

April 26, 2021

BlackRock[®]

2021 global outlook – update

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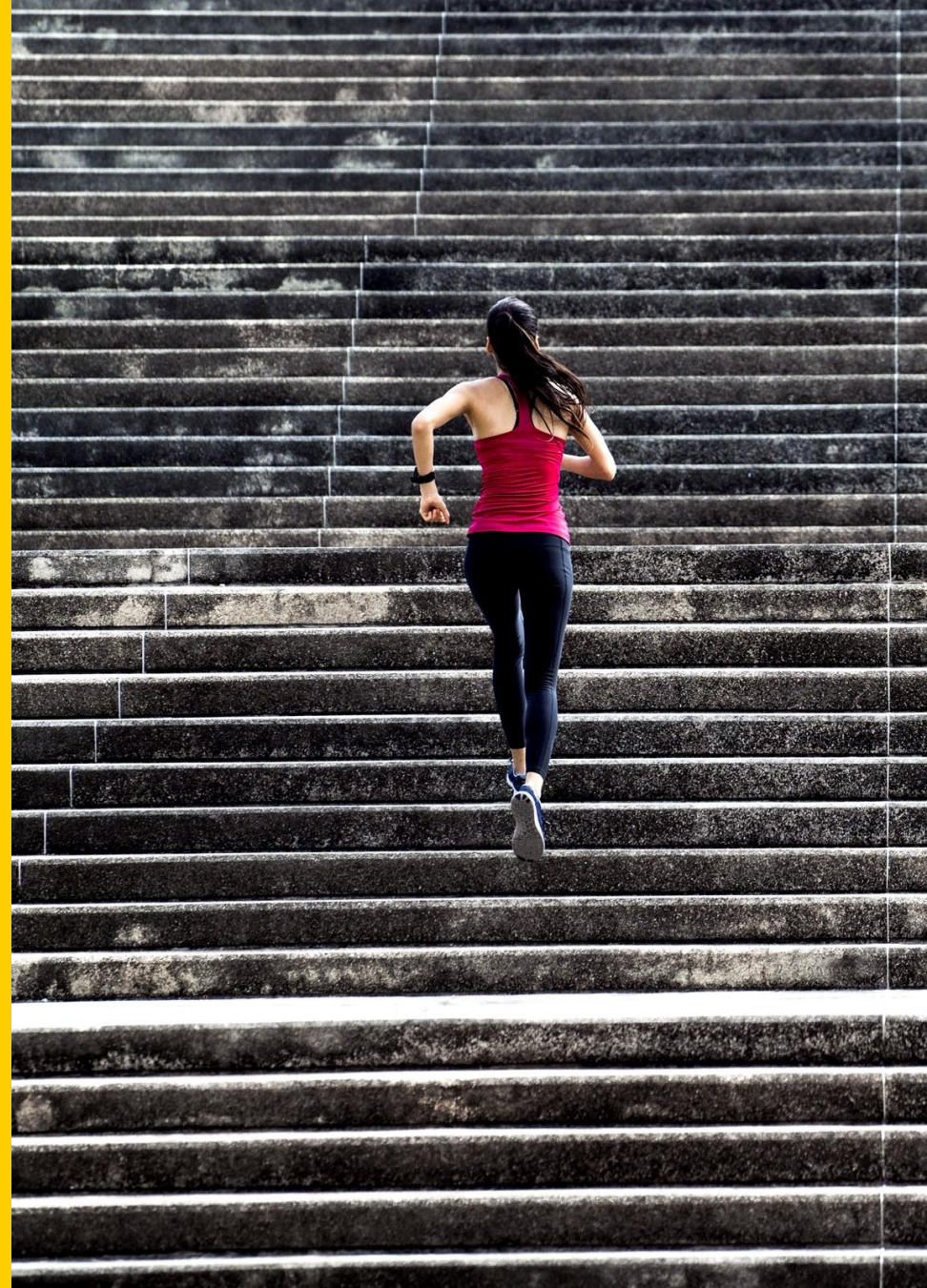
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Updating our views

Powerful restart

New nominal plays out

Staying moderately pro-risk



The BII whole-portfolio framework

Macro: Restart-nomics

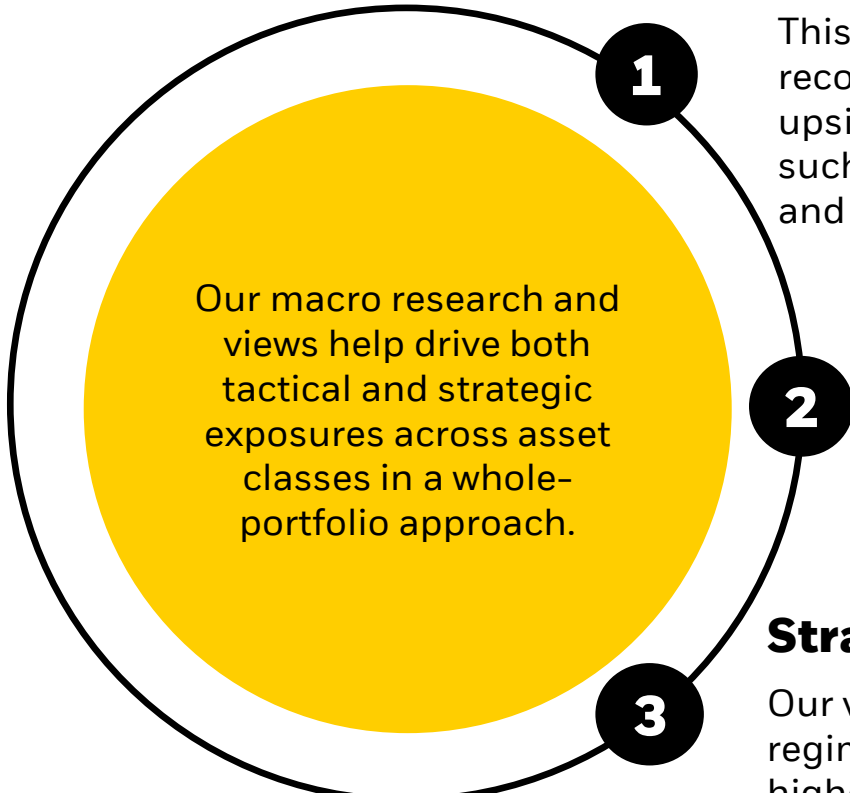
This is not about a business cycle recession and recovery. The restart is still surprising to the upside – but we should not extrapolate from such large numbers. We believe activity will settle and the cycle will resume.

Tactical: Stay moderately pro-risk

Long-term yields are headed higher – but less than is commonly understood. We see central banks leaning against a too sharp tightening of financial conditions that threatens new policy frameworks.

Strategic: Inflation and sustainability

Our view that we have entered a new nominal regime – of a lower path for short-term rates and higher inflation than the markets are pricing – is an important driver of our strategic allocations.



Our macro research and views help drive both tactical and strategic exposures across asset classes in a whole-portfolio approach.

The low long-term yield regime remains the dominant narrative. But this could shift – with major implications.

What's new

Tactical granular view changes – April 2021

U.S. Treasuries

Reduce underweight

- We expect more upward pressure on nominal yields on the back of the accelerated restart. Yet we still expect the Fed to lean against sharp rises.

Inflation-linked bonds

Downgrade to neutral

- We see less room for inflation expectations to rise much further in the near-term as recent moves have brought them much closer to our medium-term estimates.

Emerging market local bonds

Upgrade to overweight

- We see a brighter outlook for the attractively valued asset class on expectations of more stable U.S. Treasury yields and a flat to weaker U.S. dollar into the summer.

Minimum volatility factor

Upgrade to neutral

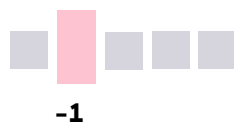
- Our regional and sectoral equity preferences warrant a higher exposure to the minimum volatility factor. The factor has lagged peers bringing valuations to more appealing levels

Directional views – April 2021

Strategic view

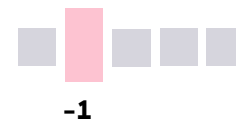
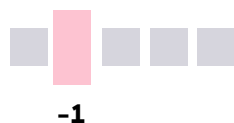
Tactical view

Credit



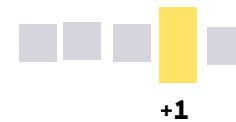
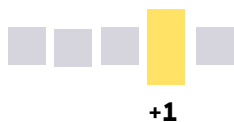
- **Strategic horizon:** We maintain our underweight given rich valuations, and prefer equities to take risk.
- **Tactical horizon:** We stay neutral credit following the tightening in spreads, particularly investment grade. Still like high yield for income

Govt bonds



- **Strategic horizon:** We keep our underweight given diminished ability to act as portfolio ballasts. We prefer inflation-linked bonds. Rising debt levels may eventually pose risks to the low-rate regime.
- **Tactical horizon:** We remain underweight duration on expected higher nominal yields driven by the economic restart.

Equities



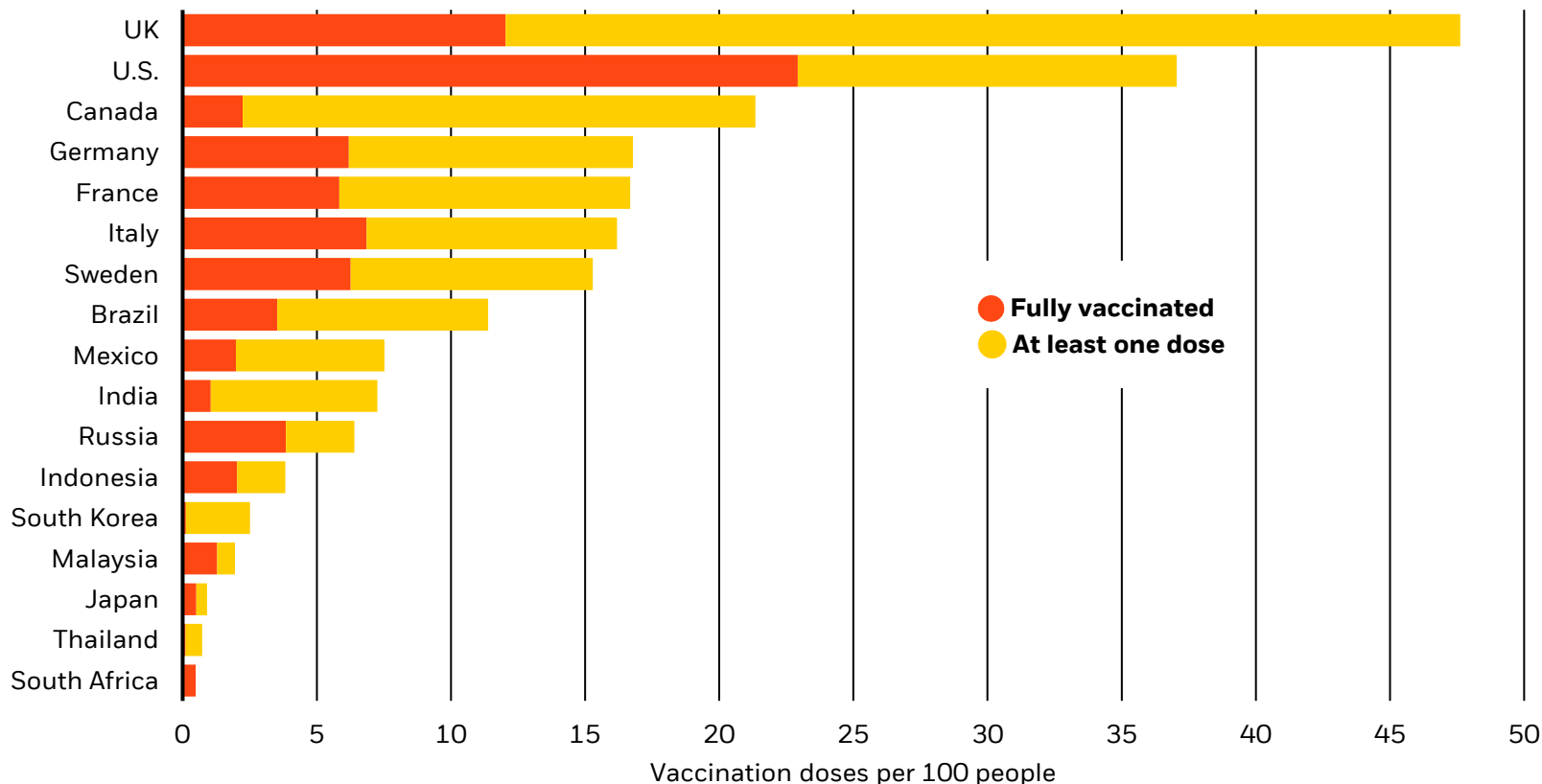
- **Strategic horizon:** We keep our overweight on equities. A better outlook for earnings, moderate valuations and relative appeal of developed market equities brightened on incorporating climate change in our expected returns.
- **Tactical horizon:** We stay overweight as we expect the restart to accelerate and interest rates to stay low.

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.

Vaccine rollout will shape the global restart

The U.S. and UK are restarting. Even with delays, we expect Europe to vaccinate its vulnerable population by the end of Q2. It could reopen in summer, with EM following in the second half of 2021.

Vaccines doses administered per 100 people, April 2021



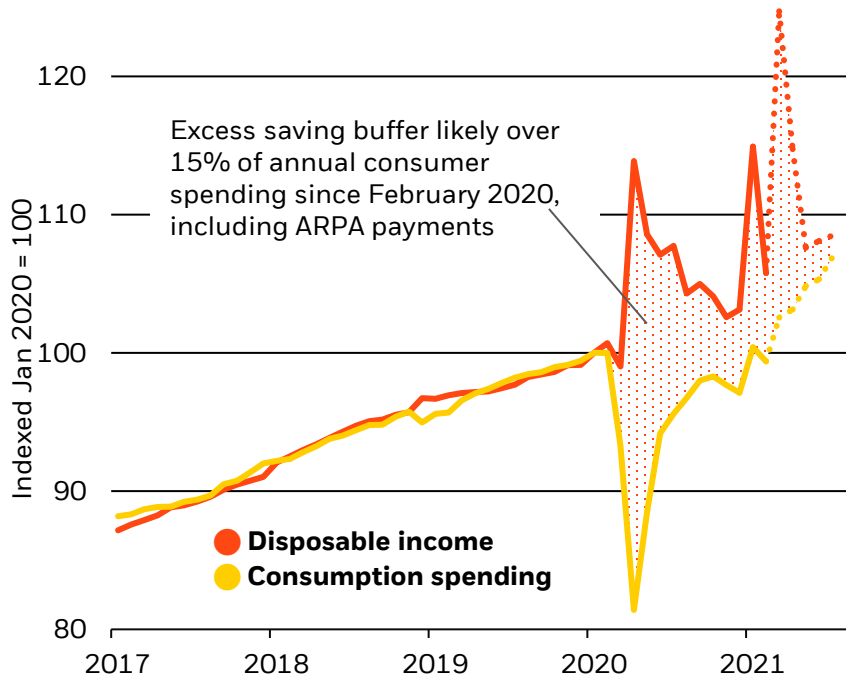
Source: BlackRock Investment Institute, with data from Our World in Data as of 16 April 2021. Notes: The chart shows the number of Covid-19 vaccination doses administered per 100 people within a given country.

Pent-up demand to fuel the powerful restart

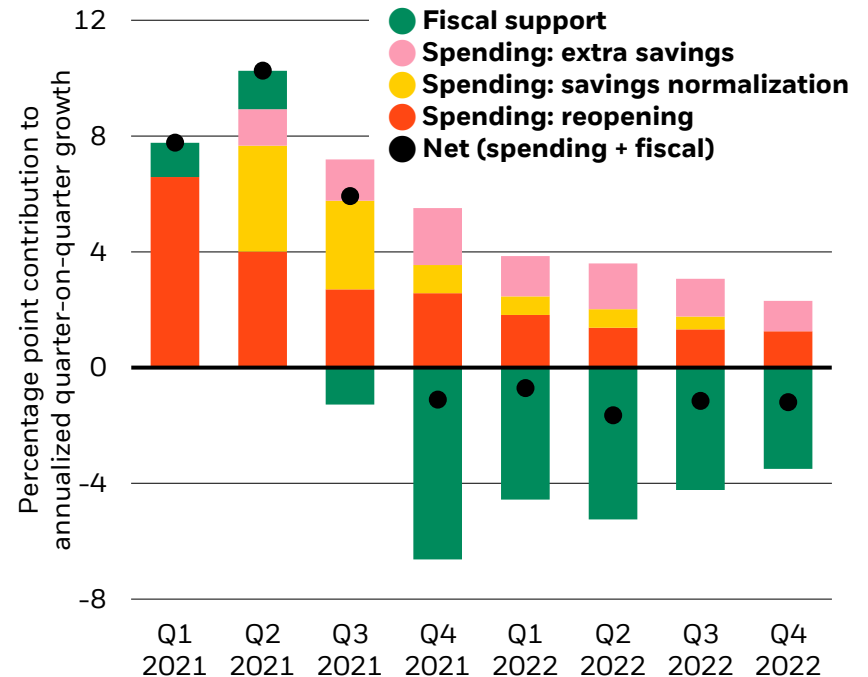
We see pent-up demand driving the powerful restart. Accumulated savings should help spread out spending even as fiscal support wanes from the end of one-off payments to households.

U.S. savings and estimated drivers of consumption growth, April 2021

U.S. disposable income vs consumer spending



Fiscal and consumer spending contribution to U.S. GDP

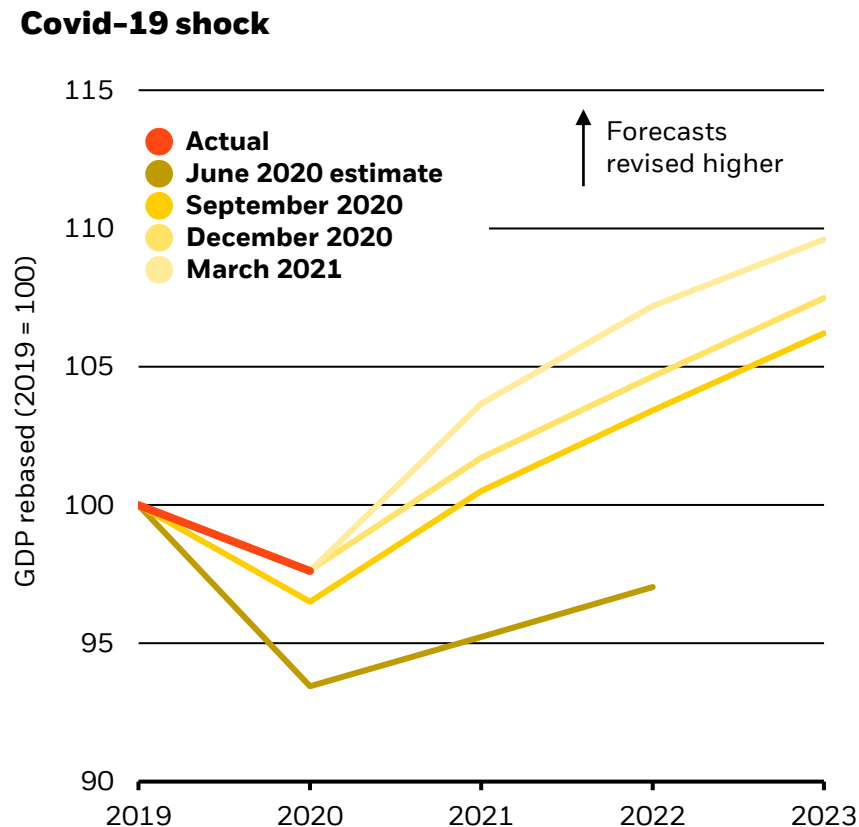
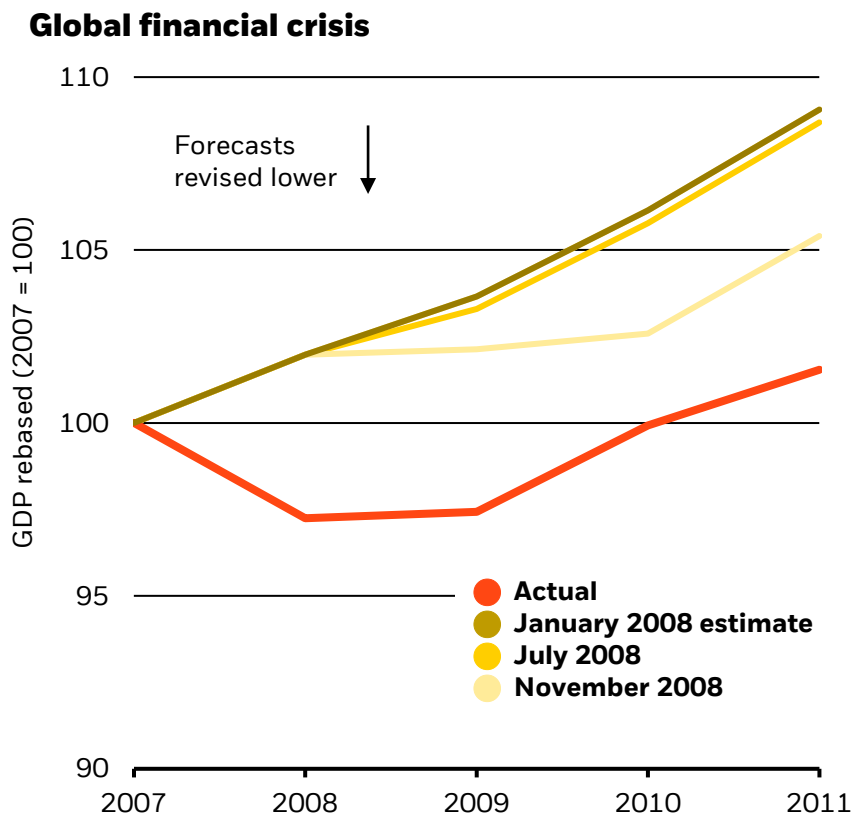


Source: BlackRock Investment Institute, Bureau of Economic Analysis, U.S. Treasury Department, with data from Haver Analytics, April 2021. Notes: The left-hand chart shows U.S. nominal household disposable income (orange line) and nominal personal consumer spending (yellow line). Data for March 2021 onwards are estimates based on projections of personal disposable income in coming months and an estimate of how much of this consumers will spend from the Daily Treasury Statement, U.S. Employment Situation Report and weekly card spending data. The chart on the right shows the estimated contributions to annualized quarterly U.S. GDP from fiscal stimulus and spending, or personal consumer expenditures (PCE). The PCE estimates include the impact of fiscal support measures such as economic stimulus payments. The green bars are estimates of the contribution to GDP growth of other fiscal spending besides the measures already accounted for that support consumer spending, based on projections of spending measures from recent legislation and assumptions about when they will be realized over the course of the next two years. Data from the quarter ending March 2021 onwards are projections. The overall contribution of PCE to overall GDP growth is further split into the estimated impact of spending from excess savings, the normalization of the savings rate and spending attributable to the economic reopening. Forward-looking estimates may not come to pass.

Covid-19 stop and restart very different from business cycle

As the shock was understood as akin to a natural disaster, growth forecasts have been revised up. In the global financial crisis, forecasts were cut – and actual growth was still below expectations.

U.S. annual GDP growth and forecasts during GFC and Covid-19 shock, April 2021

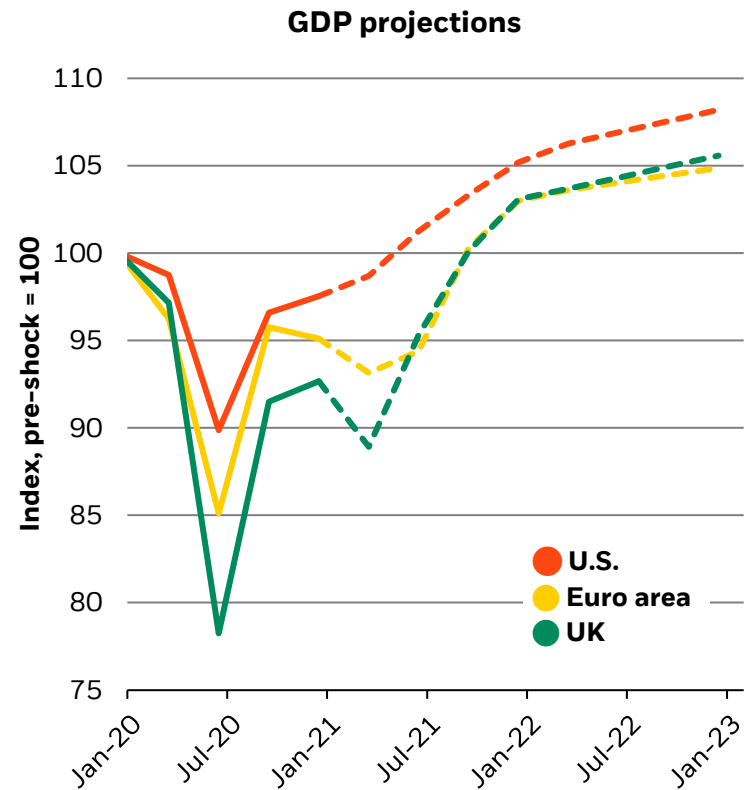
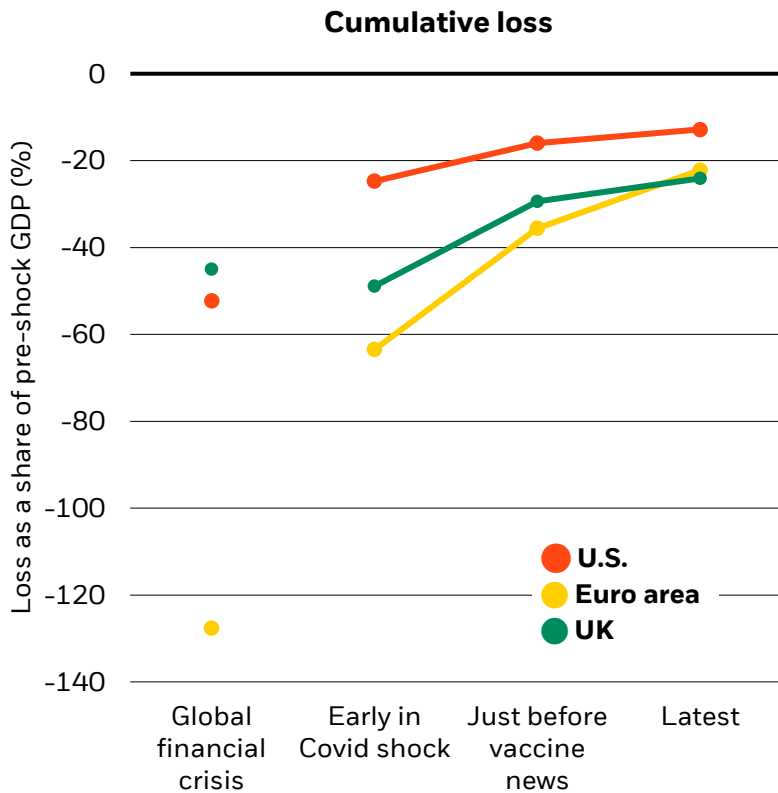


Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute and Federal Reserve, with data from Haver Analytics, April 2021. The charts show the level of U.S. GDP and estimates of GDP over time for the global financial crisis and the Covid-19 shock. Both series are rebased to 100 for the year just prior to the shock – 2007 and 2019 respectively. Estimates are taken from the Fed's Federal Open Markets Committee (FOMC)'s Summary of Economic Projections published through 2008 on the left and 2020-21 on the right, as indicated by the legends. The level of GDP is derived from the FOMC's forecasts of GDP growth from the fourth quarter of the preceding year to the fourth quarter of the current year.

Reduced estimates of Covid-19 activity shortfall

Consensus expectations are still being revised up, reducing the cumulative shortfall. We believe vaccine rollouts should stoke a sharper-than-expected rebound – as we are seeing in the U.S.

Estimated cumulative loss from the Covid-19 shock and GDP estimate, March 2021

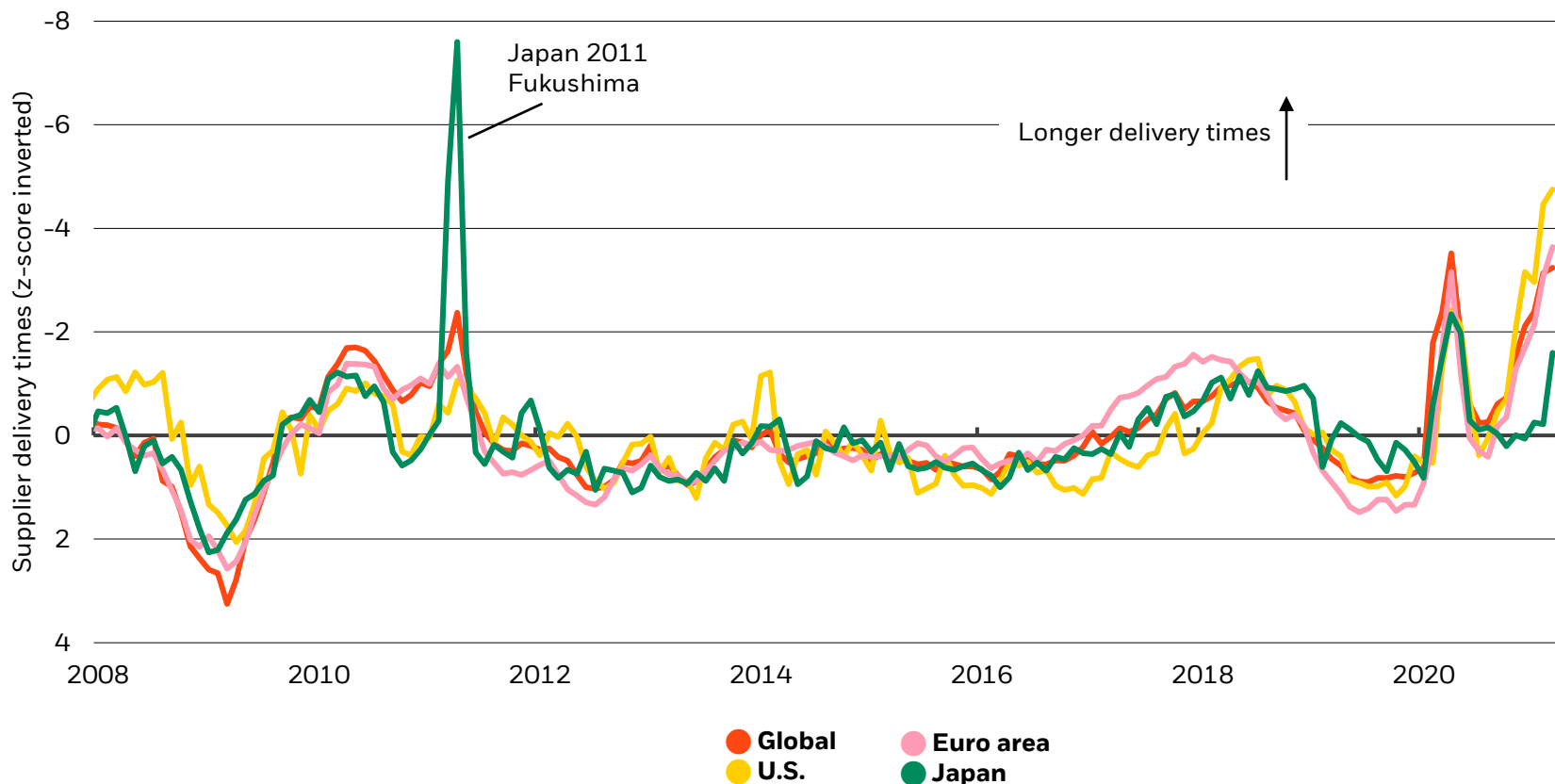


Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute, with data from Refinitiv Datastream and Reuters News, March 2021. The left chart tracks the evolution of consensus estimates for the cumulative loss in GDP due to the Covid shock. The standalone dots on the left show the total cumulative loss as a result of the global financial crisis. Lines show the evolution of the most pessimistic estimates of the cumulative loss in GDP arising from the Covid shock, based on data and consensus forecasts available at each point in time. The numbers change over time due to the publication of GDP data and updated consensus forecasts of future GDP growth. Early Covid aftermath forecasts were dated from June for the U.S. and Euro area. The middle estimates 'Just before vaccine news' are dated from early November 2020, prior to the first announcement of an effective globally available vaccine in mid-November. The 'Latest' forecasts are based on GDP data up to 2020Q4 in all economies, and consensus forecasts of GDP growth as of late January 2021.

Supply chain pressures underscore globalization rewired

Purchasing manager surveys indicate longer delivery times, partly on shipping capacity shortages. Longer term, trade relations are likely to become concentrated around two poles – U.S. and China.

PMI supplier delivery index, 2008–2021

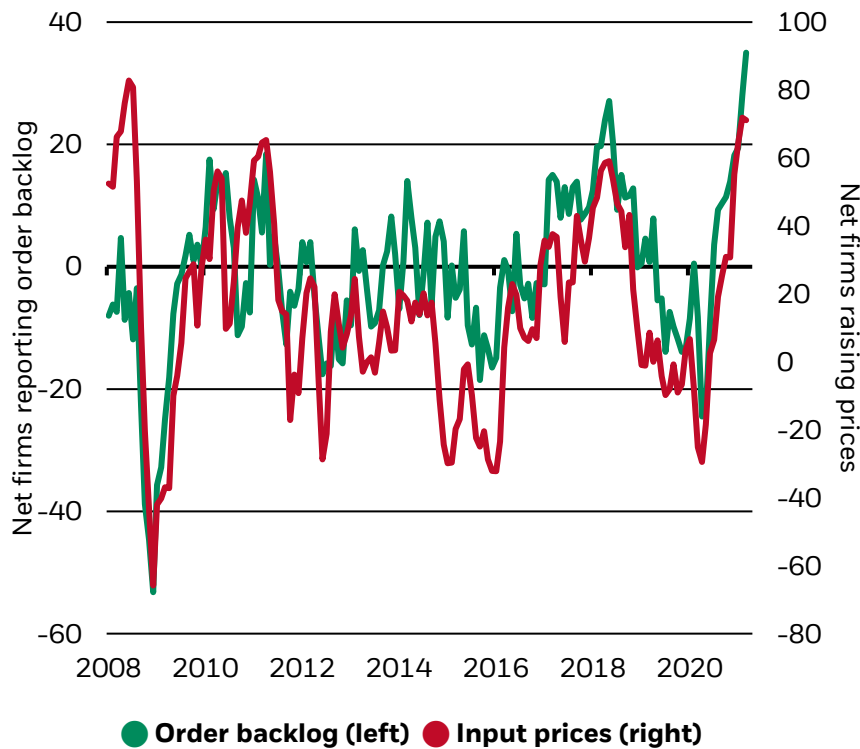


Sources: BlackRock Investment Institute, Markit, with data from Refinitiv Datastream and Haver Analytics, March 2021. Notes: Chart on the left shows an index of delivery times for items used in the production process, for manufacturing firms. As delivery times lengthen (for example due to capacity constraints) the level of the index falls (note the Y-axis is inverted). Euro area data is for the whole region.

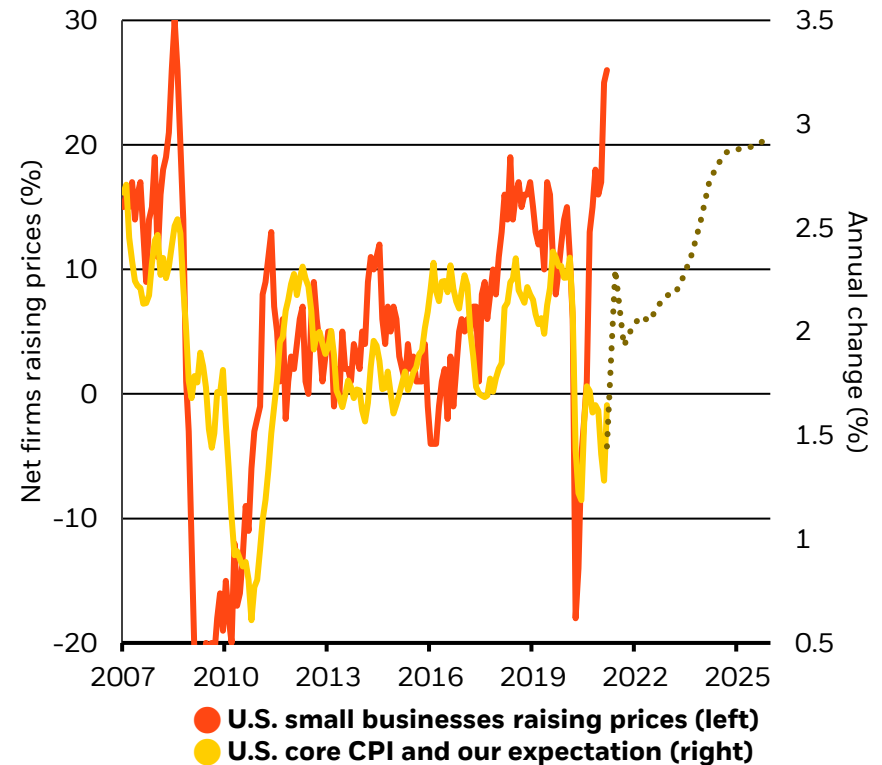
Near-term inflation to pop higher – then a gradual climb

We expect inflation to build steadily over the medium term, well above the Fed's 2% target. Supply constraints and surging demand will likely keep the short-run path more volatile.

U.S. order backlog and input prices, 2008-21



U.S. firm price trends and core CPI, 2007-25

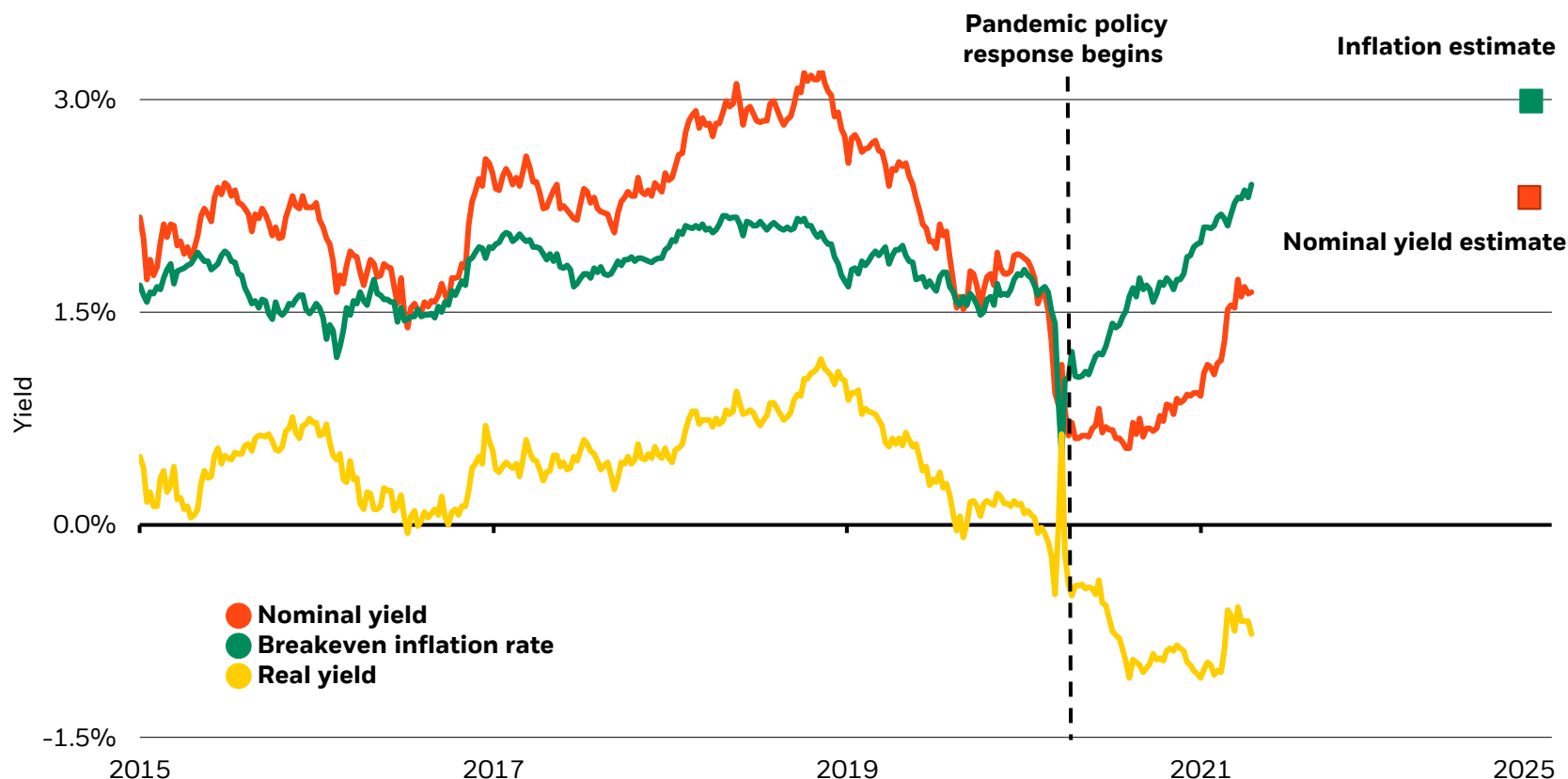


Sources: BlackRock Investment Institute, Institute of Supply Management (ISM) and Markit, with data from Refinitiv Datastream and Haver Analytics, April 2021. Notes: Chart on the left shows the net balance of firms reporting a larger backlog of orders (green line) and higher producer input prices (red line) over the preceding month, in the ISM's survey of U.S. manufacturing firms. The chart on the right shows the net balance of firms in the U.S. NFIB survey of small and medium-sized businesses reporting that they are currently raising their prices (orange line). A value of 0 indicates that the number of firms raising and reducing their prices is the same. The solid yellow line shows the annual change in the U.S. core CPI inflation rate. The dotted line indicates projections for core CPI. Expected values for 2021-22 are based on the Reuters consensus as of March 2021. The core CPI projections from 2022 onwards are based on our expectations of the likely path of GDP growth, spare capacity in the economy and the outlook for monetary policy. Forward looking estimates may not come to pass.

The new nominal accelerates

Nominal long-term yields have risen but less than inflation expectations as reflected in breakeven inflation rates. That has kept real yields negative – a positive for risk assets.

U.S. 10-year Treasury yield, breakeven inflation and real yield vs. our estimates, April 2021

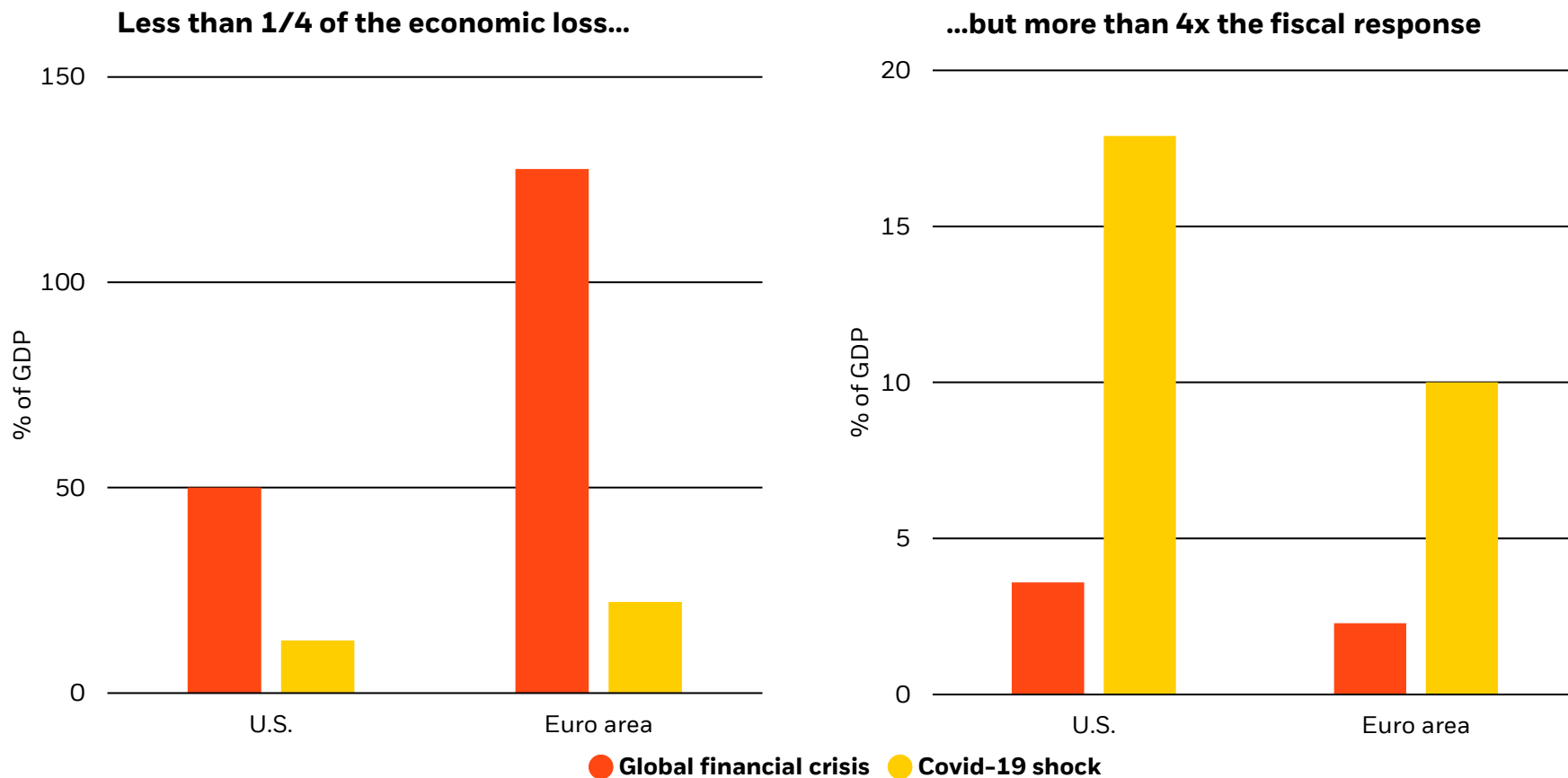


Source: BlackRock Investment Institute and Refinitiv Datastream, data as of 15 April 2021. Notes: The chart shows the U.S. 10-year nominal Treasury yield and the pricing of Treasury inflation protected securities – the 10-year TIPS yield, or real yield, and the breakeven inflation rate, or the future rate of inflation being priced by markets in TIPS. The markets on the chart also shows our 5-year ahead expected values for U.S. 10-year nominal yields using the Bloomberg Barclays U.S. Government bond index as a proxy and our estimates for 10-year average inflation from Dec 2026-2036. Forward looking estimates may not come to pass. Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index.

Huge fiscal support: 1/4 the shock, 4x times the fiscal impulse

The fiscal impulse relative to the size and nature of the Covid-19 shock has been huge. And it is not about stimulating activity – a large share of activity will restart on its own as vaccines are rolled out.

Estimate of Covid-19 shock and discretionary fiscal support compared vs the GFC, April 2021

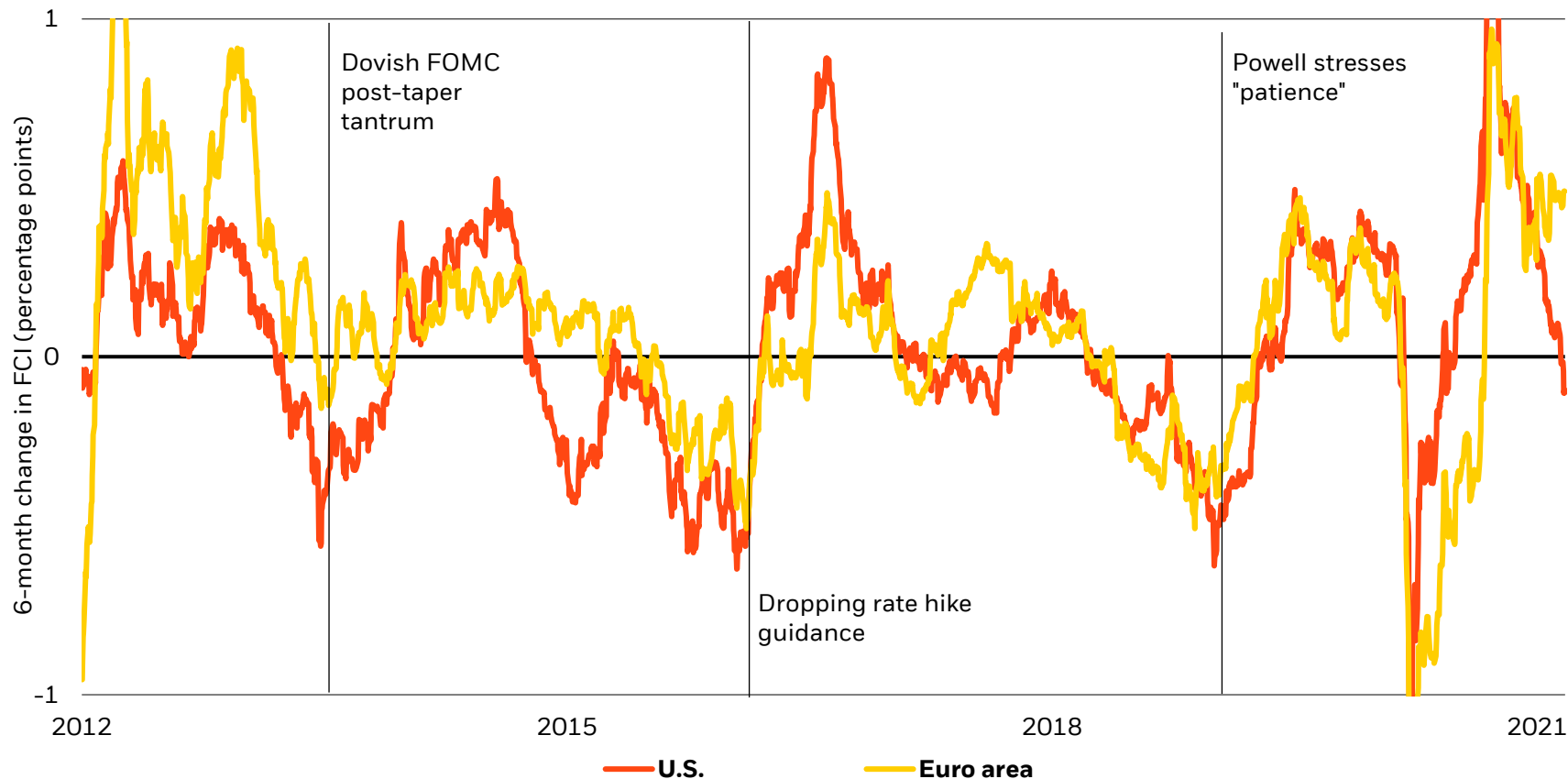


Sources: BlackRock Investment Institute, with data from Haver Analytics, March 2021. Notes: The charts show our estimate of the cumulative GDP loss from the GFC (2008-2009) and our expectation for the Covid-19 (2020-2021) and the discretionary fiscal support for the US and euro area during each period.

Central banks aim to keep financial conditions very loose

We expect the Fed to keep leaning against any unwanted tightening of financial conditions. The tightening via higher long-term yields earlier this year came close to Fed trigger points in the past.

BlackRock financial conditions indicators, 2012-2021

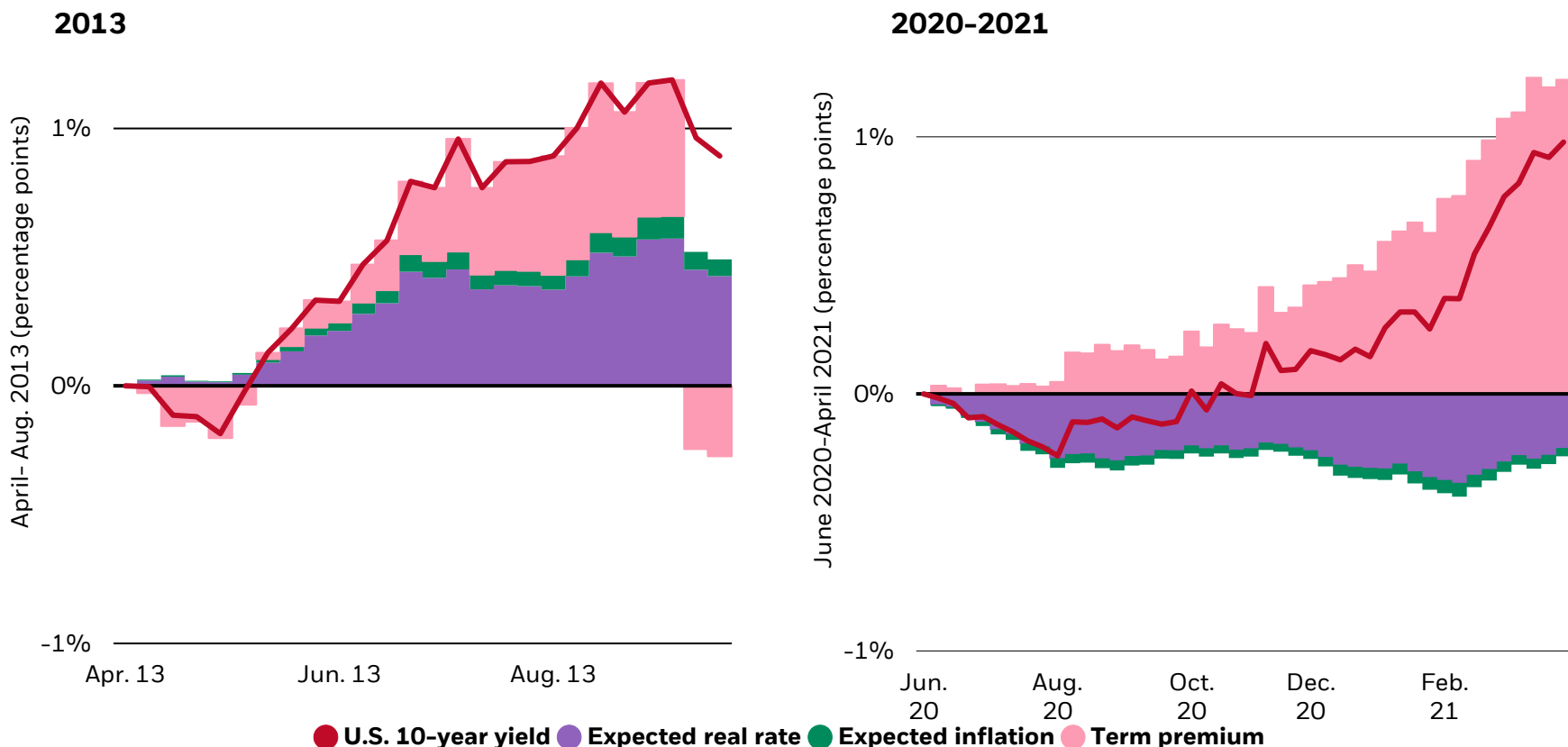


Source: BlackRock Investment Institute, with data from Refinitiv Datastream, March 2021. Notes: The chart shows the 6-month change in percentage points in our financial conditions indicators (FCI) for the U.S. and euro area. The FCIs give a forward view of where our Growth GPS –or the 12-month forward consensus GDP forecast may stand in three months' time and are expressed in GDP growth terms. Euro area data is for the whole region.

Not a taper tantrum redux

The drivers of this year's yield rise are very different from 2013's taper tantrum. Then it was a sharp repricing of the Fed rate path via expected real rates. Now it is about a higher term premium.

Breakdown of U.S. 10-year Treasury yield drivers, 2013 vs. 2020-2021

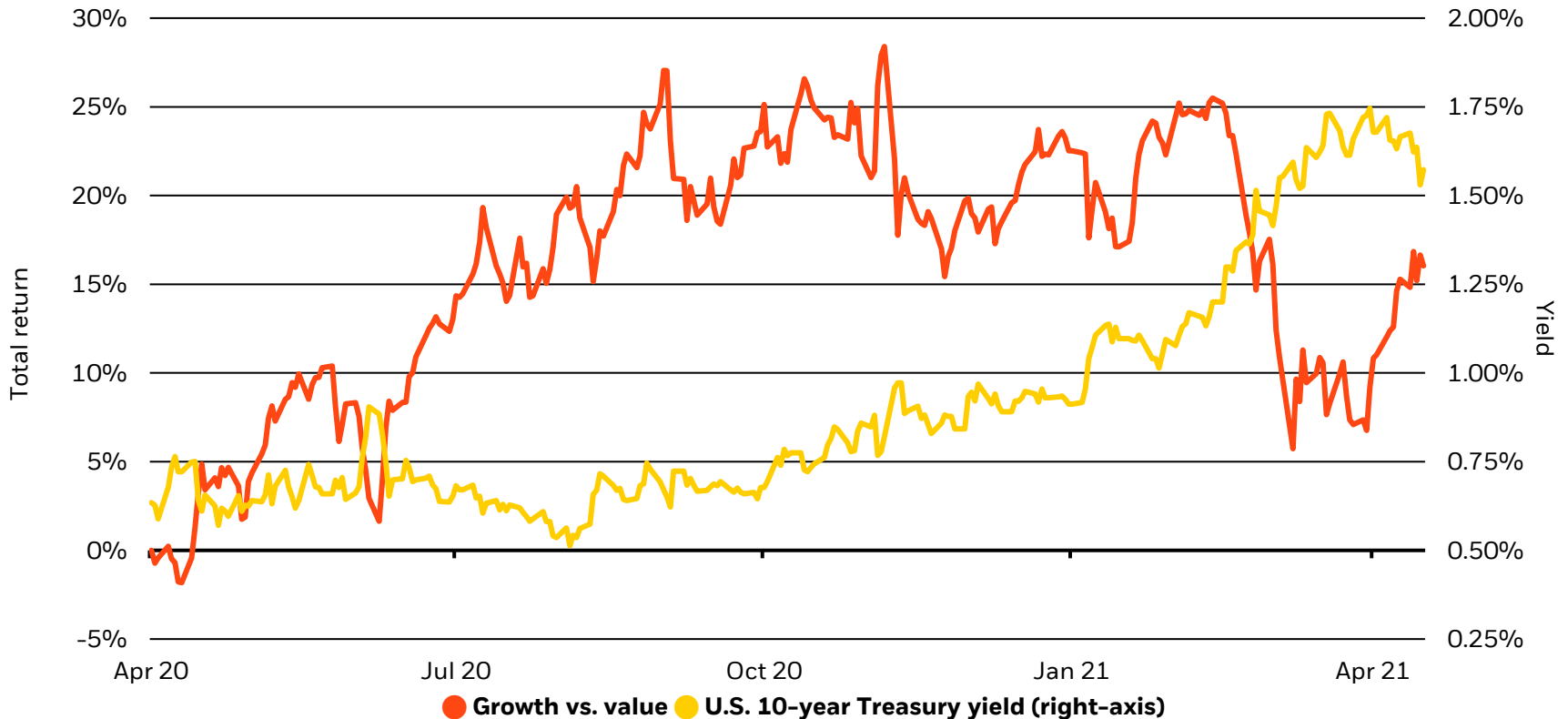


Past performance is no guarantee of future results. Source: BlackRock Investment Institute, with data from Haver Analytics, April 2021. Notes: The chart shows breakdowns in the drivers of rising 10-year U.S. Treasury yields based on historical market pricing of expected real rates, expected inflation and the term premium, or the premium investors typically demand to hold riskier long-term government bonds. The 2013 taper tantrum period shows the changes in the months after then Fed Chair Ben Bernanke floated the idea of the central bank curbing bond purchases. The 2020-2021 period shows the drivers after the initial Covid-19 shock drove yields to record lows. The term premium – or the amount investors expect to be compensated for lending over long periods – is based on a model similar to Andreasen et. al. <https://www.frbsf.org/economic-research/files/wp2017-11.pdf> (2017).

Market leadership has changed quickly

The sharp reversal of value's underperformance relative to growth as the cyclical rally accelerated has been a stand-out feature of year-to-date market moves.

Global growth equities relative to value and U.S. Treasury yield, 2020-2021

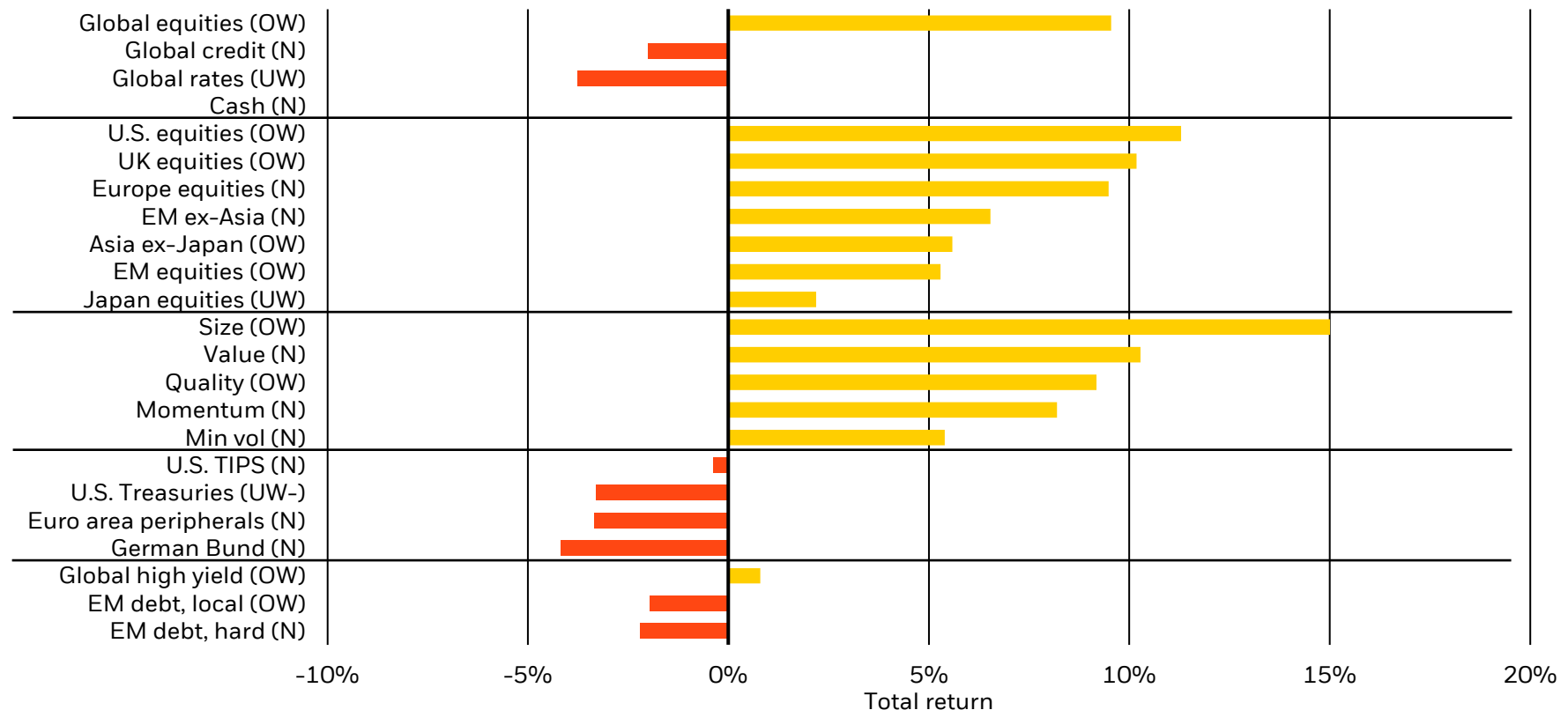


Past performance is no guarantee of future results. Source: BlackRock Investment Institute, with data from Refinitiv Datastream, April 2021. Note: The orange line shows cumulative MSCI World Growth total return minus MSCI World value. The yellow line shows the yield on the U.S. 10-year Treasury. Indices are unmanaged and do not account for fees. It is not possible to invest directly in an index.

A strong risk rebound

Our pro-risk stance, preference for equities over credit and overweight on inflation-linked bonds have played out as markets wake up to the prospects of an accelerated restart.

Asset performance year-to-date



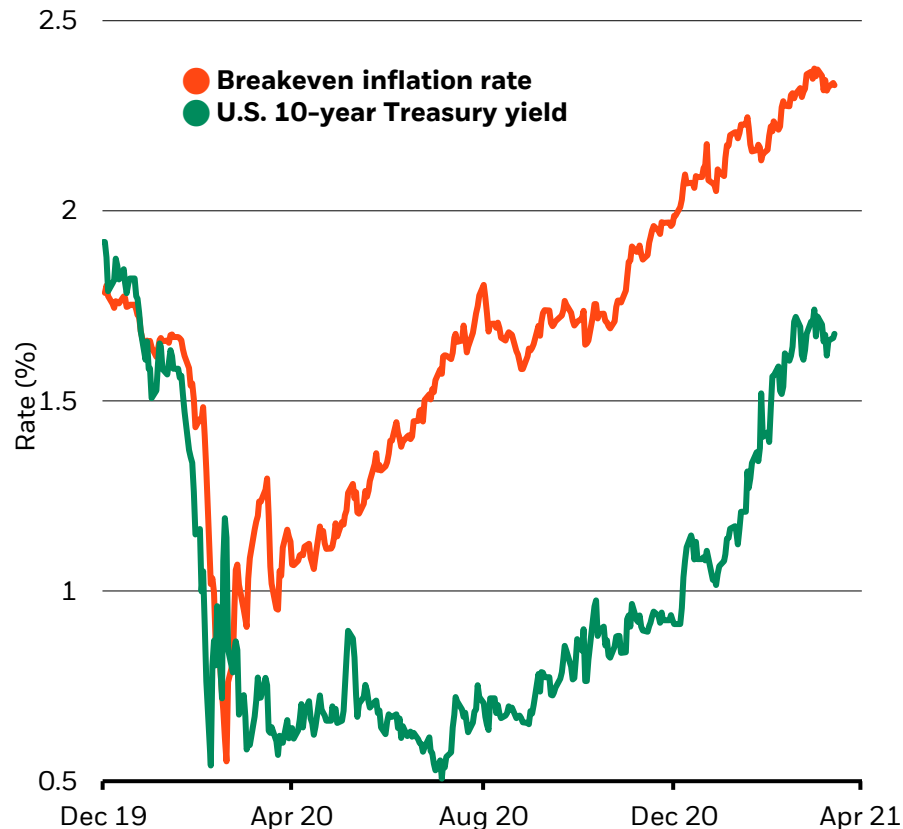
Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.

Source: BlackRock Investment Institute, with data from Datastream Refinitiv, April 2021. Notes: Data are through 23 April. The letters in brackets indicate our current investment view on the asset class. Indexes or prices used are MSCI AC World USD, Bloomberg Barclays Global Credit, Bloomberg Barclays Global Aggregate - Treasuries USD, Bloomberg Barclays Global Aggregate - Corporate USD, S&P Us Treasury Bill Current 3m Index - Price Index, S&P 500 Composite, MSCI AC Asia Ex JP, MSCI EM, STOXX Europe 50 (USD), MSCI EM Ex Asia USD, FTSE 100, MSCI Japan USD, MSCI World Enhanced Value USD, MSCI World Momentum USD, MSCI World Quality, MSCI World Minimum Volatility USD, Bloomberg Barclays Euro Aggregate Treasury Italy USD, Bloomberg Barclays Euro Aggregate Treasury Germany USD, Bloomberg Barclays U.S. Treasury: U.S. Tips USD, Bloomberg Barclays U.S. Treasury USD, Bloomberg Barclays Global High Yield USD, JPM EMBI Global Diversified - Index Level, JPM JACI Index - Index Level, JPM GBI-EM Composite - Index Level. Returns are shown in USD. Indexes are unmanaged and not subject to fees.

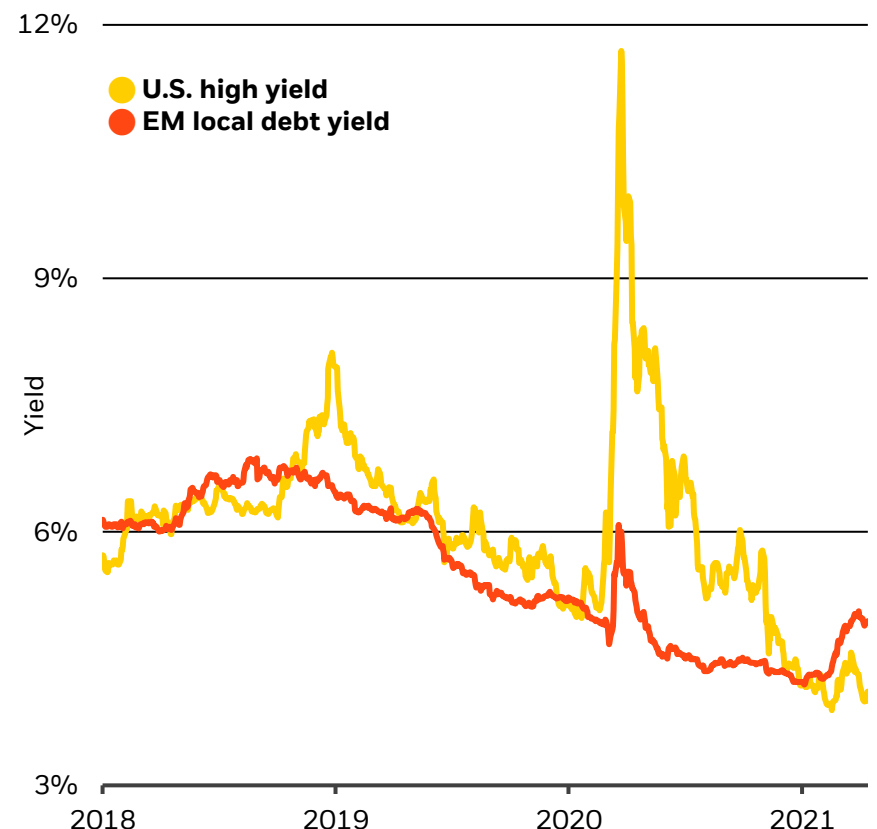
Trimming U.S. Treasuries underweight

We are turning slightly less underweight U.S. Treasuries and closing our overweight on U.S. inflation-linked bonds. EM local debt's income potential is appealing in a world of low bond yields, in our view.

U.S. breakevens vs nominal yields, 2020-2021



High yield vs EM local debt yields, 2018-2021



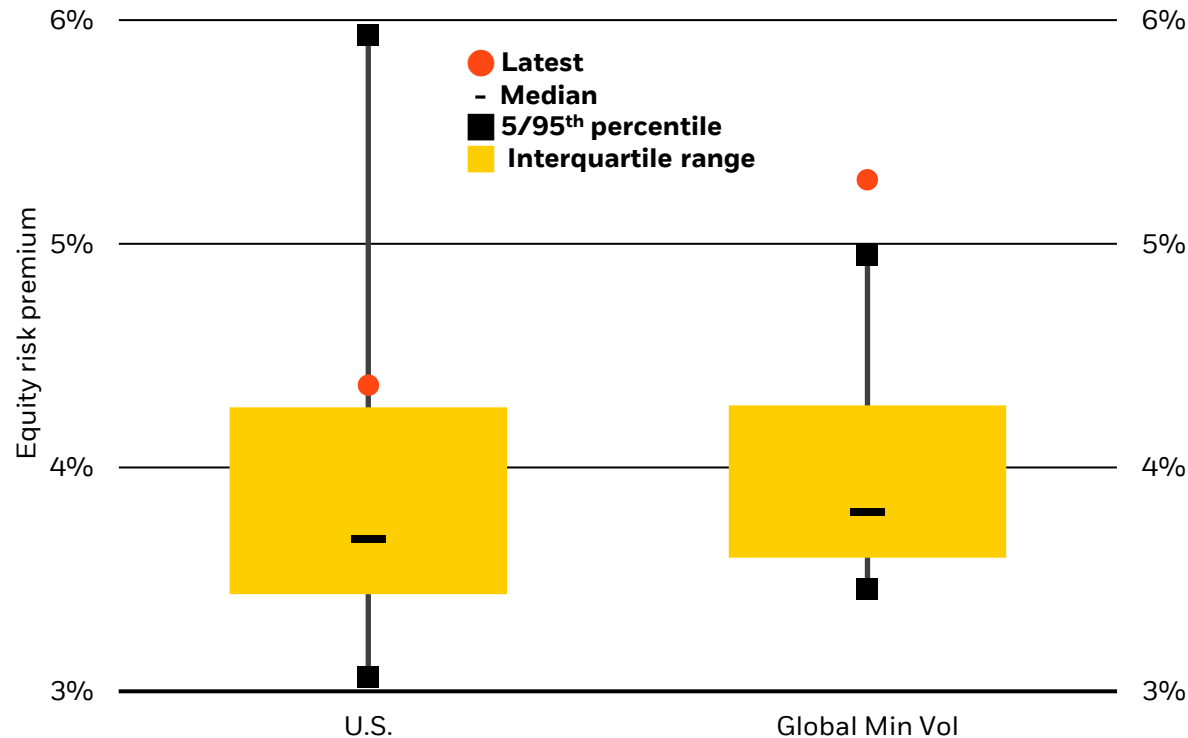
Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and not subject to fees. You cannot invest directly in an index.

Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, April 2021. Notes: The left chart shows the market-implied expectations of forward U.S. inflation using the 10-year breakeven inflation rate and the U.S. 10-year Treasury yield. The right chart compares U.S. high yield debt using the Bloomberg Barclays U.S. Corporate High Yield index and EM local-currency debt by the JPMorgan GBI-EM Global Diversified Index as proxies.

Valuations for minimum volatility look attractive

We are upgrading the minimum volatility style factor to neutral from underweight on valuations. Our regional and sectoral equity preferences also warrant upping exposure to the factor.

Five-year distribution of equity risk premium for the global min vol factor



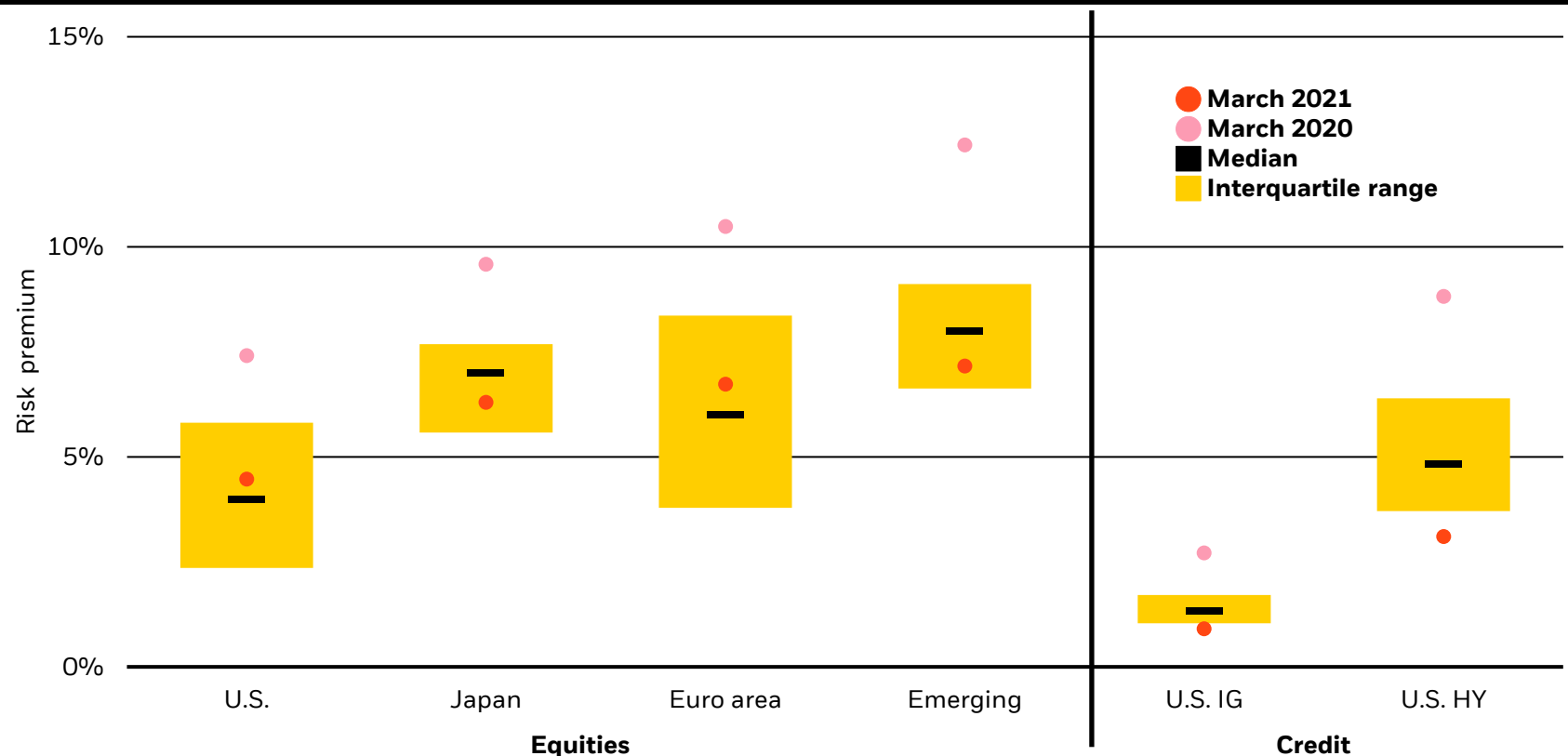
Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and not subject to fees. You cannot invest directly in an index.

Source: BlackRock Investment Institute and Refinitiv Datastream, data as of April 2021. The chart shows the equity risk premium and historical ranges since 2016 for the MSCI USA index and the global Minimum Volatility factor represented by the MSCI World minimum volatility index. We calculate the equity risk premium based on our expectations for nominal interest rates and the implied cost of capital for the index.

We prefer equity to credit in strategic allocations

We find more appeal in equities where valuations are more in line with history even after the rally. Credit spreads have tightened to historical lows following the sharp rebound from last March.

Equity risk premiums and credit spreads current vs. historical



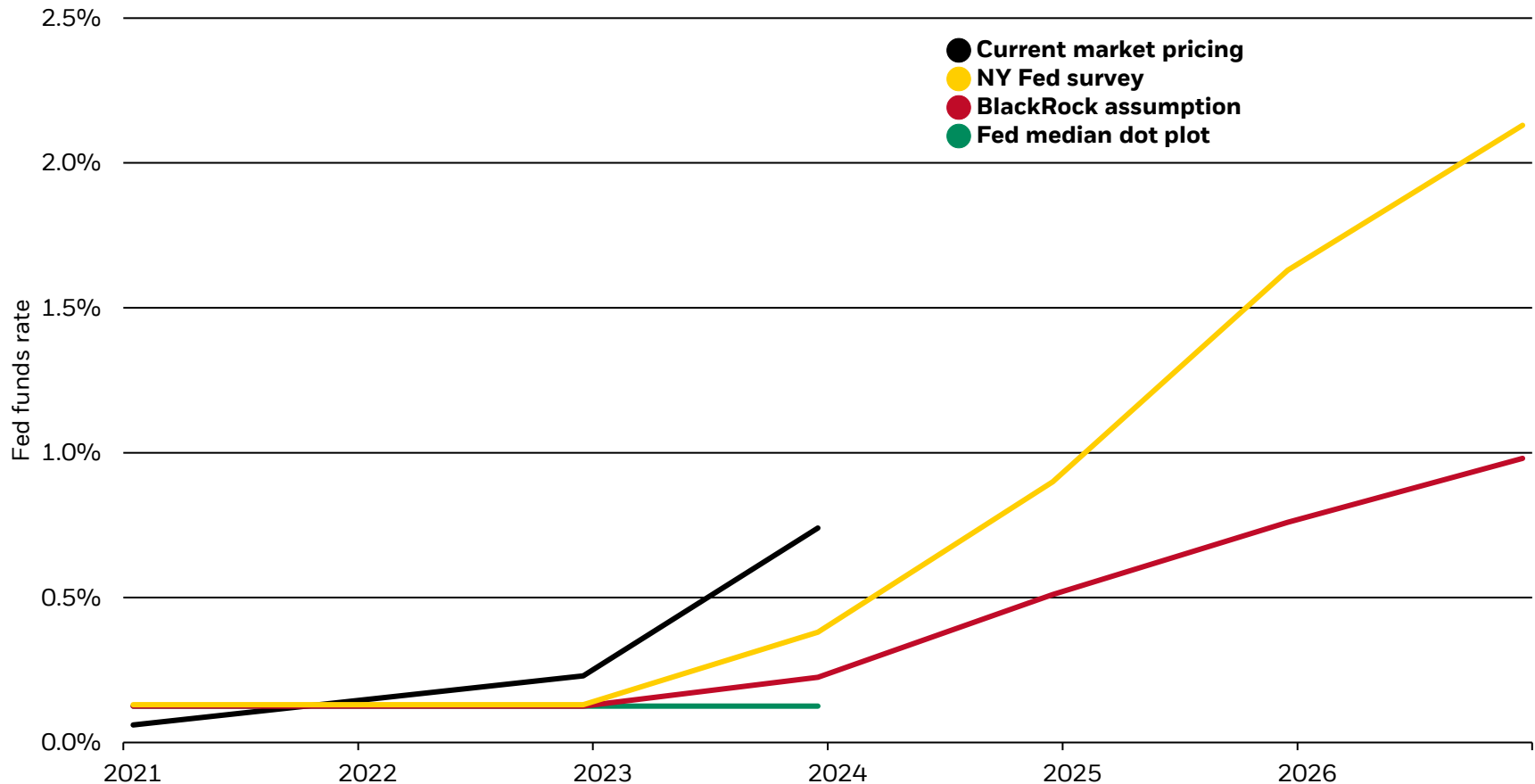
Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and not subject to fees. You cannot invest directly in an index.

Source: BlackRock Investment Institute and Refinitiv Datastream, data as of March 2021. The chart shows the equity risk premium and historical ranges since 1995 for major equity regions based on MSCI indices and the credit spreads for the U.S. Investment Grade and High Yield markets based on Bloomberg Barclays indices. We calculate the equity risk premium based on our expectations for nominal interest rates and the implied cost of capital for respective equity markets. Credit spreads are calculated by taking the difference between the credit market yields and the corresponding government bond yields.

Outlook for short-term rates is key for asset returns

Markets are trying to get a handle on the Fed's post-pandemic reaction function. The disconnect between market pricing and the Fed's own projections has important implications for asset returns.

Expectations of U.S. policy interest rates, 2021-2026

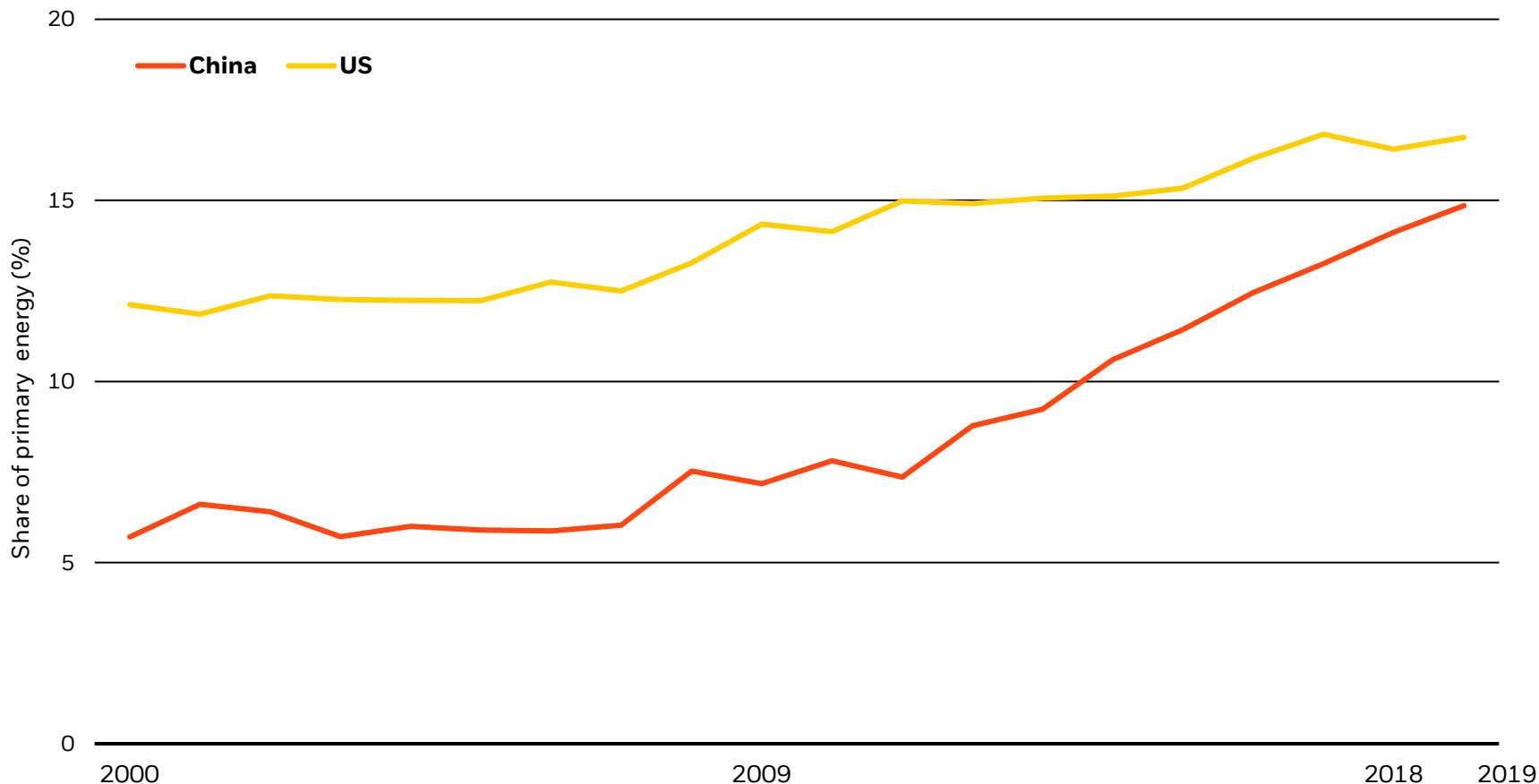


Source: BlackRock Investment Institute, Federal Reserve and Federal Reserve Bank of New York, with data from Refinitiv Datastream, April 2021. Note: The chart shows expectations for the federal funds rate, the Fed's policy target. Market pricing is based on futures on the U.S. dollar Secured Overnight Financing Rate. We use the median forecast in the March 2021 Survey of Market Participants by the New York Fed. The BlackRock assumption is part of our economic projections in our capital market assumptions. The Fed median dot plot comes from the January 2021 Summary of Economic Projections.

China is focusing on quality – not quantity – of growth

China's commitment to achieving a net-zero carbon economy by 2060 is a critical contribution to the global fight against climate change. We believe this focus will filter through to corporate objectives.

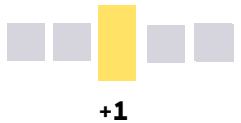
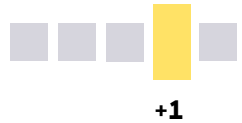
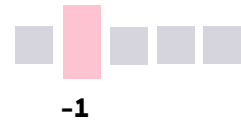
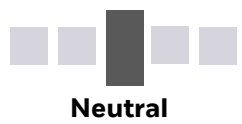
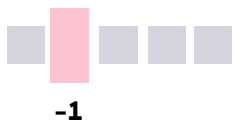
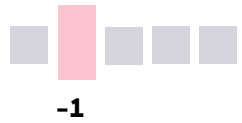

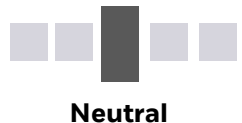
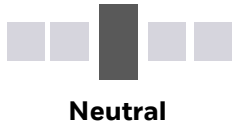

Low-carbon sources in energy production, 2000-2019



Sources: BlackRock Investment Institute with data from CEIC, Wind, March 2021. Notes: The chart shows the share of low-carbon sources as a share of overall energy production.

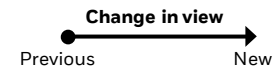
Directional views

Strategic (long-term) and tactical (6-12 month) views on broad asset classes, April 2021

Asset	Strategic view	Tactical view	
Equities	 +1	 +1	<p>We keep our overweight equities on a strategic horizon. We see a better outlook for earnings amid moderate valuations. Incorporating climate change in our expected returns brightens the appeal of developed market equities given the large weights of sectors such as tech and healthcare in benchmark indices. Tactically, we stay overweight equities as we expect the restart to re-accelerate and interest rates to stay low. We tilt toward cyclicity and maintain a bias for quality.</p>
Credit	 -1	 Neutral	<p>We stay underweight credit on a strategic basis as valuations are rich and we prefer to take risk in equities. On a tactical horizon, we are neutral credit following the tightening in spreads, particularly investment grade. We still like high yield for income.</p>
Govt bonds	 -1	 -1	<p>We are strategically underweight nominal government bonds as their ability to act as portfolio ballasts are diminished with yields near lower bounds and rising debt levels may eventually pose risks to the low rate regime. This is part of why we underweight government debt strategically. We prefer inflation-linked bonds as we see risks of higher inflation in the medium term. We are underweight duration on a tactical basis as we anticipate gradual increases in nominal yields supported by the economic restart.</p>
Cash		 Neutral	<p>We use cash to fund our overweight in equities. Holding some cash makes sense, in our view, as a potential buffer against supply shocks driving both stocks and bonds lower.</p>
Private markets	 Neutral		<p>We believe non-traditional return streams, including private credit, have the potential to add value and diversification. Our neutral view is based on a starting allocation that is much larger than what most qualified investors hold. Many institutional investors remain underinvested in private markets as they overestimate liquidity risks, in our view. Private markets are a complex asset class not suitable for all investors.</p>

Note: Views are from a U.S. dollar perspective as of April 2021. 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.

Tactical granular views: equities, April 2021

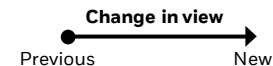


Six to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction

Asset	Underweight	Overweight		
Equities			We are overweight U.S. equities. We see the tech and healthcare sectors offering exposure to structural growth trends, and U.S. small caps geared to an expected cyclical upswing in 2021.	
			We are neutral European equities. We believe that there is room for the market to close the valuation gap vs. the rest of the world as the economic restart becomes more entrenched.	
				We are underweight Japanese equities. Other Asian economies may be greater beneficiaries of more predictable U.S. trade policy under a Biden administration. A stronger yen amid potential U.S. dollar weakness may weigh on Japanese exporters.
				We are overweight EM equities. We see them as principal beneficiaries of a vaccine-led global economic upswing in 2021. Other positives: our expectation of a flat to weaker U.S. dollar and more stable trade policy under a Biden administration.
				We are overweight Asia ex-Japan equities. Many Asian countries have effectively contained the virus – and are further ahead in the economic restart. We see the region’s tech orientation allowing it to benefit from structural growth trends.
				We are overweight UK equities. We believe the removal of uncertainty over a Brexit deal should see the risk premium on UK assets attached to that outcome erode. We also see UK large-caps as a relatively attractive play on the global cyclical recovery as it has lagged peers.
				We keep momentum at neutral. The factor has become more exposed to cyclical, could face challenges in the near term as a resurgence in Covid-19 cases and a slow start to the vaccination efforts create potential for choppy markets.
				We are neutral on value despite recent underperformance. The factor could benefit from an accelerated restart, but we believe that many of the cheapest companies – across a range of sectors – face structural challenges.
				We turn neutral min vol. Our regional and sectoral preferences warrant a higher exposure to the factor. Min vol’s underperformance has brought valuations to more reasonable levels in our view.
				We are overweight quality. We like tech companies with structural tailwinds and see companies with strong balance sheets and cash flows as resilient against a range of outcomes in the pandemic and economy.
				We are overweight the U.S. size factor. We see small- and mid-cap U.S. companies as a place where exposure to cyclical may be rewarded amid a vaccine-led recovery.

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 as of April 2021. 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, April 2021



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

Asset	Underweight	Overweight	
U.S. Treasuries			We trim our underweight to U.S. Treasuries by one notch following the sharp move up in yields in response to the accelerated economic restart. We prefer to stay underweight as we expect short-term rates will stay anchored near zero.
Treasury Inflation-Protected Securities			We turn neutral TIPS following the sharp rise in inflation expectations since late last 2020. Further increases seem unlikely in the near-term. We still see inflation pressures building over the medium term due to structural reasons, such as higher production costs and central banks' tolerance for higher inflation.
German bunds			We are neutral on bunds. We see the balance of risks shifting back in favor of more monetary policy easing from the European Central Bank as the regional economic rebound shows signs of flagging.
Euro area peripherals			We are closing our overweight to euro peripheral bond markets that we have held since April 2020. Yields have rallied to near record lows and spreads have narrowed. The ECB supports the market but it is not price-agnostic - its purchases have eased as spreads have narrowed.
Global investment grade			We are underweight investment grade credit. We see little room for further yield spread compression and favor more cyclical exposures such as high yield and Asia fixed income.
Global high yield			We are moderately overweight global high yield. Spreads have narrowed significantly, but we believe the asset class remains an attractive source of income in a yield-starved world.
Emerging market - hard currency			We are neutral hard-currency EM debt. We expect it to gain support from the vaccine-led global restart and more predictable U.S. trade policies.
Emerging market - local currency			We upgrade EM local debt to overweight as its year-to-date underperformance has left valuations more appealing, particularly if U.S. Treasury yields and the U.S. dollar stabilize. We see limited contagion to broader EM from selected country-specific volatility.
Asia fixed income			We are overweight Asia fixed income. We see the asset class as attractively valued. Asian countries have done better in containing the virus and are further ahead in the economic restart.

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2021 investment themes

The new nominal – We see a more muted response of government bond yields to stronger growth and higher inflation than in the past, as central banks lean against any sharp yield rises. We believe this should support risk assets, even as the restart takes shape.

Strategic implication: We favor inflation-linked bonds amid inflationary pressures in the medium term.

Tactical implication: We prefer to take risk in equities over credit amid low rates and tight spreads.

Globalization rewired – Covid-19 has accelerated geopolitical transformations such as a bipolar U.S.-China world order and a rewiring of global supply chains, placing greater weight on resilience.

Strategic implication: We favor deliberate country diversification and above-benchmark China exposures.

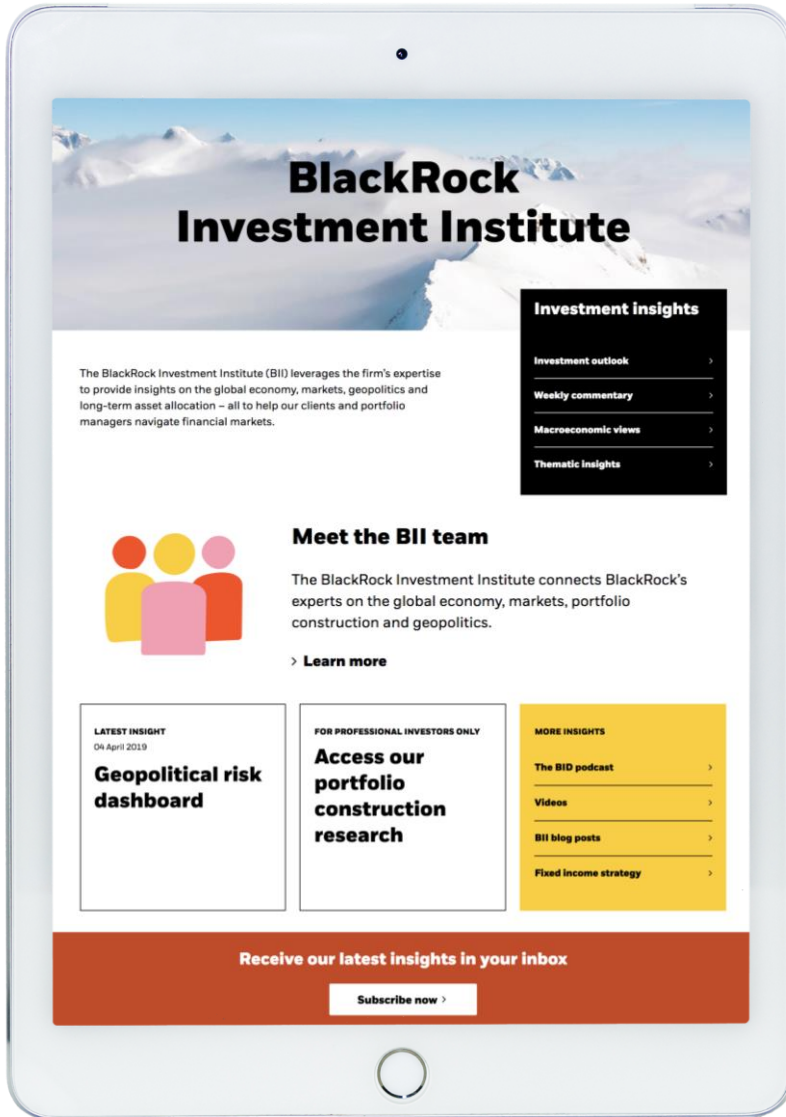
Tactical implication: We like Asia ex-Japan equities, and see UK equities as an inexpensive, cyclical exposure.

Turbocharged transformations – The pandemic has added fuel to pre-existing structural trends such as an increased focus on sustainability, rising inequality within and across nations, and the dominance of e-commerce at the expense of traditional retail.

Strategic implication: We prefer sustainable assets amid the accelerating shift toward sustainability.

Tactical implication: We favor tech and healthcare as well as selected cyclical exposures.

The opinions expressed are as of April 2021 and are subject to change at any time due to changes in market or economic conditions. Strategic implications refer to long-term views, tactical implications refer to asset views on a 6-12 month horizon.



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