



# Insights

In-depth perspectives from portfolio managers and industry experts on the issues that matter most to institutional investors.

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### [\*\*Forward Thinking: How Global Inflationary Trends Fuel Opportunity for Investors\*\*](#)

By: [Forward Thinking](#) | September 12, 2023

In this issue of Forward Thinking, we guide investors seeking to maximize the return potential amid shifting inflationary trends throughout the world, sharing our insights about how to increase their allocations to both global equities and fixed income.

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### [2024 Outlook: High Yield Bonds](#)

By: [Stephen C. Concannon, CFA, Will Reardon](#) | December 6, 2023

**[Higher Volatility in 2024 May Present Attractive Entry Points for High Yield Bonds](#)**

#### **[KEY POINTS](#)**

- [1. As global central banks near the end of a historical cycle of tightening monetary policy, we believe a moderate recession is a more probable outcome in 2024.](#)
- [2. Increasing dispersion in valuations across rating segments, sectors and individual issuers will continue to provide opportunity and the ability to capture attractive entry points.](#)
- [3. We have maintained our cautious positioning and continue to prefer defensive sectors that trade wide of historical norms, such as health care, given the sector's historically defensive characteristics.](#)

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By: [Yijia Chen, CFA](#) | March 15, 2024

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### [Brazilian Economy Boosted by Reasonable Government Legislations and Tight Monetary Policy](#)

By: [Paul Psaila](#) | February 5, 2024

#### **[KEY POINTS](#)**

- [1. A year into President Lula's term, the political and economic situation in Brazil is better than many had expected.](#)
- [2. The economy will likely grow more than expected as interest rates continue to fall.](#)
- [3. We believe Brazil remains cheap compared to other emerging markets with lower inflation and rates acting as a tailwind for growth.](#)

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NAVIGATING THE CURVE

### [Making a Compelling Case for Core and Core Plus Strategies](#)

By: Vishal Khanduja, CFA | & Brian S. Ellis, CFA | February 20, 2024

A decade of extremely low interest rates followed by the Federal Reserve's aggressive policy normalization created a challenging environment for bond investors over the last two years. We see the environment for fixed income improving greatly from here for these reasons:

## KEY POINTS

1. **Income:** Starting yields are near post-financial crisis highs and have been a reliable indicator of future returns.
2. **Total Return:** The Fed has signaled a pivot from its restrictive stance, which has historically been a compelling time to increase duration in fixed income allocations.
3. **Diversification:** Correlations between bonds and risk assets should normalize as the Fed cuts interest rates.

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## [2024 Outlook: Multi-Sector Fixed Income, Return of the Core](#)

By: *Vishal Khanduja, CFA* | & *Brian S. Ellis, CFA* | December 19, 2023

### **A Myriad of Macroeconomic Drivers Are in Play; However, We See a Stronger Backdrop for Fixed Income Markets in 2024**

## KEY POINTS

1. A decade of extremely low interest rates followed by the Federal Reserve's aggressive policy normalization created a challenging environment for bond investors over the last two years. The breakdown of the inverse correlation between long-term, risk-free rates and spread sectors has led investors to rethink their fixed income allocations.
2. We see a compelling backdrop for fixed income in 2024, where inflation continues to decelerate, and higher interest rates continue to slow growth and the Fed clearly pivots from their restrictive stance. Under that scenario, we believe fixed income will return to its traditional role of providing investors with income and portfolio diversification.
3. We believe the Fed has ended its aggressive hiking cycle and has recently indicated their intention to pivot in 2024. We think the pace of inflation and magnitude of economic growth will keep monetary policy variable, aiding active fixed income managers.

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## [2024 Outlook: Agency Mortgage-Backed Securities](#)

By: *Andrew Szczurowski, CFA* | December 8, 2023

### **Limited Supply to Support Agency MBS Market in 2024**

## KEY POINTS

1. Agency mortgage-backed securities (MBS) spreads sit over 100 basis points (bps) wider than their 2021 lows. While spreads have been at historically wide levels for the last two years, an improving technical landscape in 2024 will likely pave the way for tighter spreads.
2. The average mortgage rate of existing homeowners with a mortgage sits at just 3.74% as of December 1, making it uneconomical for

existing mortgage holders to move or refinance, dampening supply in the agency MBS market in 2024.

3. We expect the focus to shift in the agency MBS market from extension protection to call protection in 2024. With the specter of recession and credit defaults on the horizon, money manager demand for agency MBS is set to pick up in 2024.

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Andrew Szczurowski, CFA  
Head of Agency MBS  
Portfolio Manager

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## [2024 Outlook: High Yield Bonds](#)

By: *Stephen C. Concannon, CFA* | & *Will Reardon* | *December 6, 2023*

### **Higher Volatility in 2024 May Present Attractive Entry Points for High Yield Bonds**

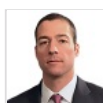
#### **KEY POINTS**

1. As global central banks near the end of a historical cycle of tightening monetary policy, we believe a moderate recession is a more probable outcome in 2024.
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## [2024 Outlook: Investment Grade Credit](#)

By: *Richard Ford* | *December 6, 2023*

### **Investment Grade Credit Can Offer Attractive Income and Capital Preservation in Uncertain Times**

#### **KEY POINTS**

1. We expect risk of recession and capital preservation to dominate the investment debate in 2024. Investment grade credit offers potential risk mitigation for when central banks move rates lower.
2. We believe corporates enter 2024 with conservative business models, having cut costs and raised liquidity in recent times. This makes high quality Fixed Income an attractive asset in uncertain times.
3. A global regime change characterized by de-globalization, higher structural inflation, quantitative tightening, increased geo-political risk and higher government debt, suggests 2024 is the start of a new era for investing.

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Global Head of Investment  
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## [2024 Outlook: Municipal Bonds](#)

By: *Craig R. Brandon, CFA* | & *Cynthia J. Clemson* | *December 6, 2023*

### High Stakes Tug-of-War in 2024

#### KEY POINTS

1. Elevated yields, low issuance and solid credit fundamentals could underpin a reversal of fund flows into municipals.
2. Positioning for a rally in high quality, longer duration bonds may be timely given where we are in this interest rate cycle.
3. The expectation for a significant decrease in yields across the curve is contingent on softer inflationary data and a more restrained Federal Reserve (Fed).

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## [The Fed Is Probably Done Hiking Rates, They Just Can't Tell Us Yet](#)

By: *Andrew Szczurowski, CFA* | *November 28, 2023*

#### KEY POINTS

1. In our view, the Federal Reserve (Fed) has to project a hawkish position on rate hikes to manage expectations and pave the way for eventual monetary easing.
2. Slowing inflation and the weakening labor market are signs that the Fed's past rate hikes are working.
3. Investors should ignore the noise coming out of the Fed and focus on the turning tide of U.S. economic data.

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