## Q1 2022 OUTLOOKS SUMMARY

# BATTLING BACK

**As the spread of the omicron variant has shown, COVID-19 is not yet done wreaking havoc on the world's population. But despite the uncertainty brought on by the ongoing pandemic, global investors have reason for optimism in 2022 as we make more progress in combatting the virus and pent-up demand further expands. The following are some diverse perspectives from across PGIM's autonomous asset management businesses, highlighting the opportunities available to investors, along with a reminder about some of the risks.**

- **While concerns over new COVID-19 variants and inflation persist,** the backdrop for real estate markets in 2022 is one of transition to a new phase of recovery and expansion. Leading indicators are pointing upward, and even though the gap between the best- and worst-performing parts of the market remains wide, most sectors and regions are set for sustained or improved investment performance in the year ahead. City office, apartment and retail markets that suffered during the pandemic are starting to come back into favor, and capital is increasingly finding its way into higher-returning operational assets. See PGIM Real Estate's 9 Trends for 2022 here.

- **The growth environment we foresee for 2022 looks likely to be supportive of risk assets.** We expect growth to slow from 2021's strong pace but remain solidly above trend. However, we believe 2022 will be a more turbulent and less rewarding year, for US stocks in particular, as the Fed unwinds extraordinary monetary accommodation in response to above-trend growth, the rapidly falling unemployment rate, and elevated inflation. Equity valuations have improved with profit growth far outpacing stock market gains, but multiples are still elevated in certain markets, especially in the US. Outside the US, market valuation remains much more favorable. Read PGIM Quantitative Solutions' 2022 Outlook here.

- **We use the framework of secular growth to think about the future over our investment time horizon,** as many pre-pandemic trends continue to hold or even gain pace. While forecasting is difficult in the current environment, we have identified drivers of growth that are not tied to US GDP growth. However, we expect that the policy backdrop may lead to further valuation pressure, similar to that witnessed in the fourth quarter. Moreover, many of the important beneficiaries of the pandemic are facing challenging year-over-year comparisons, but the impact from this comp effect should ease over the course of 2022. Read Jennison's 2022 Outlook here.

- **The crash and surge of the COVID cycle is largely behind us.** As the upside impact of reopening fades, a more moderate expansion will emerge. The rising trend in long rates is, therefore, shifting more to a range-bound environment as are credit spreads. While less exciting than the post-COVID credit recovery, the results for fixed income are nonetheless likely to remain modestly positive with government bonds positioned to outperform cash and credit products set to outperform governments. Additionally, the uneven recovery across the credit and issuer spectrum as well as the EM/DM divide has left plenty of opportunities to add value through active management. Read PGIM Fixed Income's 1Q 2022 Outlook here.

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