



2021 Global Market Outlook

Managing to the Other Side

Four themes to follow



An Uneven Road to Recovery



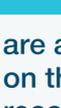
Style Dispersion Amid Disruption



Creativity in a Low Yield Era



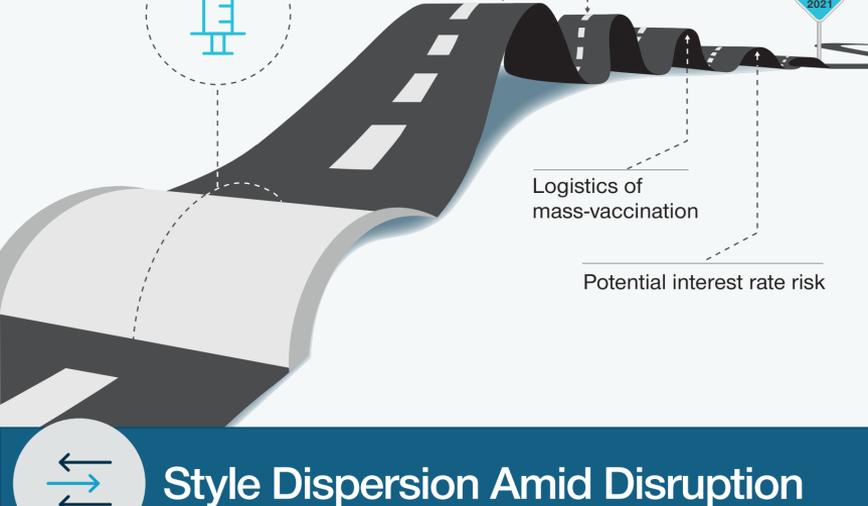
Politics and the Pandemic



An Uneven Road to Recovery

Coronavirus vaccines

are a much-needed bridge on the road to economic recovery but there are still bumps ahead



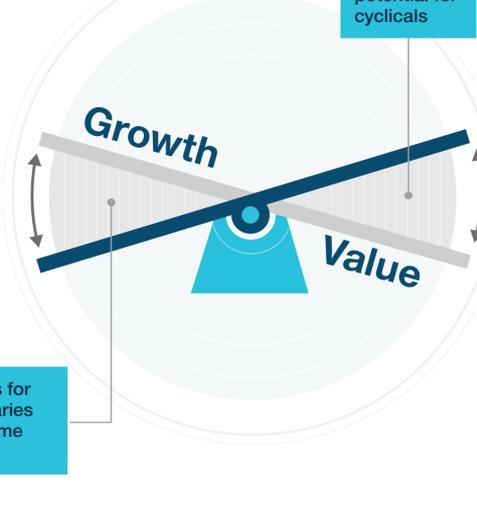
Style Dispersion Amid Disruption

Recovery could pivot

Away from companies that gained sales and revenue during the pandemic

Toward cyclical sectors hurt by the pandemic

Downside risks for some beneficiaries of a stay-at-home environment



Two sectors potentially offer particularly attractive short-term value opportunities, but selectivity is key

Financials



Energy



Creativity in a Low Yield Era

Seeking attractive fixed income opportunities

Creativity could mean

Moving further out the credit risk spectrum

Increasing allocations to floating-rate loans and other low-duration assets

Seeking opportunities in ex-U.S. debt markets



Bond investors take note:

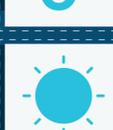
Short-term rates are at or close to zero

and

prospects for a post-pandemic recovery appear to be brightening

which could mean

duration (a key measure of interest rate risk) could become a top issue for many fixed income investors in 2021



Politics and the Pandemic

Geopolitical tensions could influence markets

In the U.S.: the Biden administration is expected to seek additional fiscal stimulus to bolster the economy

A workable post-Brexit agreement could have positive implications for the British pound versus the U.S. dollar, potentially UK and EU leaders appear to be seeking a workable post-Brexit relationship



The pandemic has accelerated economic inequality and appears to have worsened political divisions in some countries

If we return to more normal economic conditions in 2021, a key question—one with significant implications—will be how quickly global labor markets improve as a result

The intensity of the U.S. China trade conflict might be reduced, but higher tariffs are likely to remain in place

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Investments concentrating in a specific sector can be more volatile than investments in a broader range of industries.

International investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments.

The value approach to investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced. Value and growth investing styles may fall out of favor, which may result in periods of underperformance.

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