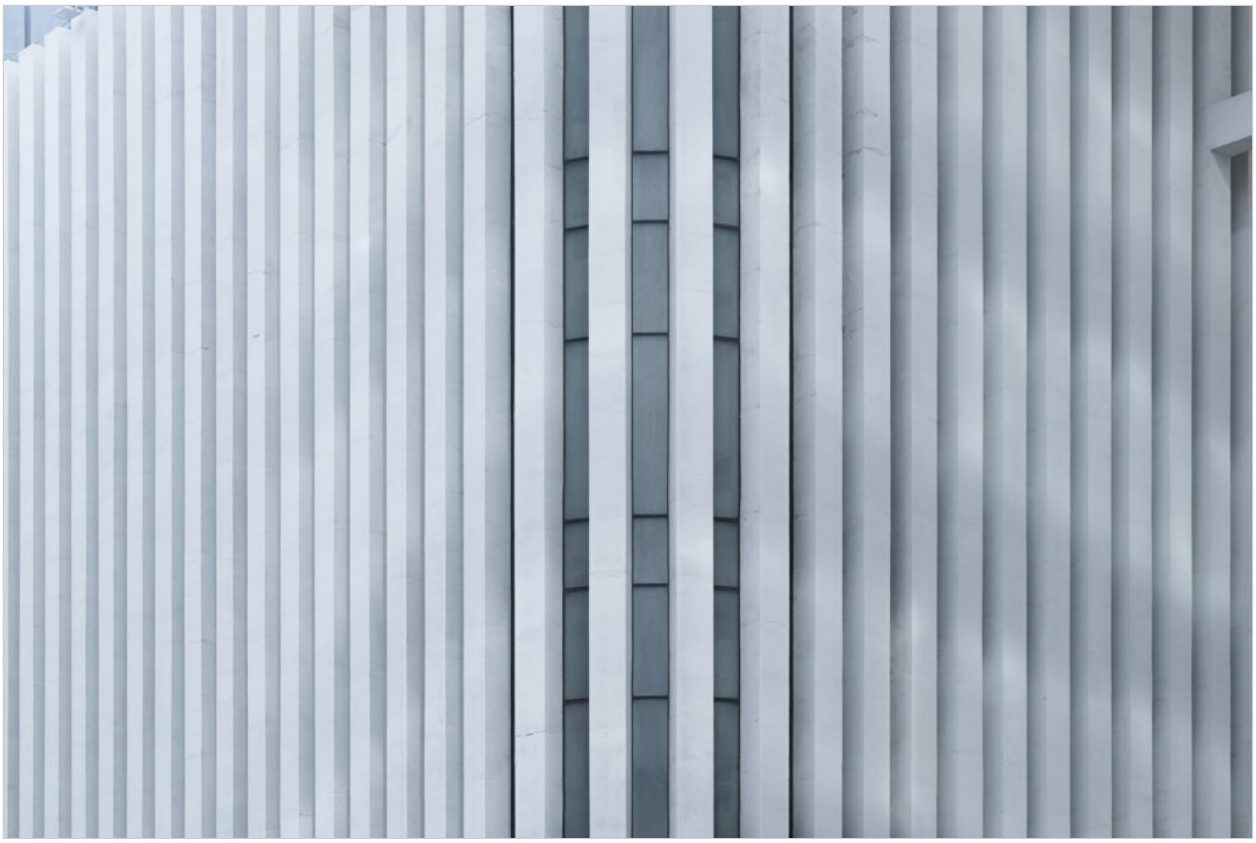


What Higher-for-Longer Rates Mean for Investors – PIMCO

By: **Nicholas Lebuis** Published on: February 16, 2024

In a recent video conversation, PIMCO’s Kimberley Stafford, Global Head of Product Strategy, and Dan Ivascyn, Group Chief Investment Officer, shared valuable insights on the current economic environment, discussing key considerations for investors. The conversation covered a range of topics, from interest rates and market outlooks to potential investment opportunities and risks.

Interest Rates and Market Outlook: Dan Ivascyn set the stage by emphasizing the enduring value proposition of fixed income. “Over the long run, we do believe

that the fixed income value proposition still holds," he stated. Despite a 2022 selloff, Ivascyn highlighted attractive bond valuations, making them a compelling option compared to equities. The Federal Reserve's cautious stance indicates a patient approach, awaiting more confidence in the inflation outlook or signs of economic weakening.

Investment Opportunities and Risks: Elevated short rates are a focal point, with certain sectors like commercial real estate and senior secured loans showing increased sensitivity. Ivascyn underscored the significance of global bond markets, identifying opportunities in economies such as the United Kingdom, Canada, Australia, and select parts of continental Europe. Higher-quality bonds in developed and emerging markets, including agency mortgages, asset-backed securities, and specific segments of the corporate bond market, were recommended as favorable investments.

Private Markets and Diversification: Ivascyn shed light on the gradual repricing of assets in response to higher rates, potentially unlocking opportunities in private credit markets, particularly within real estate. Diversification emerged as a key theme, urging investors to explore higher-yielding, higher-quality segments of the market and consider opportunities beyond the United States.

Outlook for Private Credit Markets: The discussion ended with a forward-looking perspective, as Ivascyn advised investors to be patient and prepared for what he anticipates as "some of the best returns" in private credit markets. This optimism hinges on the possibility of economic weakening later in the year, coupled with sustained elevated policy rates.

Source: For a more in-depth exploration, you can access the full video discussion on PIMCO's official website.

By Nicholas Lebuis