

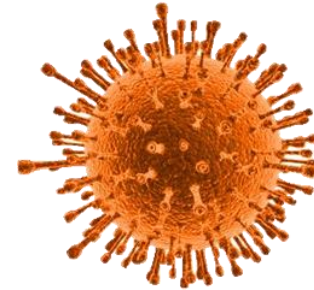
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March 2020

BlackRock®

Global Outlook

Testing limits



BlackRock
Investment
Institute

The vision at the beginning of 2020



**Growth
edges up**




**Policy
pause**




**Rethinking
resilience**

Sources: BlackRock Investment Institute, March 2020. Note: For illustrative purposes only.


Our 2020 investment themes – Updated



Growth recovery delayed – The recent virus outbreak leads us to reconsider our initial view that global growth would edge higher in 2020. We see interest rate-sensitive sectors such as housing firming, but the broader growth pickup may be delayed, with the virus impact likely concentrated in the first half.



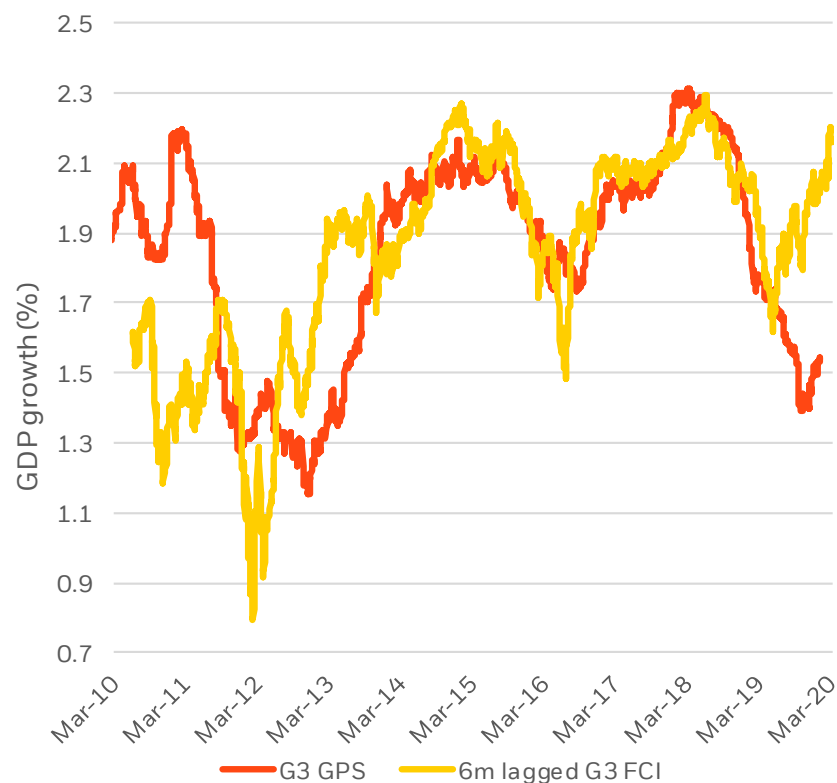
Policy pause in question – We see geopolitical issues driving markets again in 2020 (coronavirus, U.S. elections), with monetary easing possibilities increasing and likelihood of fiscal stimulus also on the rise. The tension between the two could see yield curve steepening.



Reinforcing resilience – The increase of uncertainty reemphasizes the need of sources of resilience, where equity factor-based strategies can add value. A focus on sustainability can also help add resilience to portfolios as markets wake up to environmental, social and governance (ESG) risks.

Easy financial conditions had translated into growth pickup...

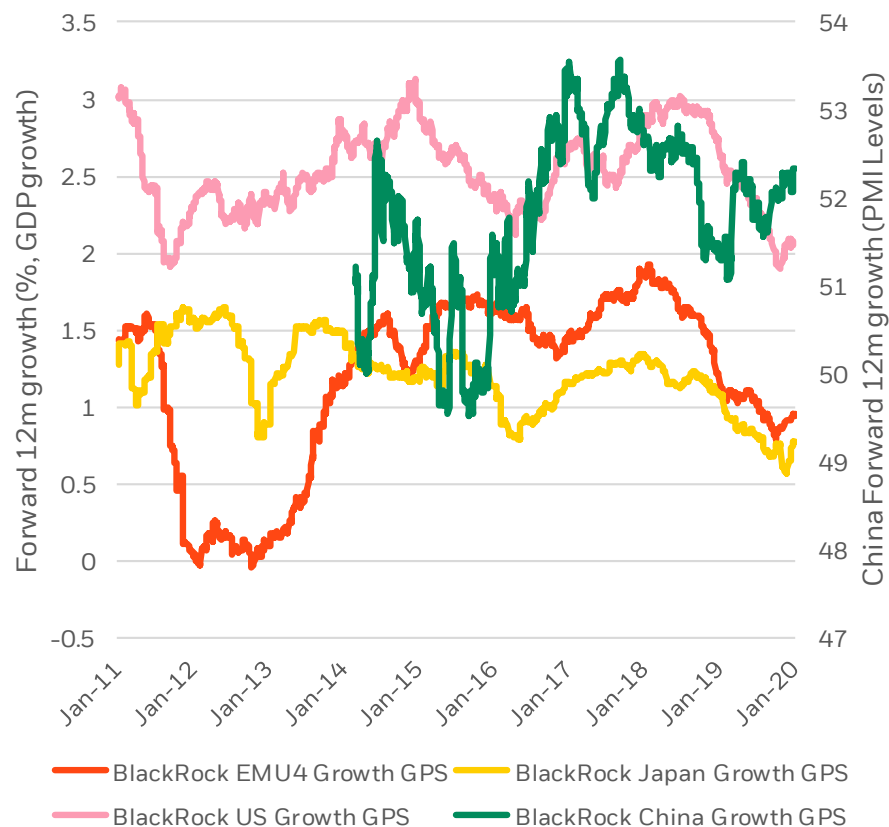
BlackRock Financial Conditions Indicator (“FCI”) and Growth GPS



Forward-looking estimates may not come to pass.

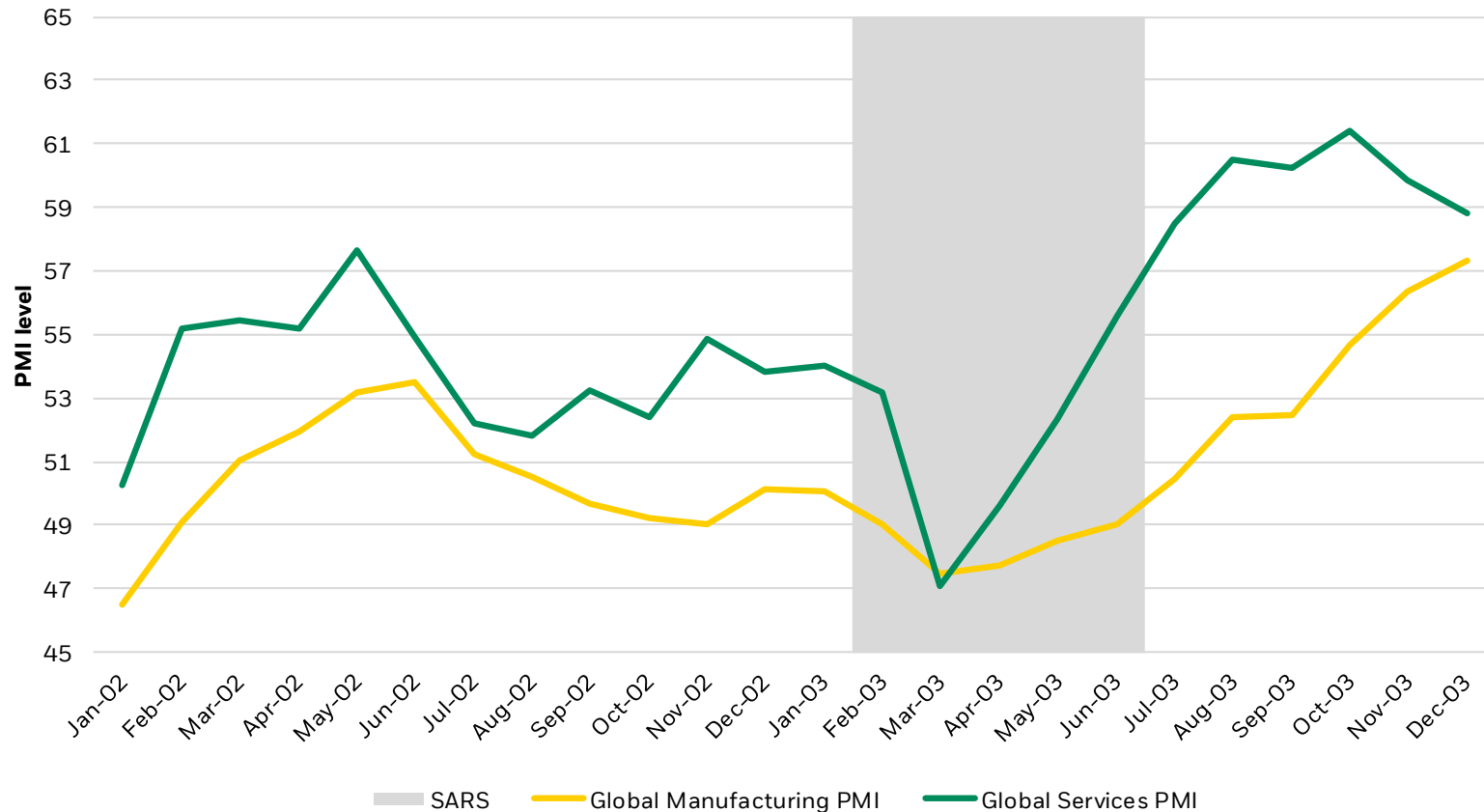
Source: BlackRock Investment Institute, with data from Thomson Reuters, 31 January 2020. Notes: The BlackRock Growth GPS shows where the 12-month forward consensus GDP forecast may stand in three months' time. The BlackRock Growth GPS aims to give a read on the growth outlook for G7 economies and China. It combines new sources of information – including internet searches and text mining of corporate calls – as well as a daily nowcast of traditional economic data. EMU4 refers to Germany, France, Italy, and Spain. BlackRock financial conditions indicators (FCI) give a forward view of where the Growth GPS may head and are expressed in GDP terms. The FCI inputs include policy rates, government bond yields, corporate bond spreads, equity market valuations and exchange rates.

BlackRock Growth GPS: US, Eurozone, Japan, China



...although a dip is likely in Q1/Q2 due to COVID-19, based on historical trends during the 2003 SARS outbreak

Global (EM + DM) Manufacturing and Services PMI – SARS outbreak focus. 2002–2003

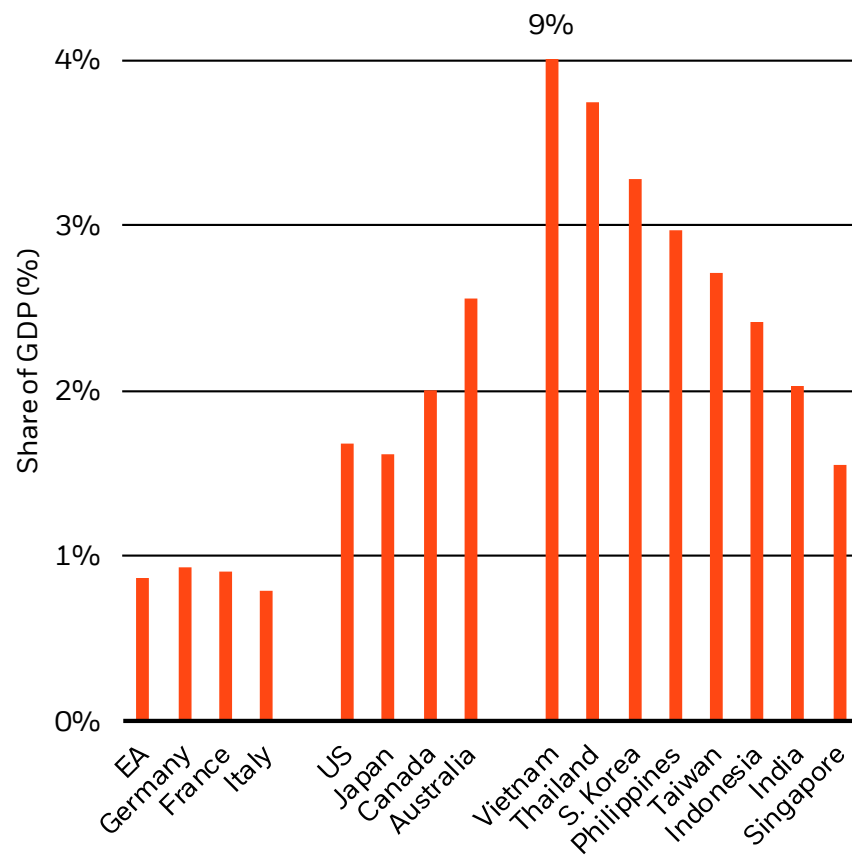
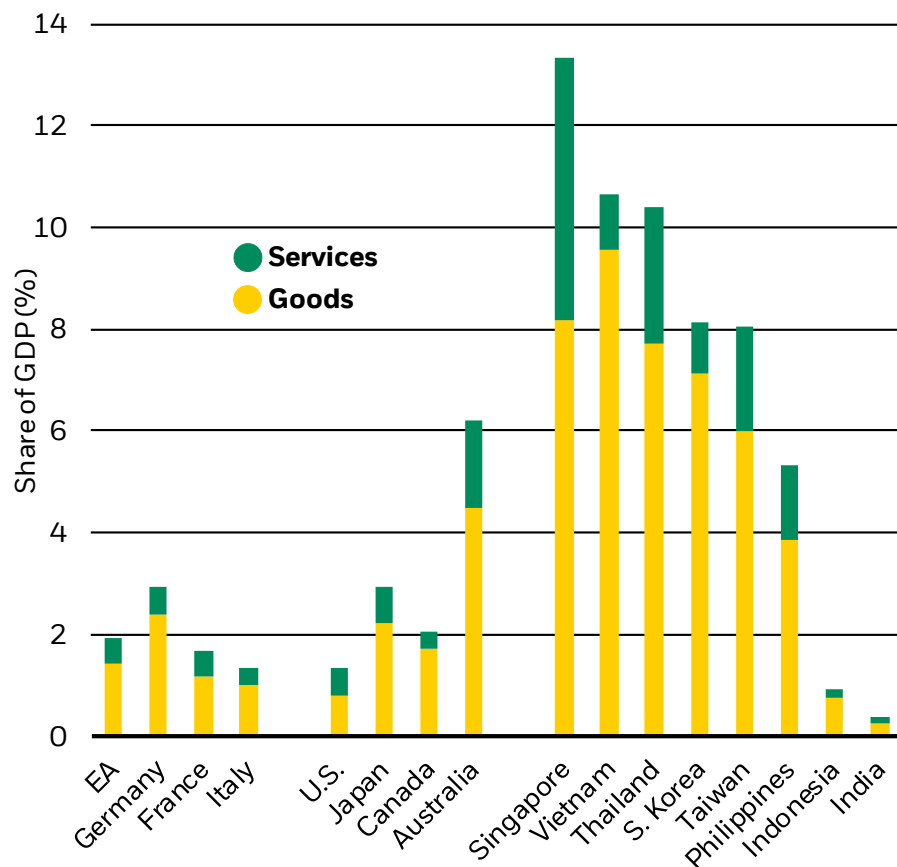


Source: BlackRock Investment Institute, with data from Bloomberg, JP Morgan and Markit, as of 31 January 2020. The chart represents the level of Purchasing Manager Index from January 2002 until December 2003.

Fallout from China disruptions can play out via two channels

Both demand (exports to China) and supply (availability of intermediate components for making final goods) are likely to be disrupted as China slowly gets its economy back up and running.

Exports to and imports from China as a share of local GDP

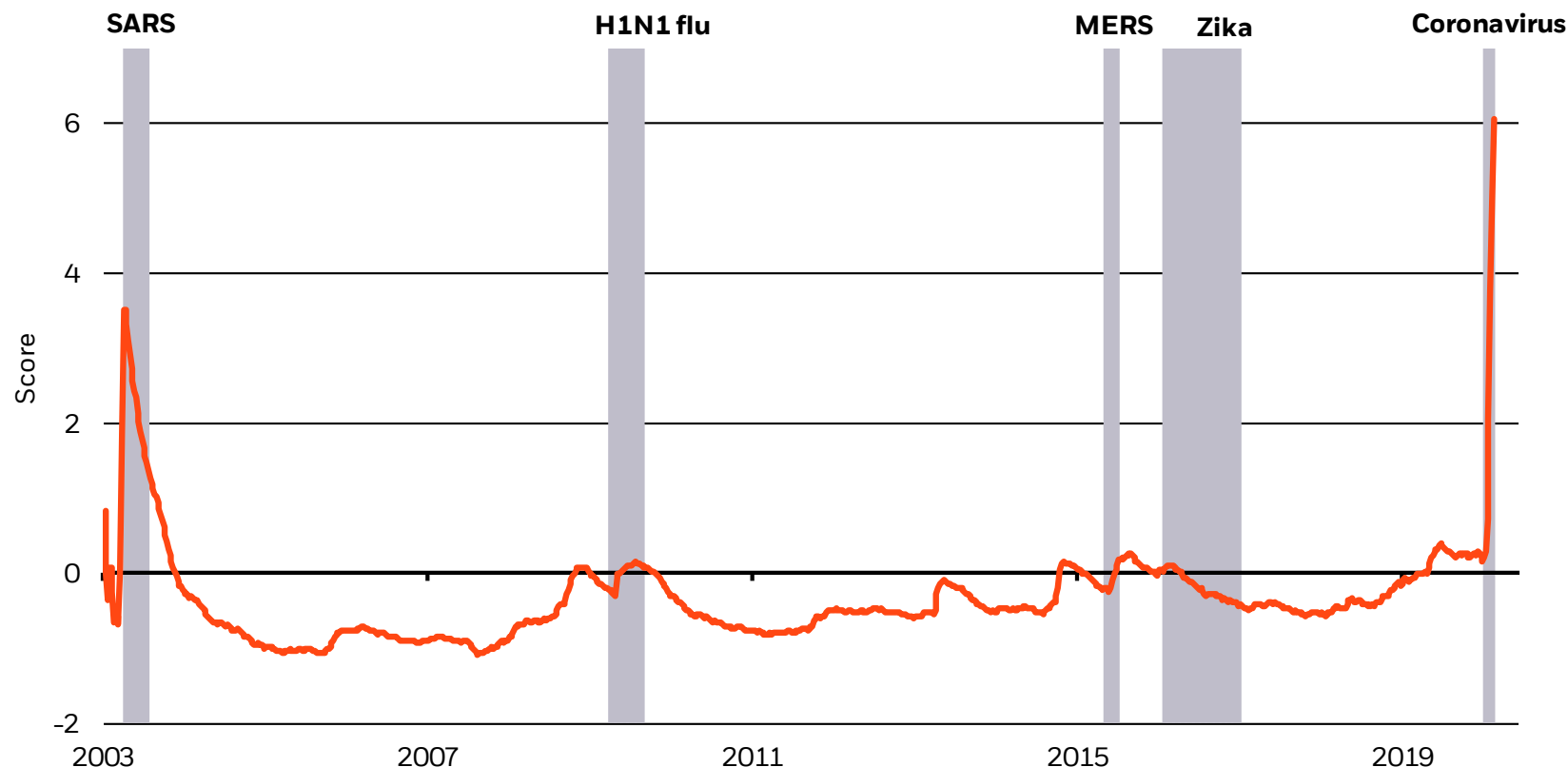


Sources: BlackRock Investment Institute and the Organisation for Economic Co-operation and Development, February 2020. Notes: The left chart shows the goods and services that each country or area exports to China as a percentage of local GDP, using trade in added value data from the OECD, as of 2016. The right chart shows intermediate goods and services imported from China as a share of local GDP.

Market attention to a major disease outbreak never higher

Market attention to the coronavirus, measured by mentions in broker reports and financial media, is far higher than it was for other diseases – and even SARS.

Market attention to global disease outbreaks, 2003–2020

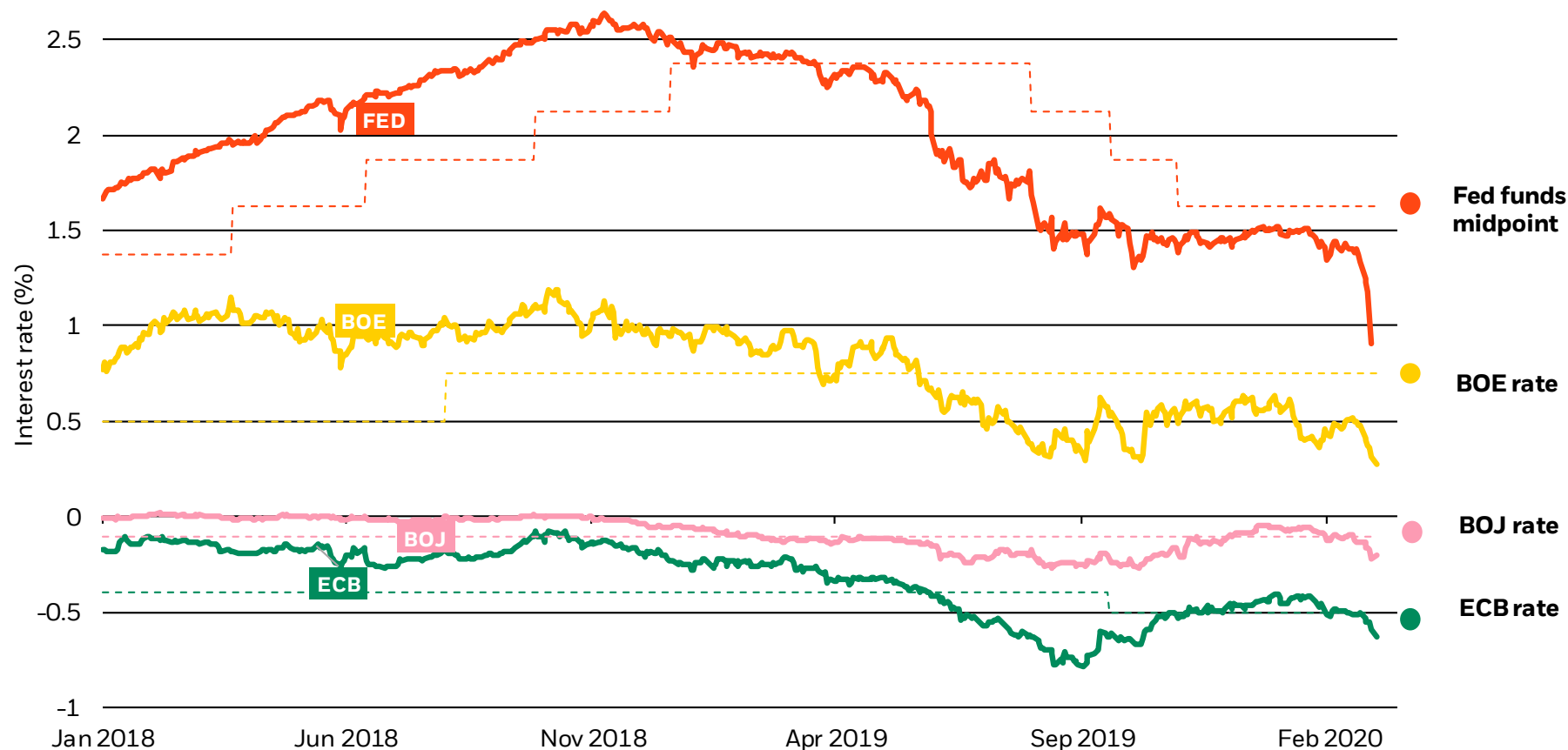


Sources: BlackRock Investment Institute, with data from Refinitiv, February 2020. Notes: We identify specific words related to major disease outbreaks since 2003, then use text analysis to calculate the frequency of their appearance in the Refinitiv Broker Report and Dow Jones Global Newswire databases as well as on Twitter. We then adjust for whether the language reflects positive or negative sentiment, and assign a score. A zero score represents the average level over its history from 2003 up to that point in time. A score of one means the attention level is one standard deviation above the average. We weigh recent readings more heavily in calculating the average.

Central banks' dovish pivot might be back...

Markets have started to price in further rate cuts in the wake of the coronavirus outbreak.

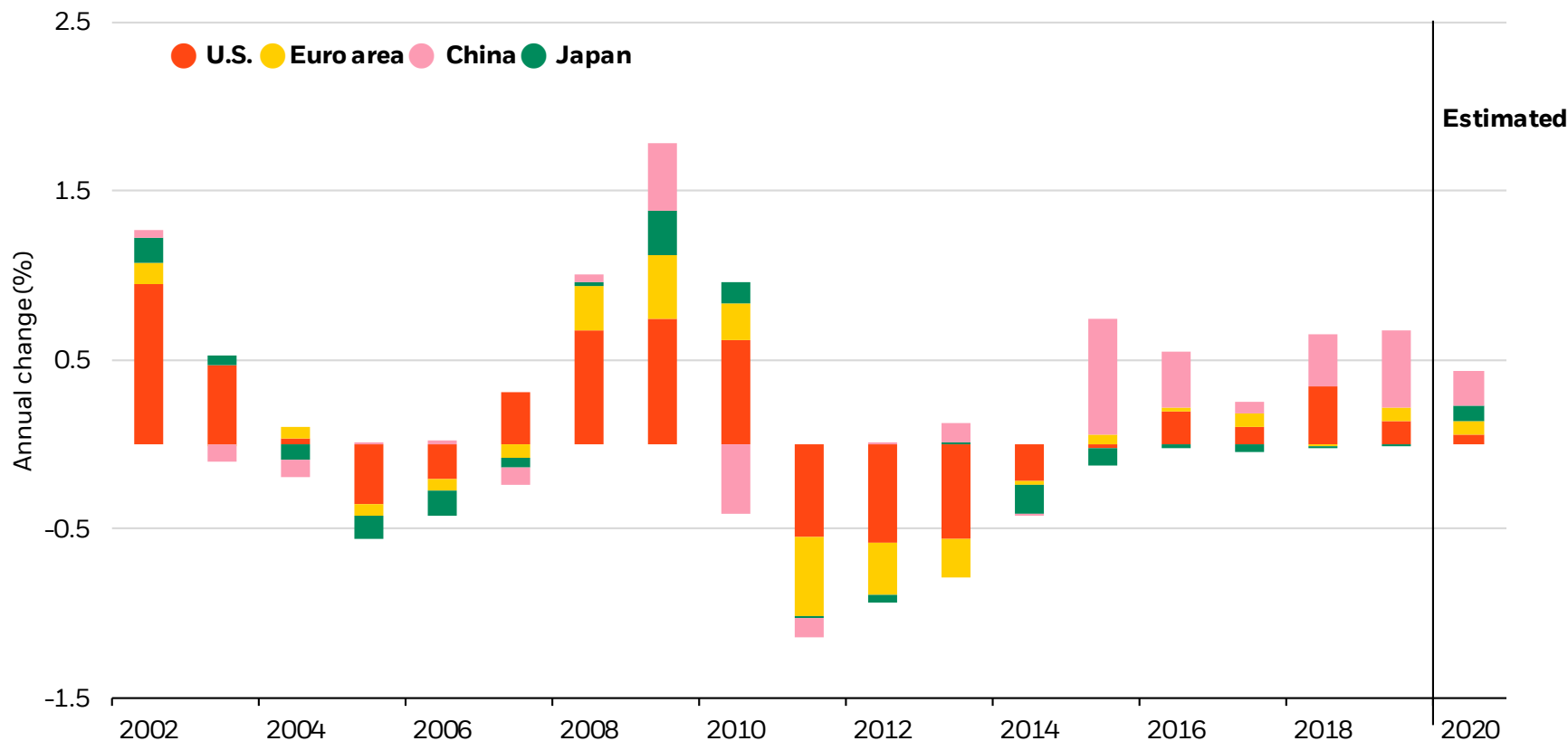
Central bank policy rates and 1-year/1-year forwards, 2018-2020



Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, March 2020. Data as of 2 March 2020. Notes: The solid lines show the market pricing of policy rates in overnight index swaps on a one-year horizon starting in one year's time. Dotted lines show policy rates for each region; we use the midpoint of the fed funds target range for the U.S.

...while fiscal policy likely to turn out more expansionary than currently expected

Global fiscal impulse from G3 and China, 2002-2020



There is no guarantee that any forecasts made will come to pass.

Source: BlackRock Investment Institute, IMF, OECD and the European Commission, with data from Bloomberg, December 2019. The chart shows the annual change in the cyclically adjusted government primary balance weighted by GDP in purchasing power parity terms. The bars show the fiscal impulse from each region relative to the size of the global economy. 2020's estimated path implies mild fiscal stimulus consistent with views from the IMF, OECD and brokers. The impact of monetary easing in China is not included to calculate the fiscal impulse due to its limited influence on growth and the lack of a consistent estimate for the neutral rate.

Review on Latin America

Coronavirus/China effects and Transmission Channels



Latin America – Consumption and investment shocks in China, effects by sectors/countries

	Consumption Shock in China		Investment Shock in China
	Agriculture, forestry & fishing	Food, beverages & tobacco	Mining
Higher Impact	Brazil	Peru	Chile
	Chile	Chile	Brazil
	Argentina	Brazil	Peru
Lower Impact	Peru	Argentina	Mexico
	Colombia	Mexico	Colombia
	Mexico	Colombia	Argentina

Latin America – Main channels of transmission from shock to China activity, by country

	LatAm Exposure to China			
	Trade: Exports to China	Global Commodity Prices	Trade: Supply Chain Dependence	Tourism
Argentina	Medium	High	Low	Low
Brazil	Medium	High	Medium	Low
Chile	High	High	Low	Low
Colombia	Low	High	Low	Low
Ecuador	Low	High	Low	Low
Mexico	Low	Low	Medium	Low
Peru	High	High	Low	Low

Source: Goldman Sachs Investment Research, as of February 2020.

Review on Latin America

Views over a six-month time horizon



Country	GDP	Inflation	Monetary Policy	Current Account	Govmt Debt	Reforms	(Geo) Political Risk	FI Valuations	Equity Valuations
Brazil	●	●	●	●	●	●	●	●	●
Mexico	●	●	●	●	●	●	●	●	●
Chile	●	●	●	●	●	?	●	●	●
Colombia	●	●	●	●	●	●	●	●	●
Peru	●	●	●	●	●	●	●	●	●
Argentina	●	●	●	●	●	●	●	?	?
Venezuela	●	●	●	●	●	●	●	●	

Source: BlackRock Investment Institute, as of February 2020.

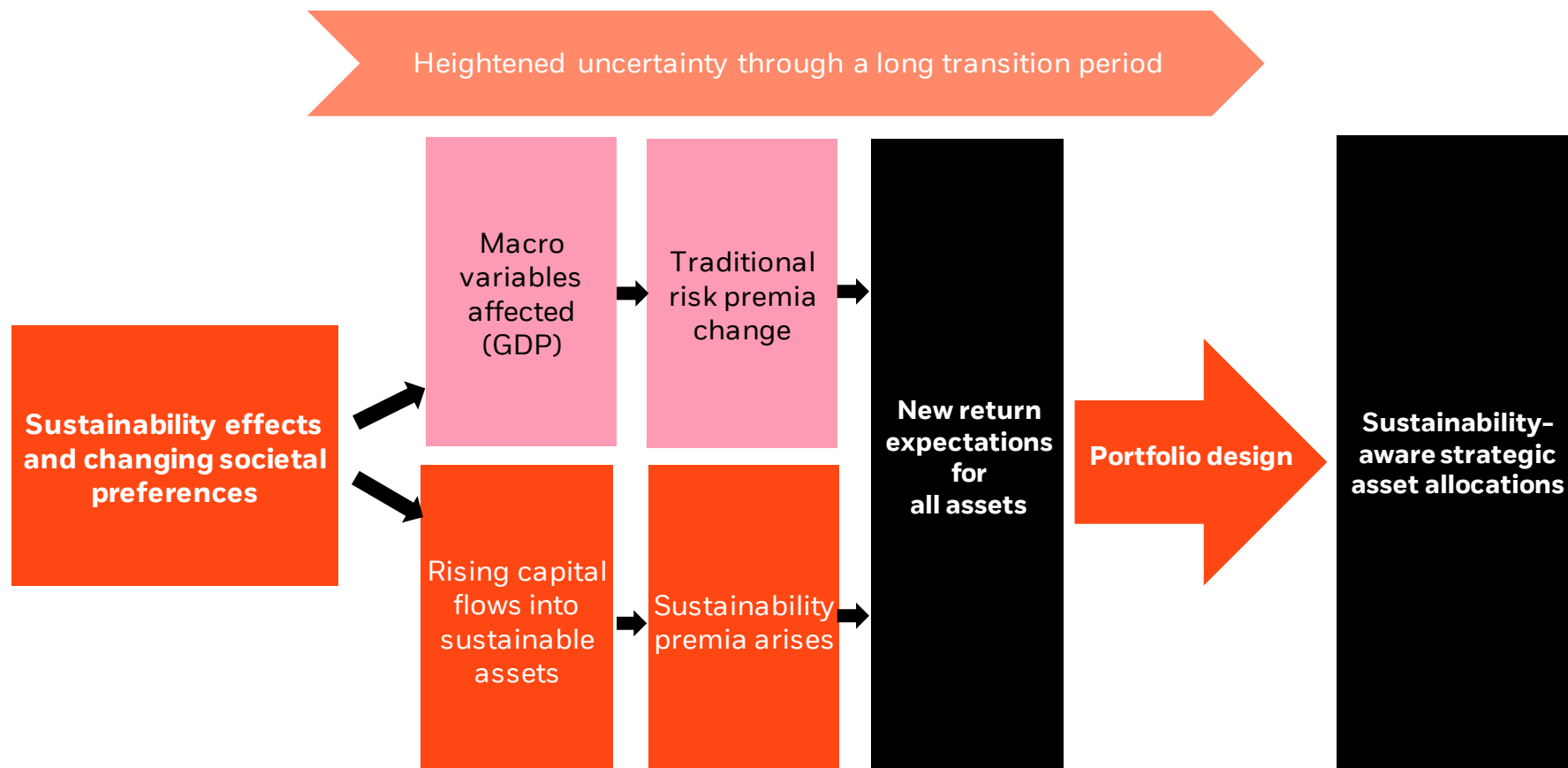
Note: Green color represents a positive outlook, gray neutral and red negative. Question mark indicates under review.

For information purposes only Subject to change. 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 the funds or any security in particular.

Sustainability is a tectonic shift in investing

We believe sustainable investing does not mean sacrificing returns. Far from it. Sustained flows into sustainable assets may help them outperform through a long transition that is just beginning.

BlackRock framework for sustainability-aware portfolios

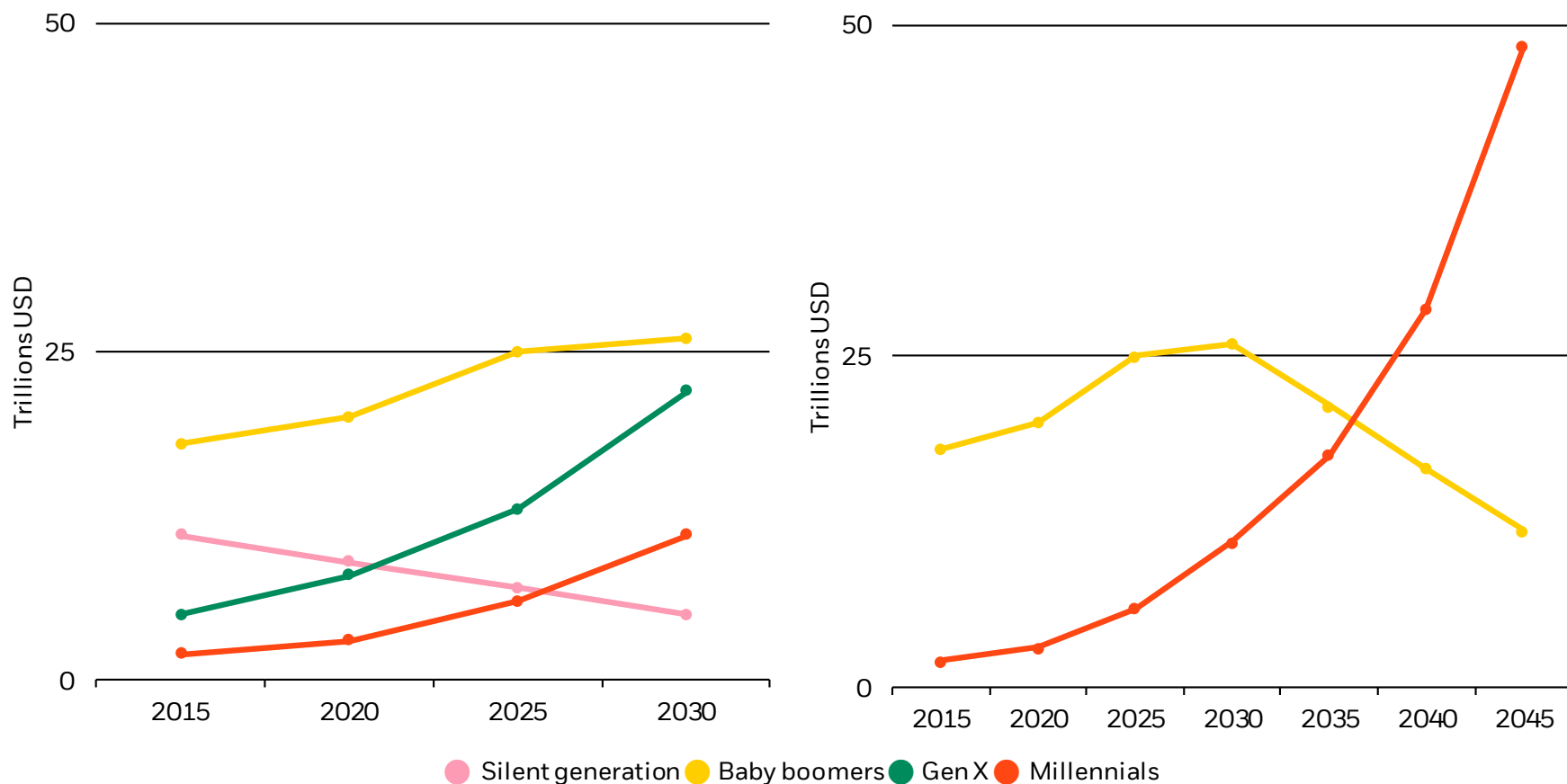


Source: BlackRock Investment Institute, February 2020. Notes: For illustrative purposes only. Subject to change without notice.

Wealth transfer – just one factor driving ESG adoption

An ongoing transfer of wealth to a younger generation with greater awareness of sustainability is just one of the structural factors that will drive a sustainability wave in coming years and decades.

Estimates of financial asset holdings by U.S. generations and extrapolating trends, 2015–2045



Sources: BlackRock Investment Institute, with data from Deloitte Center for Financial Services, February 2020. Notes: The chart on the left shows the distribution of investable financial assets across different generational cohorts as defined by Deloitte in [this paper](#). The chart on the right shows a hypothetical rate of change in wealth applying the rate of increase between 2015–2030 of Gen X to millennials in 2030–2045 and applying the rate of change of the silent generation to baby boomers over the same period. Forward-looking estimates may not come to pass.