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**SCOTT WAPNER, CNBC:**

I mentioned Erin Browne is going to join us. She will now. Erin Browne, of course, of PIMCO. So Erin, let's talk about what Mr. Tepper told me a little while ago, not that complicated really to him and maybe not to you either. “Just not QE anymore. We're doing QT. It's a higher rate environment. Can't have the same multiple. It's not bad. It's just different.”

**ERIN BROWNE, PIMCO:**

I think that's right. I think that you really have to consider the fact that over the next couple of months, really into next year, you're going to be in a very different environment that we've all gotten used to over the last 15 years. And it's going to be much more volatile, both in terms of the trajectory of the market, but also the trajectory of earnings. And so that, I think, leads you to be much more defensive in your positioning. Really hold cash, horde cash for better opportunities and dislocations in the market. And it's going to be a little bit more of a dynamic trading environment, rather than staying invested and holding on for just keeping your money in. You're going to want to be a little bit more dynamic in terms of how you're trading it, selling when it's high, buying when it's low, and really keeping cash on the sidelines and able to take advantage of those dislocations in the market.

**WAPNER:**

Like, if you've been one of the greatest investors who's ever lived, and doesn’t know what the right multiple on the market is, how is anybody else to know? Do you feel like you have a great handle on where we should be?

**BROWNE:**

I think a lot of the dialogue and conversation that you had with the previous guests, I think, is right in the sense that right now, the market, when you look at it, ex “The Magnificent Seven”, is actually fairly valued relative to whether it's 240 on the S&P 500 or a number slightly below that. The market today is not overvalued when you just look at the average S&P component. However, I do think that you're not going to be likely in an environment with 19, 20 times forward earnings. I think something in the range of 17 to 18 times where we sit today is probably a comfortable level. So we're able to grow into that with strong earnings. I think that the multiple isn't going to be a deterrent towards further price appreciation, but it does make the market more skittish, just given the fact that we're fairly valued, but still have pretty robust earnings expectations out there. I think that the market probably settles in with somewhere a little bit shy of 240 next year, but I don't think that that's going to be an impediment to growth as long as you see further breadth of the market performing next year.

**WAPNER:**

No, well, because some have sort of put everything Erin, on keeping their eyes on the so-called price of, “Yes, I understand that interest rates in the near term may very well go higher.” The 10-year might go to 5%, that could be dislocationing for stocks in the near term. However, we're on the precipice of a rate-cutting cycle. Listen to what Altimeter’s Brad Gerstner said at “Delivering Alpha” too. We can talk about that.

***BRAD GERSTNER, ALTIMETER: (recorded)***

*“We're at the precipice of a rate-cutting cycle, a very different set of facts. But we also may have, in fact, stepped on the economy. We're slowing it down. The Fed intends to slow it down. So I'm very optimistic- over the course of the next two or three years. Why? Because we're not going to continue to get high grades. And we're at the beginning of one of the biggest tech booms in the history of technology. AI is going to be bigger than the internet, bigger than mobile, and bigger than cloud software.”*

**WAPNER:**

How about that, Erin?

**BROWNE:**

So first, I think the biggest impediment to markets right now is not the level of rates, but it's the pace at which rates are sold off. We're- rates have risen by 70 basis points over the last quarter alone. And further, if you look back over the last year, I think that the pace and the speed at which rates have sold off and rates have risen is the biggest concern for markets right now. I think that if you were to stem the pace of rate rises, I think that that's going to go a long way in terms of stabilizing not just bond market volatility, but equity market volatility as well. And you will start to see equity markets regain their footing and start to do well again. But I think that if you continue to see rates selling off, that's going to be a really challenging environment for equities. I don't think that we're quite at the precipice of rate cuts, but I would say that over the next one to two years, the likelihood of a 100 basis point rate cut is probably more likely than we see an accelerated move of rate hikes at this point. So we still think that we're far ways off from rate cuts. But likely over the next couple of years, we'll certainly be back in a rate cutting environment.

**WAPNER:**

Erin, I appreciate you being with us as well. Everybody reacting to these comments I got from David Tepper, which we'll continue to talk about for our program with our other guests who are coming on as well.