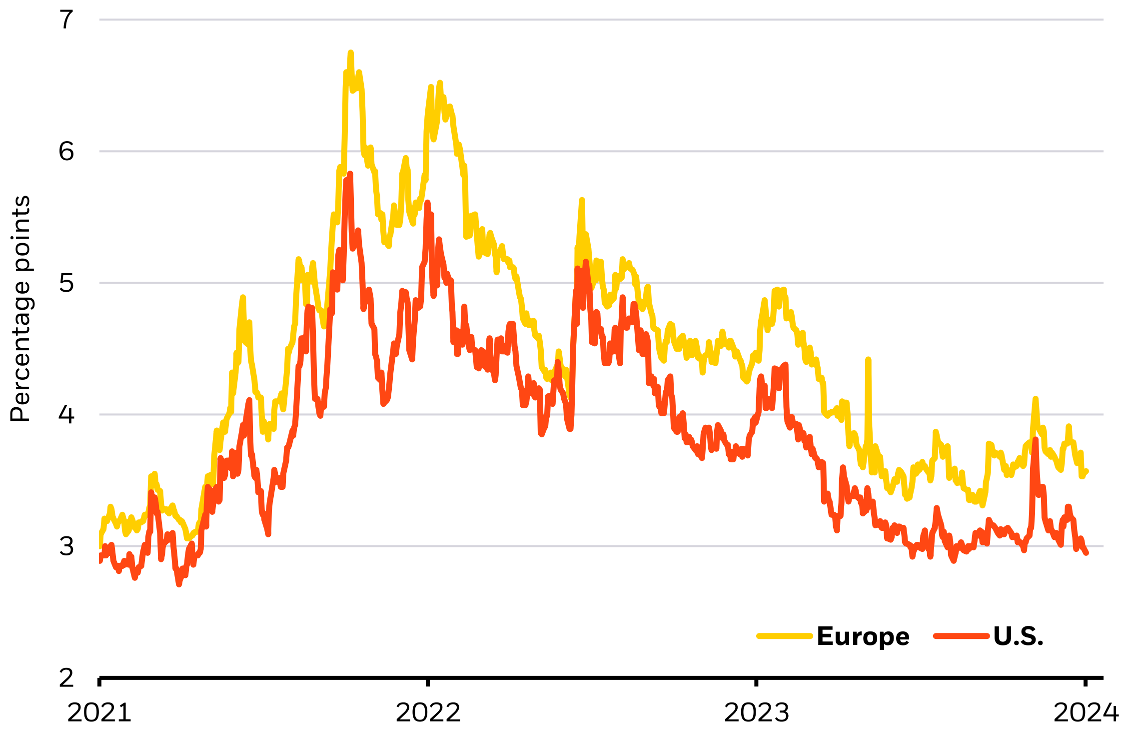


Past performance is not a reliable indicator of future results. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute and BlackRock Fundamental Fixed Income, with data from Bloomberg, September 2024. Notes: The chart shows the total yield, spread and interest rate of the Bloomberg U.S. Aggregated bond index for 1-3 year notes, 3-10 year notes and bonds with a maturity of 10 years and longer.

Getting granular in credit

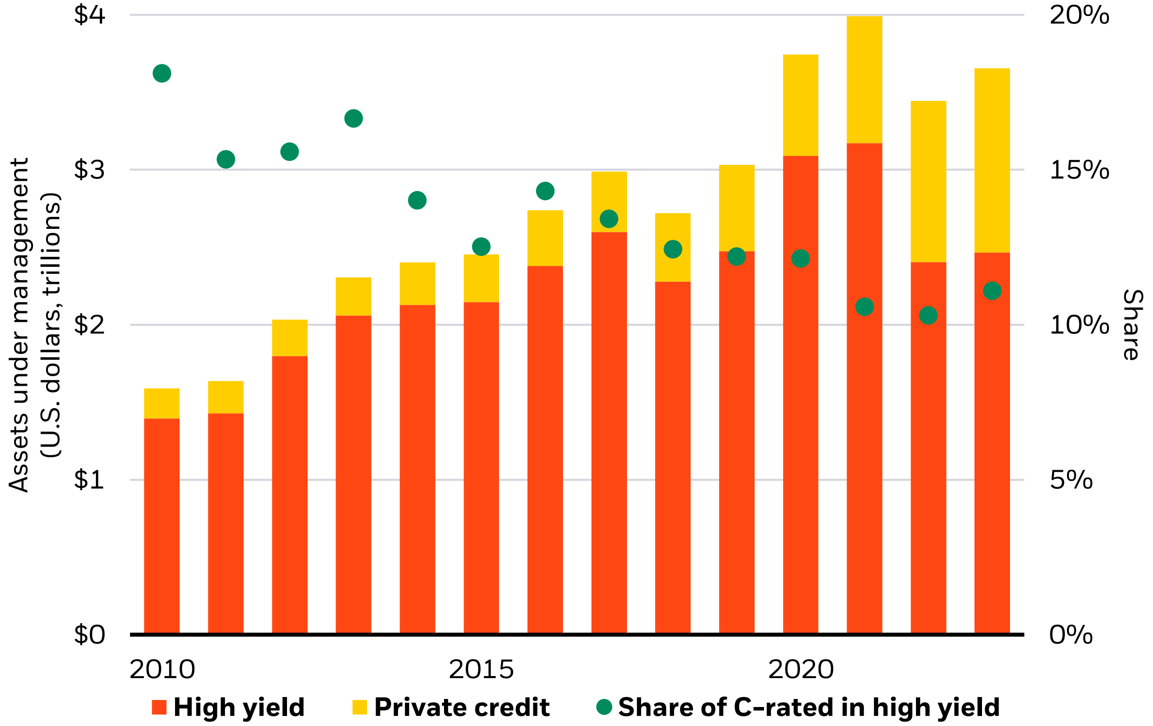
Strong demand from investors has kept credit spreads tight. We're staying selective, finding value in higher quality European high yield over the U.S.

High yield credit spreads, 2021-2024



Past performance is not a reliable indicator of future results. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, with data from LSEG Datastream, October 2024. Notes: The chart the option-adjusted spreads for European and U.S. high yield debt. Index proxies used are: Bloomberg Pan-European High Yield. And Bloomberg US High Yield.

Global high yield and private credit, 2010-2024

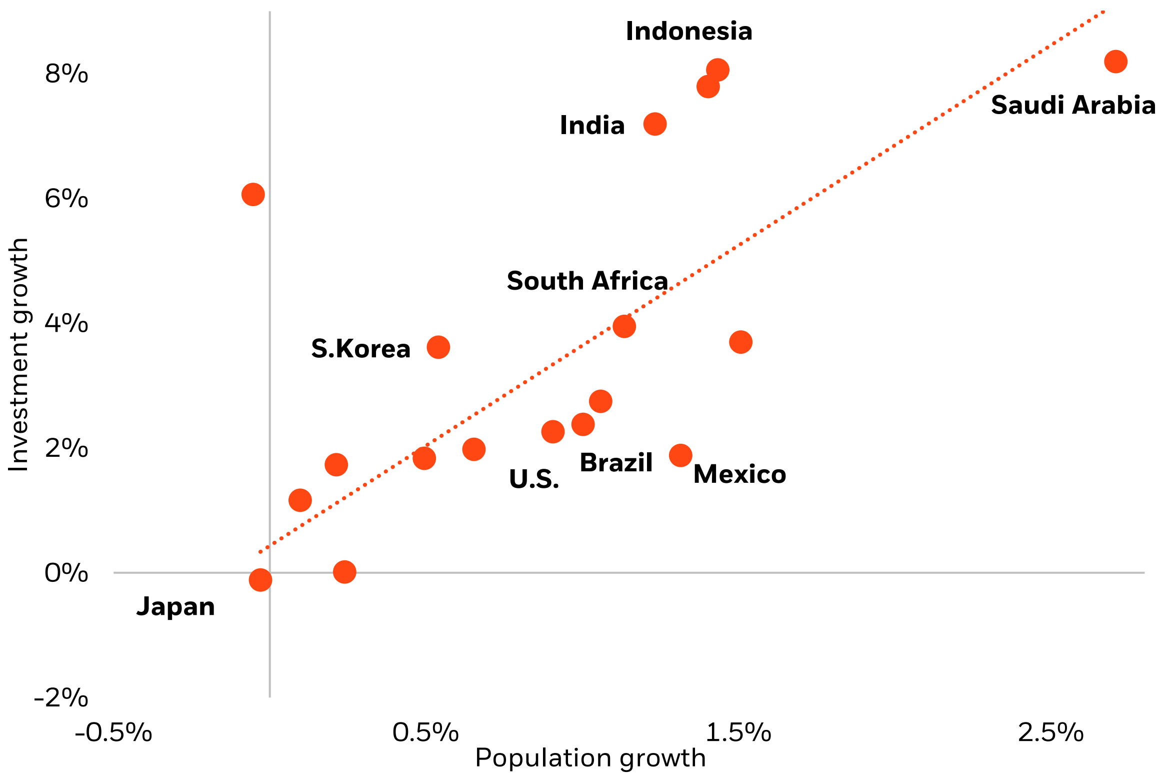


Past performance is not a reliable indicator of future results. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute, Preqin, Barclays Live, July 2024. Notes: The chart shows the total assets under management in global high yield debt and private credit. High yield data comes from Barclays Live and private credit data comes from Preqin. To estimate the share of C-rated loans in global high yield, we use U.S. and pan-European markets as proxy to make up for the limited data availability. Index proxies used are: Bloomberg Global High Yield, Bloomberg US High Yield and Bloomberg Pan-European High Yield.

Deliberately blending sources of return with private markets

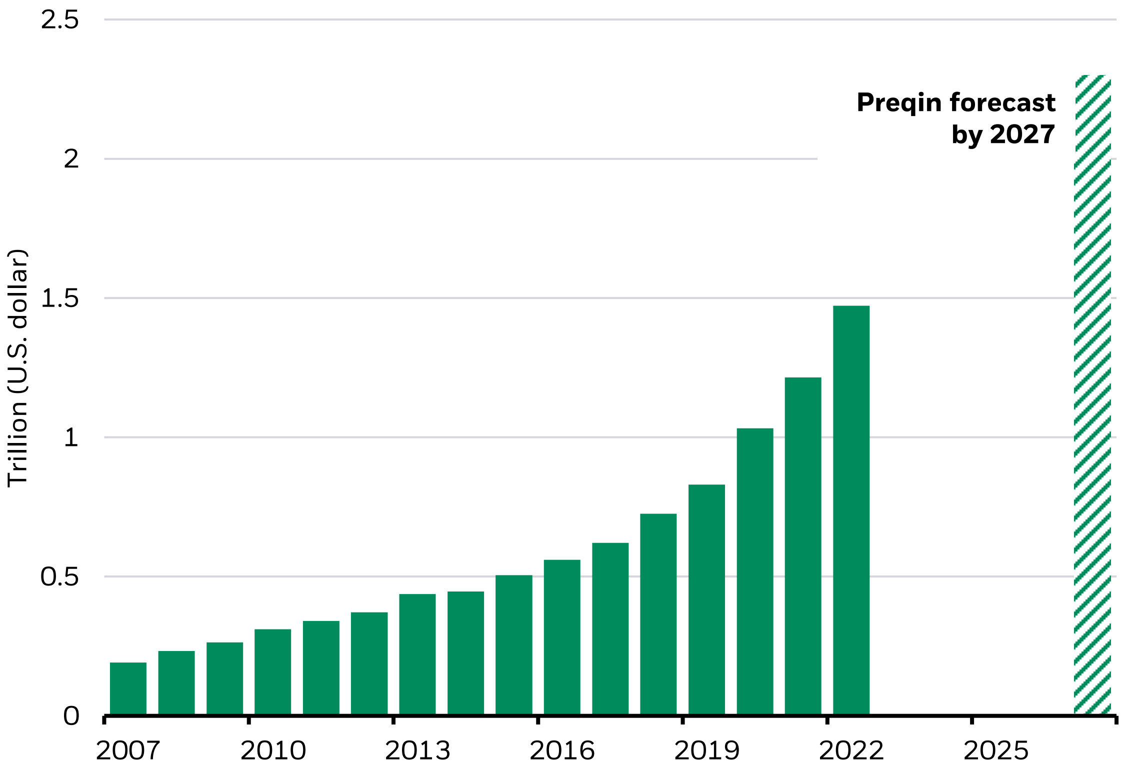
Infrastructure is at the intersection of many mega forces driving transformation, in our view. We see private markets bridging the gap between the investment needed and how much governments can spend given high debt levels.

G20 population and investment growth, 2000–2019



Source: BlackRock Investment Institute, World Bank Development Indicators, UN, with data from Haver, March 2024. Note: The chart shows the relationship between average population growth and average real investment growth, as measured by the gross fixed capital formation component of GDP, between 2000 and 2019. The chart includes data up to 2019 to avoid the pandemic's distortion of the data.

Global private debt assets under management



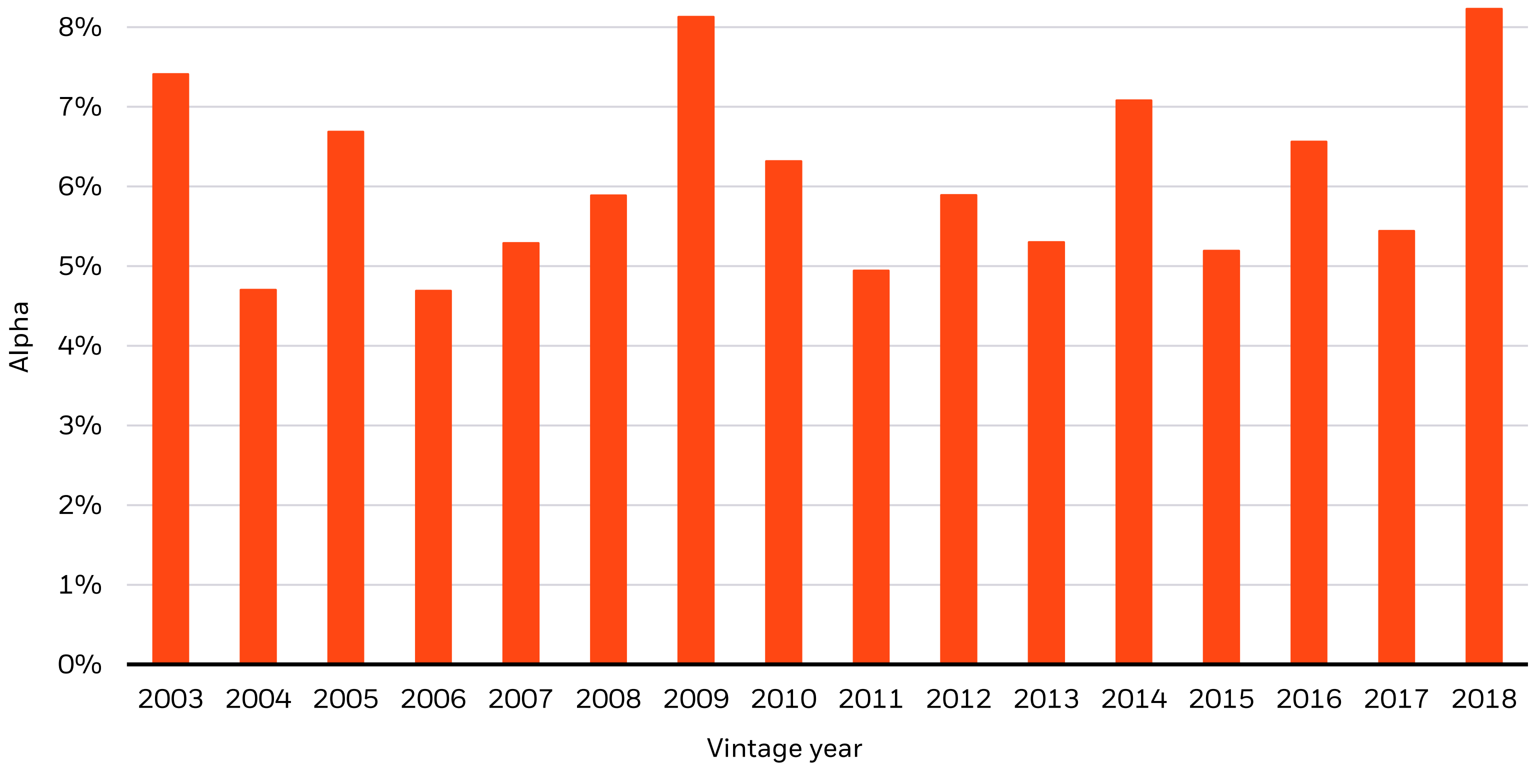
Forward looking estimates may not come to pass. Source: BlackRock Investment Institute, October 2023, with data from Preqin. Notes: The chart shows the assets under management (AUM) in USD trillions of the global private debt market. The 2027 estimate is a forecast from Preqin.

BIIM1024U/M-3908522-17/28

Active returns may play a bigger role in private equity

We find that private equity (PE) funds are using less debt as borrowing costs rise, dampening returns from static, broad market exposures, or beta. But skilled PE fund managers may potentially benefit from greater dispersion.

Estimated top quartile private equity alpha by vintage year



This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute, January 2024 with data from eFront. Notes: The chart shows alpha for "Global Buyout + Growth" private equity funds provided by eFront from its global database of thousands of funds with cash flow and NAV data. The estimated alpha shown here is "direct" alpha which is calculated as the internal rate of return of the specific funds, using the values of the funds' cashflows and a private market benchmark we create – to help measure the alpha. The alpha shown here is net of fees as it is derived from third-party data on cashflows – which are net of fees. This methodology only delivers an estimate of private equity alpha from eFront data. It may not truly reflect the relationship between manager performance (alpha) and market conditions.

Mega forces are creating new opportunities

We see mega forces, or structural shifts, shaping the long-term growth and inflation outlook, creating big shifts in profitability across economies and sectors – and new investment opportunities and risks.

Digital disruption and AI

Artificial intelligence can automate laborious tasks, analyze huge sets of data and help generate fresh ideas. Digital disruption goes beyond AI.

Implications: We think the full AI ecosystem will benefit over time – from the creators of the technology now to large-scale data owners and AI users within and across industries.

Geopolitical fragmentation

In a marked departure from the post-Cold War period, we see countries favoring national security and resilience over economic efficiency, accelerating the rewiring of supply chains.

Implications: A surge in investment in areas like technology, clean energy, infrastructure and defense could create opportunities.

Low-carbon transition

The transition to is set to spur a massive reallocation of capital. We see the transition's speed and shape driven by an interplay of policy, technology, and consumer and investor preferences.

Implications: We see opportunities across the energy system – high-carbon and low. The impact on portfolios – including in clean energy, infrastructure, electric vehicles and key minerals – depend on timing and size of these shifts.

Demographic divergence

Aging populations in major economies are poised to limit how much economies can produce and grow. By contrast, some EM economies may benefit from younger populations.

Implications: We see opportunities in healthcare, real estate, leisure and companies with products and services for seniors. Investors may also consider how countries and companies are adapting differently.

Future of finance

Regulatory shifts, changes in the financial architecture, the end of zero rates and technological innovation are changing the markets for deposits and credit, disrupting traditional business models.

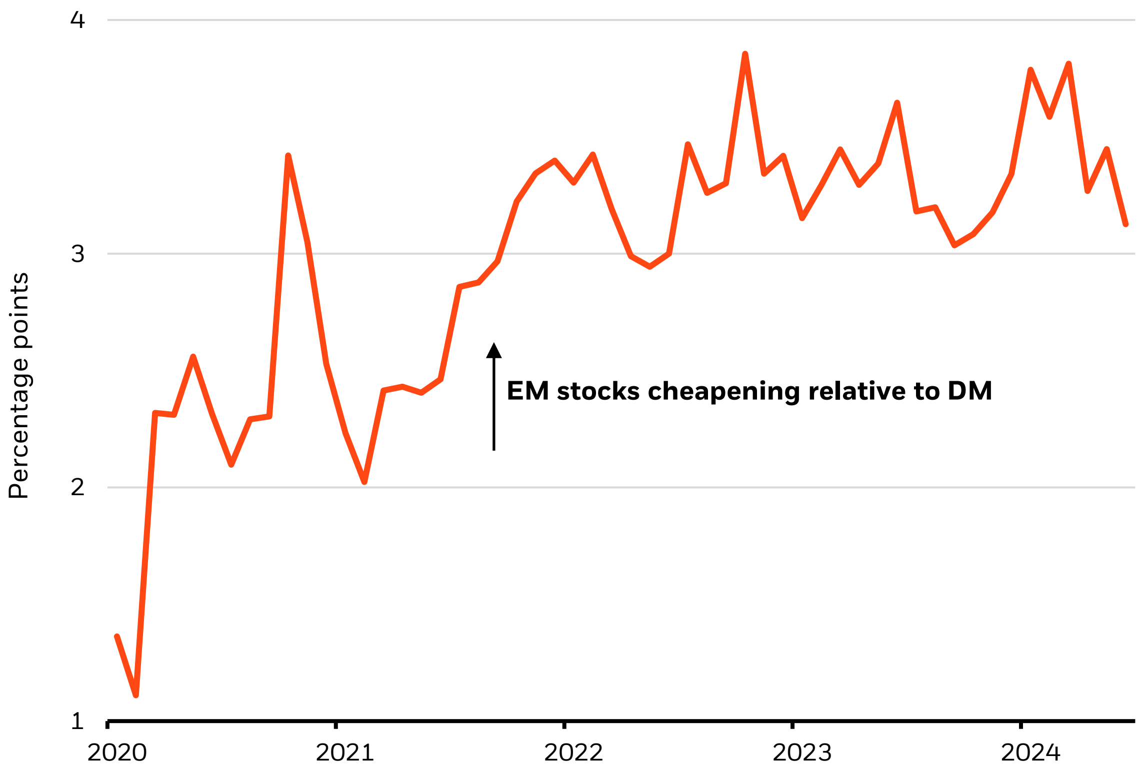
Implications: Non-bank sources of credit could become relatively more attractive to companies. Fintech, digital innovation and AI could be crucial in how the financial system evolves –and who the likely winners could be.

For illustrative purposes only. Forward looking estimates may not come to pass. Source: BlackRock Investment Institute, October 2024. 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 funds, strategy or security in particular.

We think India's stocks are fairly valued for the long term

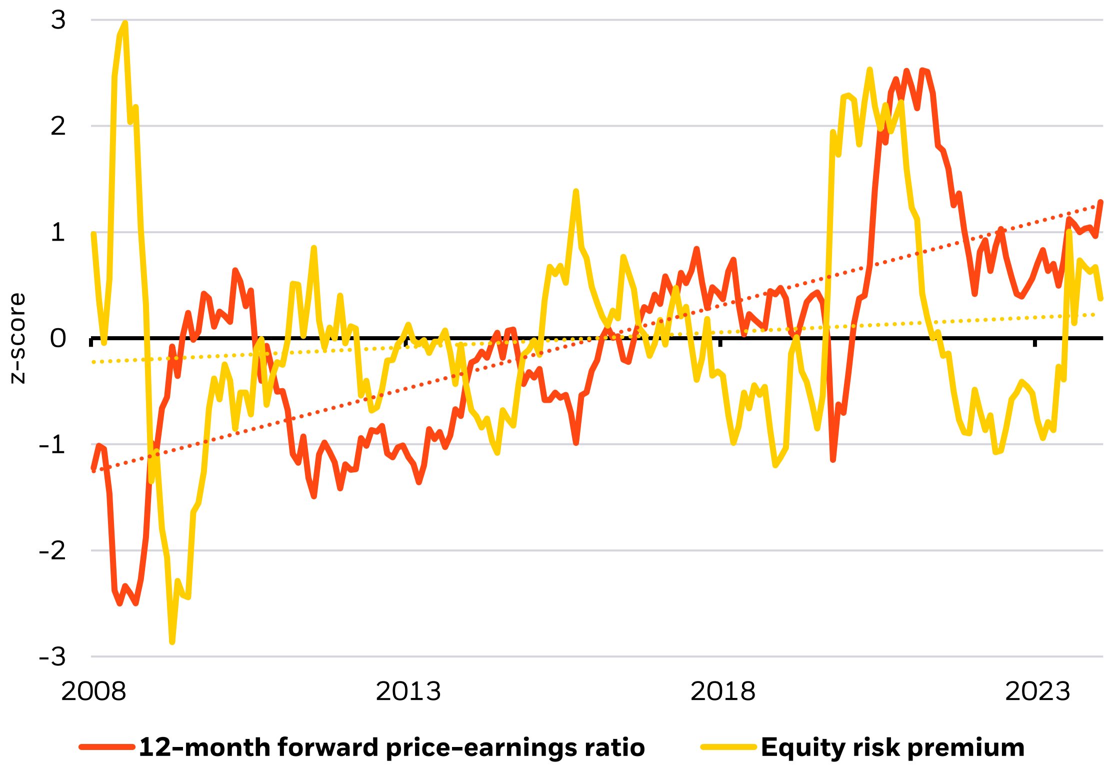
Emerging market (EM) equities are priced at a discount relative to developed market (DM) peers. We are strategically overweight EM equities and see EMs like India benefitting from the intersection of mega forces.

EM minus DM equity risk premium, 2020–2024



Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index. Indexes are unmanaged. Index performance does not account for fees. Source: BlackRock Investment Institute with data from LSEG Datastream, August 2024. The chart shows the difference between our estimates of equity risk premium – the compensation investors demand for the risk of holding equities instead of bonds – by using a dividend discount model for developed market (DM) and emerging market (EM) equities. Index proxies are: MSCI EM for EM equities, and a market cap weighted average of MSCI US, MSCI Europe ex. UK and MSCI Japan for developed market equities.

India equity valuations, 2008–2024

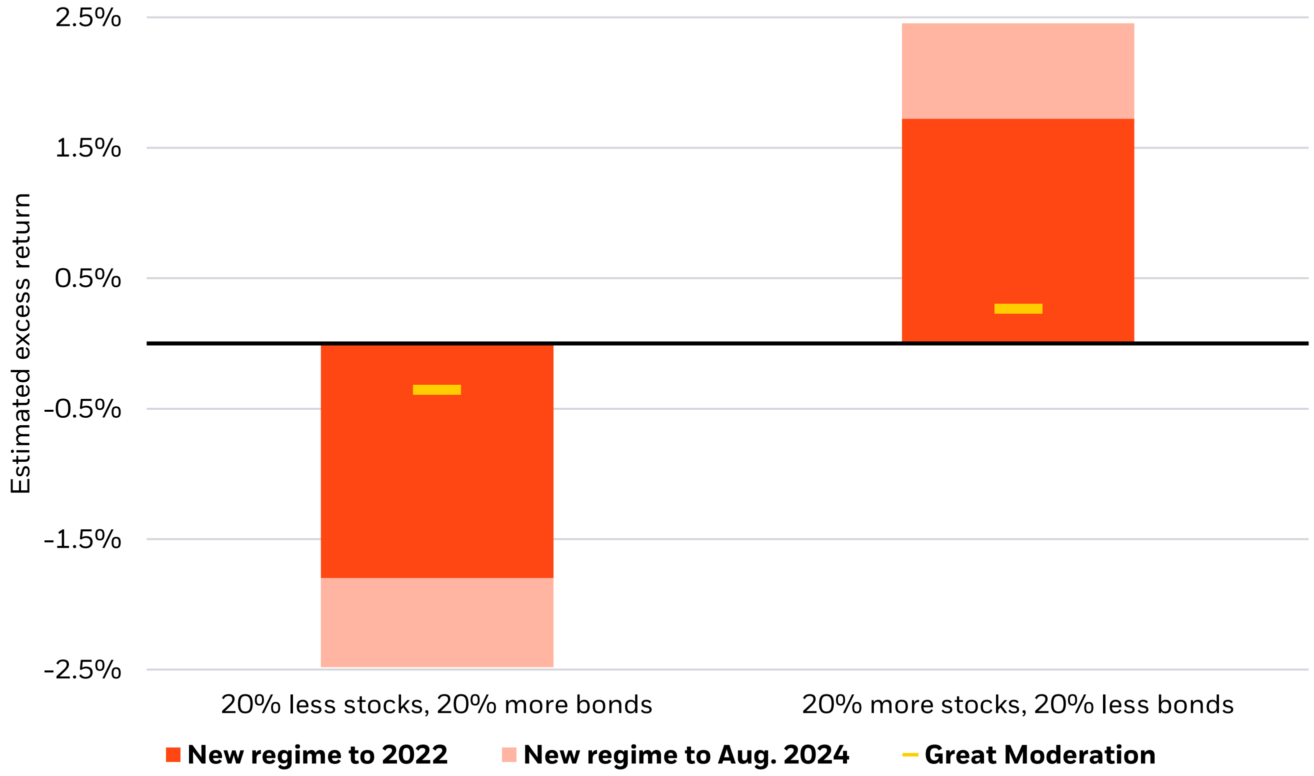


Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and do not account for fees. Indexes are unmanaged. It is not possible to invest directly in an index. Source: BlackRock Investment Institute, with data from Bloomberg, October 2024. Notes: The solid lines show two valuation metrics for India's large cap equities – the 12-month forward price-to-earnings ratio and the equity risk premium (the compensation investors demand for the risk of holding equities instead of bonds). The dotted lines show the trend. The index proxy used is the Nifty 50. Each metric is normalized by taking its deviation from the mean and dividing it by the overall standard deviation to get the z-score.

Asset allocation matters more now than in the past

We've long said that investment decisions carry more weight in this new, more volatile regime. Our findings suggest that the range of possible returns for different portfolio mixes is much wider today than in the decades prior.

Estimated impact of deviating from a hypothetical 60/40 stock-bond mix

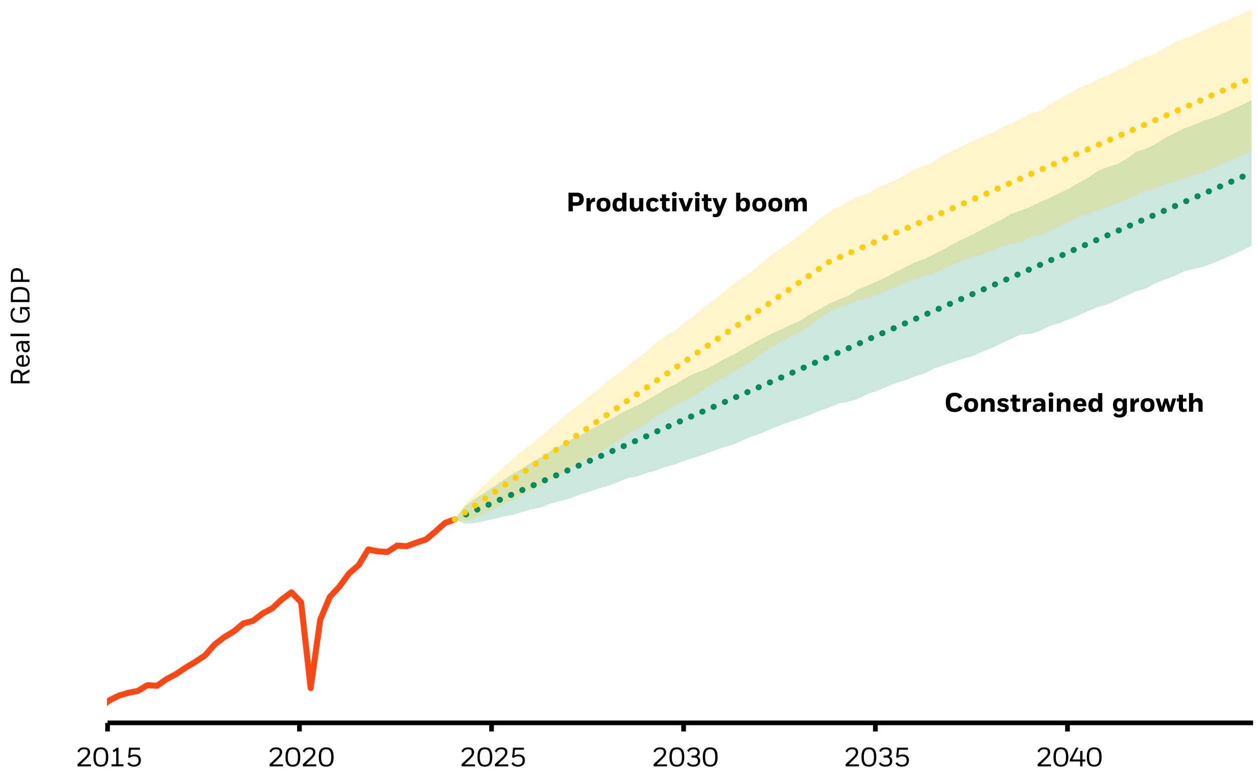


Past performance is not a reliable indicator of current or future results. Indexes are unmanaged. Index returns do not account for fees. It is not possible to invest directly in an index. For illustrative purposes only. These do not represent actual portfolios and do not constitute investment advice. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute with data from LSEG Datastream and Morningstar. Returns data as of August 2024. Notes: The chart illustrates the contrast between estimated average annual relative performance of two hypothetical portfolios against a 60-40 global equity-global bond portfolio since January 2020 over the Great Moderation era (Jan 1990-Dec 2019) of stable growth and inflation. We show hypothetical performance of portfolios comprising a 40%-global equity-60% global bond split and an 80% global equity-20% global bond mix. Index proxies: MSCI AC World for equities and the Bloomberg Global Aggregate Index for bonds. We use the actual returns for both indexes using LSEG data to estimate portfolio returns.

Contrasting outcomes reinforce the need for new approaches

Investing today means thinking about how the world can look starkly different in the future – and completely different distributions of outcomes – rather than slight deviations around a central outcome.

Stylized view of two different U.S. GDP outcomes

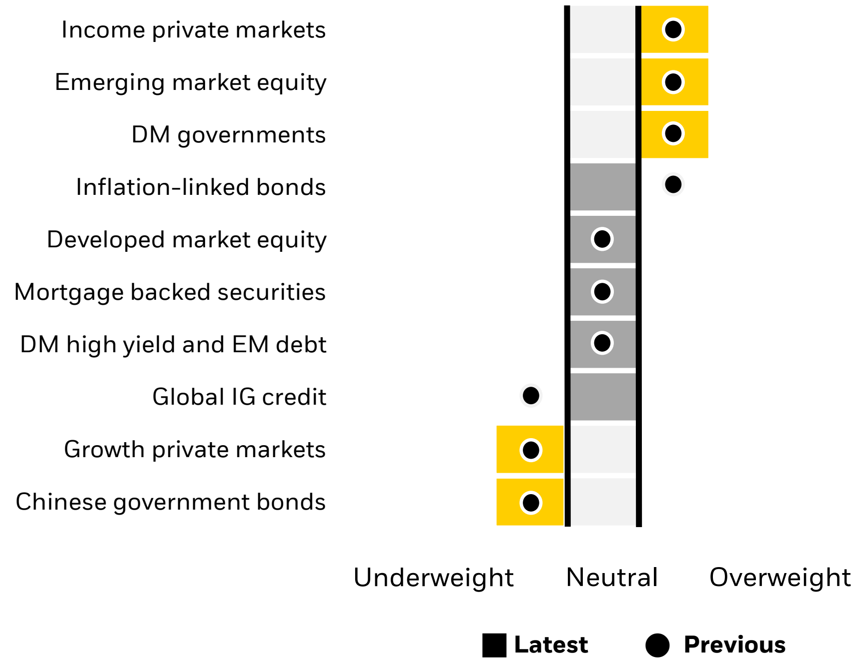


For illustrative purposes only. Forward looking estimates may not come to pass. Source: BlackRock Investment Institute, July 2024. Notes: The chart shows a stylized view of how U.S. GDP could play out under different scenarios where growth is lower than it was pre-pandemic, constrained by workforce aging, and another where growth is boosted over the next decade by an AI-driven productivity boom, before falling below pre-pandemic growth rates. We show one standard deviation bands around those stylized outcomes.

Our latest strategic views

We upgrade investment grade (IG) credit to neutral as we spot opportunities to harvest quality income in short & medium-term maturities. We trim inflation-linked bonds to neutral, keeping it as a core part of our portfolio.

Hypothetical U.S. dollar 10-year strategic views vs equilibrium, August 2024



High-quality fixed income preferences

DM government bonds

Non-U.S. government bonds

Global IG credit

Short- and medium-term maturities

This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute. Data as of 30 June 2024. Notes: The chart shows our asset views on a 10-year view from an unconstrained U.S. dollar perspective against a long-term equilibrium allocation. Global government bonds and EM equity allocations comprise respective China assets. Income private markets comprise infrastructure debt, direct lending, real estate mezzanine debt and U.S. core real estate. Growth private markets comprise global private equity buyouts and infrastructure equity. The allocation shown is hypothetical and does not represent a real portfolio. It is intended for information purposes only and does not constitute investment advice. Index proxies: MSCI EM for emerging market equity, a combination of Bloomberg Treasury 1-10 Year Index, Bloomberg US Long Treasury Index, Bloomberg Euro Treasury 1-15 Year index, Bloomberg Euro Aggregate Treasury 15 Year+ Index, Bloomberg Sterling Aggregate: Gilts 1-10 Year Index, Bloomberg Sterling Aggregate: Gilts 10+ Year Index and Bloomberg Asia Pacific Japan Treasury Index for DM government bonds. Bloomberg US Government Inflation-Linked Bond Index for inflation-linked bonds. MSCI World US$ for developed market equity. Bloomberg US MBS Index for mortgage-backed securities. A combination of the Bloomberg US High Yield, Bloomberg Euro High Yield and JP Morgan EMBI Global Diversified indexes for DM high yield and EM debt. A combination of Bloomberg US Credit, Bloomberg Euro Corporate Credit, Bloomberg UK Corporate Credit indexes for Global IG credit, Bloomberg China Treasury + Policy Bank Total Return Index for Chinese government bonds. We use BlackRock proxies for growth and income private market assets due to 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. The hypothetical portfolio may differ from those in other jurisdictions, is intended for information purposes only and does not constitute investment advice.

Tactical granular views: equities

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, October 2024

Our approach is to first determine asset allocations based on our macro outlook – and what's in the price. **The table below reflects this and, importantly, leaves aside the opportunity for alpha, or the potential to generate above-benchmark returns. The new regime is not conducive to static exposures to broad asset classes, in our view, but is creating more space for potential alpha.**

Equities	View	Commentary
Developed markets		
United States	+1	We are overweight given our positive view on the AI theme. Valuations for AI beneficiaries are supported as tech companies keep beating high earnings expectations. We think upbeat sentiment can broaden out. Falling inflation is easing pressure on corporate profit margins.
Europe	-1	We are underweight. Valuations are fair. A growth pickup and European Central Bank rate cuts support a modest earnings recovery. Yet political uncertainty could keep investors cautious.
UK	+1	We are overweight. Political stability and a growth pickup could improve investor sentiment, lifting the UK's low valuation relative to other DM stock markets.
Japan	+1	We are overweight. A brighter outlook for Japan's economy and corporate reforms are driving improved earnings and shareholder returns. Yet the drag on earnings from a stronger yen and some mixed policy signals from the Bank of Japan are risks.
Emerging markets	Neutral	We are neutral. The growth and earnings outlook is mixed. We see valuations for India and Taiwan looking high.
China	+1	We are modestly overweight. Major fiscal stimulus may be coming and prompt investors to step in given Chinese stocks are at a deep discount to DM shares. Yet we stay ready to pivot. We are cautious long term given China's structural challenges.

Underweight **Neutral** **Overweight** ● Previous view

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.

Tactical granular views: fixed income

Underweight | Neutral | Overweight | ● Previous view

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, October 2024

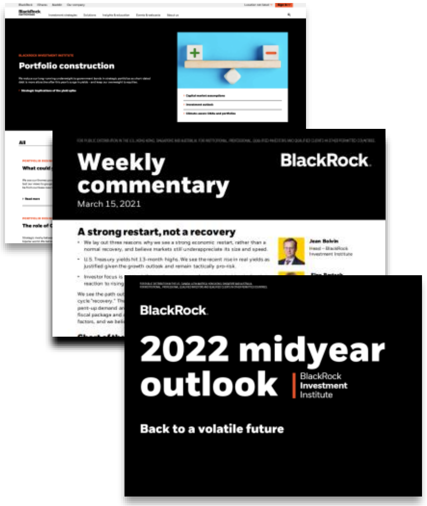
Fixed income	View	Commentary
Short U.S. Treasuries	-1	We are underweight. We don't think the Fed will cut rates as sharply as markets expect. An aging workforce, persistent budget deficits and structural shifts like geopolitical fragmentation should keep inflation and policy rates higher over the medium term.
Long U.S. Treasuries	Neutral	We are neutral. Markets have cut expectations of Fed rate cuts and term premium is close to zero. We think yields will keep swinging in both directions on new economic data.
Global inflation-linked bonds	Neutral	We are neutral. We see higher medium-term inflation, but cooling inflation and growth may matter more near term.
Euro area govt bonds	Neutral	We are neutral. Market pricing reflects policy rates in line with our expectations and 10-year yields are off their highs. Political developments remain a risk to fiscal sustainability.
UK gilts	Neutral	We are neutral. Gilt yields have tightened to U.S. Treasuries and market pricing of future yields is in line with our view.
Japanese govt bonds	-2	We are underweight. Stock returns look more attractive to us. We see some of the least attractive returns in JGBs.
China govt bonds	Neutral	We are neutral. Bonds are supported by looser policy. Yet we find yields more attractive in short-term DM paper.
U.S. agency MBS	Neutral	We are neutral. We see agency MBS as a high-quality exposure in a diversified bond allocation and prefer it to IG.
Short-term IG credit	+1	We are overweight. Short-term bonds better compensate for interest rate risk. We prefer Europe over the U.S.
Long-term IG credit	-1	We are underweight. Spreads are tight, so we prefer taking risk in equities from a whole portfolio perspective. We prefer Europe over the U.S.
Global high yield	Neutral	We are neutral. Spreads are tight, but the total income makes it more attractive than IG. We prefer Europe.
Asia credit	Neutral	We are neutral. We don't find valuations compelling enough to turn more positive.
EM hard currency	Neutral	We are neutral. The asset class has performed well due to its quality, attractive yields and EM central bank rate cuts. We think those rate cuts may soon be paused.
EM local currency	Neutral	We are neutral. Yields have fallen closer to U.S. Treasury yields, and EM central banks look to be turning more cautious after cutting policy rates sharply.

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.

BlackRock **Investment** Institute

“To build robust portfolios, you need to connect the dots between economics, markets, return drivers, policy and geopolitics.”

Jean Boivin
Head – BlackRock Investment Institute



We generate macro, market and portfolio research to help our portfolio managers and clients navigate markets and build robust portfolios We share our insights through publications on:

- Macro and market framing
- Portfolio design and return expectations for institutional and professional investors
- Policy and politics

We are the connective tissue for BlackRock’s portfolio managers and experts, setting up debates on market topics and structural trends via:

- **Daily global meeting**
  - Global experts share market views and debate a weekly question
- **Global Outlook Forum**
  - BlackRock’s top 100 market experts gather twice a year to discuss the macro and market outlook

We have impact: We reached 217,000 clients across some 545 events in 2023. We also share our insights across media and social platforms.

Get BlackRock Investment Institute content:

blackrock.com/BII

Social content for a U.S. audience:

BLKInsights app

@blackrock

The Bid podcast

BlackRock Investment Institute

The BlackRock Investment Institute (BII) leverages the firm's expertise to provide insights on the global economy, markets, geopolitics and long-term asset allocation – all to help our clients and portfolio managers navigate financial markets. BII offers strategic and tactical market views, publications and digital tools that are underpinned by proprietary research.