

Q1 2024 OUTLOOK SUMMARY

LONG-TERM OPPORTUNITIES IN A PERIOD OF RESILIENCY

Explore online at pgim.com/outlooks

Financial markets emerged from 2023 on a relatively strong footing, considering the fault lines that appeared to be emerging at the start of the year. Investors were girding for a tumultuous period as inflation held firm, recession signals grew louder, and regional banks came under stress. The banking system, financial markets, and the broader economy proved resilient, allaying fears that a downturn was around the corner.

With inflation subsiding and central banks opening the door to a policy shift, global markets entered 2024 on a more optimistic note but remain cautious about the challenges that may still arise. Higher interest rates, slower growth worldwide and geopolitical turmoil leave a cloud of uncertainty over the outlook. But investors who look beyond the current cycle will find attractive long-term opportunities across asset classes. To help investors navigate this environment, PGIM brings together the following perspectives from its affiliates.

PGIM Fixed Income

We have experienced ferocious moves in rate and risk markets on the heels of moderating economic data and the Federal Reserve's pivot towards rate cuts. After market participants piled into the market as 2023 wound down—taking rates lower and spreads tighter—a pause is definitely in order before the rally resumes, albeit likely at a slower pace. True, credit spreads are tighter—much tighter on high yield bonds. But yields on investment grade indices are comparable to year-end 2022 levels, and central banks are, in all likelihood, done raising rates—signaling that we could still be at a strategic buy point for bonds. In the end, 2024 may be a lot like 2023: a bull market year that leads to solid returns. But last year was about so much more. Spreads, rates, and currencies all experienced wide swings, not only presenting risks, but also opportunities to add value through diligent active management. With uncertainty high and an increased likelihood of large and repeated market swings, the alpha opportunity set should be broad and deep. Therefore, we believe 2024 stands to be taxing, but ultimately rewarding, for investors.

[Read the outlook](#)

PGIM Quantitative Solutions

While US equity prices relative to earnings rose in 2023, valuations are not seen as excessive. Among large caps, performance broadened in late 2023. If this trend continues, we could see the equally

weighted S&P 500 Index fare better in 2024. The Bloomberg US Aggregate Bond Index has yet to fully erase its losses from 2022, setting it up for at least some potential gains in 2024. Rather than looking at bets among broad asset classes to add value, an alternative in 2024 will be to look within equities for niches where we see better opportunities. Regionally, Japan is attractive due to still-easy monetary policy, fiscal stimulus, and strong earnings growth expectations. Commodity returns are likely to be moderate but volatile in 2024. While higher rates have improved our long-term outlook for multi-asset portfolios from a return perspective, building a diversified portfolio has become more challenging with equity/bond correlations remaining significantly positive heading into 2024. However, stocks' correlations with diversifiers such as commodities and safe havens (like gold) have turned negative, making them potentially attractive from a portfolio context next year.

[Read the outlook](#)

Jennison Associates

Taken together, the last two-plus years encompassed financial market distress driven by historic inflationary pressures and interest rate increases, followed by a rebound in asset prices to levels that, in some cases, reached near peaks. Valuation has played a significant role in both the decline and rebound of asset prices. This period has been challenging, but we note that our growth strategies have meaningfully participated in the recovery. These companies have navigated throughout the environment in strong financial and operational health. We also expect to see generative AI use cases and applications spread from technology providers and developers to a wide variety of industries and companies that use these tools to increase competitive positioning through improved time to market, streamlined customer service, and accelerated efforts to harness data in increasingly sophisticated ways.

[Read the outlook](#)

Real Estate

A tougher financial backdrop highlights the increasing importance of fundamentals in driving value. In particular, the resiliency of occupier markets means the opportunities resulting from shortages of stock and debt capital are growing. But where and by how much? These will continue to vary significantly around the world. In the Americas, a slowing economy combined with elevated interest rates will cause property financing to remain scarce, extending the slide in property values and activity through 2024. The sharp repricing of European real estate assets

continues as interest rates remain elevated and liquidity low. Overshooting is increasingly looking likely. There are positive trends supporting occupier markets, but downside risks dominate going into 2024. The Asia Pacific real estate market outlook is stabilizing, with the prospects of recovery starting in 2024. However, leasing fundamentals and capital market conditions will remain highly diverse across the region.

[Read the outlook](#)

THE PURSUIT OF OUTPERFORMANCE

For Professional Investor Use Only. All investments involve risks, including possible loss of principal. Past performance is not indicative of future results.

The information contained herein is provided by PGIM, Inc., the principal asset management business of Prudential Financial, Inc. (PFI), and a trading name of PGIM, Inc. and its global subsidiaries. PGIM, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Registration with the SEC does not imply a certain level of skill or training.

In the United Kingdom, information is issued by PGIM Limited with registered office: Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR. PGIM Limited is authorized and regulated by the Financial Conduct Authority ("FCA") of the United Kingdom (Firm Reference Number 193418). In the European Economic Area ("EEA"), information is issued by PGIM Netherlands B.V. with registered office: Gustav Mahlerlaan 1212, 1081 LA Amsterdam, The Netherlands. PGIM Netherlands B.V. is, authorized by the Autoriteit Financiële Markten ("AFM") in the Netherlands (Registration number 15003620) and operating on the basis of a European passport. In certain EEA countries, information is, where permitted, presented by PGIM Limited in reliance of provisions, exemptions or licenses available to PGIM Limited under temporary permission arrangements following the exit of the United Kingdom from the European Union. These materials are issued by PGIM Limited and/or PGIM Netherlands B.V. to persons who are professional clients as defined under the rules of the FCA and/or to persons who are professional clients as defined in the relevant local implementation of Directive 2014/65/EU (MiFID II). In Italy, information is provided by PGIM Limited authorized to operate in Italy by Commissione Nazionale per le Società e la Borsa (CONSOB). In Japan, information is provided by PGIM Japan Co., Ltd. ("PGIM Japan") and/or PGIM Real Estate (Japan) Ltd. ("PGIMREJ"). PGIM Japan, a registered Financial Instruments Business Operator with the Financial Services Agency of Japan offers various investment management services in Japan. PGIMREJ is a Japanese real estate asset manager that is registered with the Kanto Local Finance Bureau of Japan. In Hong Kong, information is provided by PGIM (Hong Kong) Limited, a regulated entity with the Securities & Futures Commission in Hong Kong to professional investors as defined in Section 1 of Part 1 of Schedule 1 of the Securities and Futures Ordinance (Cap. 571). In Singapore, information is issued by PGIM (Singapore) Pte. Ltd. ("PGIM Singapore"), a regulated entity with the Monetary Authority of Singapore under a Capital Markets Services License to conduct fund management and an exempt financial adviser. This material is issued by PGIM Singapore for the general information of "institutional investors" pursuant to Section 304 of the Securities and Futures Act 2001 of Singapore (the "SFA") and "accredited investors" and other relevant persons in accordance with the conditions specified in Section 305 of the SFA. In South Korea, information is issued by PGIM, Inc., which is licensed to provide discretionary investment management services directly to South Korean qualified institutional investors on a cross-border basis.

These materials are for informational or educational purposes only. The information is not intended as investment advice and is not a recommendation about managing or investing assets. In providing these materials, PGIM is not acting as your fiduciary. These materials represent the views, opinions and recommendations of the author(s) regarding the economic conditions, asset classes, securities, issuers or financial instruments referenced herein. Distribution of this information to any person other than the person to whom it was originally delivered and to such person's advisers is unauthorized, and any reproduction of these materials, in whole or in part, or the divulgence of any of the contents hereof, without prior consent of PGIM is prohibited. Certain information contained herein has been obtained from sources that PGIM believes to be reliable as of the date presented; however, PGIM cannot guarantee the accuracy of such information, assure its completeness, or warrant such information will not be changed. The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. PGIM has no obligation to update any or all of such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy or accept responsibility for errors. These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services and should not be used as the basis for any investment decision. No risk management technique can guarantee the mitigation or elimination of risk in any market environment. Past performance is not a guarantee or a reliable indicator of future results and an investment could lose value. No liability whatsoever is accepted for any loss (whether direct, indirect, or consequential) that may arise from any use of the information contained in or derived from this report. PGIM and its affiliates may make investment decisions that are inconsistent with the recommendations or views expressed herein, including for proprietary accounts of PGIM or its affiliates. Any projections or forecasts presented herein are as of the date of this presentation and are subject to change without notice. Actual data will vary and may not be reflected here. Projections and forecasts are subject to high levels of uncertainty. Accordingly, any projections or forecasts should be viewed as merely representative of a broad range of possible outcomes. Projections or forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. PGIM has no obligation to provide updates or changes to any projections or forecasts.

PGIM and its affiliates may develop and publish research that is independent of, and different than, the recommendations contained herein. PGIM's personnel other than the author(s), such as sales, marketing and trading personnel, may provide oral or written market commentary or ideas to PGIM's clients or prospects or proprietary investment ideas that differ from the views expressed herein.

Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom.

© 2024 PFI and its related entities, registered in many jurisdictions worldwide.