



CYCLICAL OUTLOOK JANUARY 2026

Compounding Opportunity

PIMCO's quarterly Cyclical Forum gives us an opportunity to come together amid the short-term noise to discuss the structural forces shaping the global economy and financial markets over the next year. This feels especially useful at a time of sweeping change.

Macroeconomic Backdrop

Compounding Opportunity explores the forces driving global resilience, divergent economic and policy trends, and the opportunities that will present themselves in the year ahead.



Growth remains surprisingly resilient

The global economy has weathered tariff pressures, aided by AI-related spending and efficiency gains



Winners and losers drive "K-shaped" economic trends

Companies deploying AI and wealthier households are benefitting. Others are at risk of being left behind.



Globally, monetary and fiscal policies are diverging

Fiscal policy is set to become more influential as monetary easing nears its limits

Investment Opportunities

Shifting landscapes can reveal both new and enduring opportunities for active managers with extensive, global resources. We believe today's varied economic conditions can provide ample opportunities for alpha generation, and that active management is critical to identifying attractive investments across global markets and the credit spectrum.



Bonds present compelling, durable opportunities

Elevated starting yields offer a solid foundation for active investors seeking to generate alpha



Use global diversification to help mitigate risks

Tap opportunities worldwide to unlock attractive yields across markets



Be selective in a late-cycle credit environment

Seek value across the public-private continuum, focusing on liquidity and credit quality

Past performance is not a guarantee or a reliable indicator of future results.

All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed.

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Investors should consult their investment professional prior to making an investment decision. Outlook and strategies are subject to change without notice.

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