PIMCO

CYCLICAL OUTLOOK MARCH 2026

Layered Uncertainty: Conflict, Credit Stress, and AI

Three key themes are shaping the global investment landscape. In an environment defined by uncertainty and dispersion, PIMCO remains focused on diversification, selectivity, and quality to help investors stay resilient across a variety of scenarios.

Our March 2026 Outlook focuses on three key themes:

	Geopolitical shocks	Private credit concerns	AI disruption
Macro implications	Energy shock raises stagflationary risks and deepens disparities	Concerns we have flagged about rapid growth, illiquidity, and lax underwriting are playing out across corporate direct lending	AI creates clear winners and losers across consumers, companies, and countries
Investment implications	• The market's sharp repricing of central bank policy expectations creates opportunities across bond markets • With energy shocks more common in recent years, consider structural allocations to TIPS, commodities, and other real assets	• Look to opportunities in public fixed income, with attractive yields and robust liquidity profiles • Explore private credit investing beyond direct lending, including more resilient areas like asset-based finance and real estate debt	• Tilt up in quality, using rigorous bottom-up credit selection to identify risks • We see sustainable opportunities in AI infrastructure lending when pricing is attractive and lender covenants are strong

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