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**MANUS CRANNY, BLOOMBERG:**

Well, it was fast, it was furious, it was ferocious, joining me now to break it down and discuss the markets. PIMCO's Erin Browne, Peter Tchir from Academy Securities, great to have you both with us. Day Two of a reflective moment for markets. I want to put this to you. Bank of America’s Savita Subramanian writes this; “A rout in big tech, a broadening night of the market leadership is becoming consensus. But that means, January's pain trade equals higher TMT and mega caps”. Do you think it is quite a contrarian position to say that big tech is going to have a brutal day or month of realization? Peter, let's take it to you first of all. Good morning.

**CRANNY:**

Erin, let's bring it back to you. We have a renewed gravitational pull. It's sucking us back towards 4%. So for this morning, and perhaps for this month until we see where the Fed comes down, we'll get some minutes later on in the day. Is the gravitational pull just a better reentry proposition for you?

**ERIN BROWNE, PIMCO:**

I think that's right. I mean, if you think about the last really quarter of economic data, we had very benign economic data, coupled with the more dovish Fed, and that I think really did pull a lot of people into the market, but also back into bonds. I think right now, the fundamentals- or prices have sort of outstripped the fundamentals. I do think that we'll get there over time, but I think typically January is a month where you see trend reversals. It's also a month, you know, just given the extent of the rally that you would expect to see a pause after what was a tremendous, you know, sort of monster rally across all global assets. And so I think right now we're really just taking a step back, digesting the data, and we need to see the fundamentals now catch up with the market momentum and prices that we experienced in the fourth quarter of last year.

**CRANNY:**

And that's where the divorce is. I want to get a sense from you. I mean, obviously you can evangelize Erin, in that bonds will emerge as the standout asset class. So I'll give that to you, but I want to know why in a relative sense, Peter, why should I think that bonds are going to be, it's going to be a great year for bonds relative to equities. Erin, first of all, stands up the argument. And bonds will emerge as the standout asset class. And if so, where on the curve will it stand out?

**BROWNE:**

So firstly, we saw a really significant rally that I think brought forward. A lot of the returns that we had expected in 2024 into the latter part of 2023. I wouldn't expect a replay of 2023, at least in the last quarter of last year to percolate throughout the rest of 2024. That said, I still think that at close to 4%, bonds still offer value to long-term fixed income and really global asset owners. Given the fact that now we're starting to see them provide more defensive strategy, particularly in downward data or weaker data than expected, you're starting to finally see some of the diversification benefits of fixed income start to pick back up. Secondly, at about 4% return, that is attractive for a long-term owner with very low risk. And so if you think about that relative to the equity risk that you're taking in a portfolio, you're guaranteed a pretty good return over the next 5 to 10 years in a fixed income asset. I think that on top of that, you're also getting the benefit of capital appreciation. And I do think that as we see the data slow from here in the first quarter, you're not only going to get real yield return, but you'll also get capital return. So it's really the sort of trifecta of fixed income that you're getting now, which you haven't gotten from much of the last several years across fixed income assets.

**CRANNY:**

And a lot of people have put in their notes, so we're going to be coupon clipping for the rest of this year and just pick up with an uplift.

**CRANNY:**

Let's put it back across to Erin. To a certain extent, the standard asset of choice for you is going to be bonds. Part of that is going to be the disinflation narrative. And secondly, I want to get a sense from you, to what extent does geopolitical risk play into the bid for bonds as a backstop; or as a portion of hedge, let's say?

**BROWNE:**

So I think that's right. I mean, I think over the last two years, you haven't really received much of a hedge from global fixed income assets. Just given the inflation picture was quite detrimental to fixed income as an asset class and certainly as a hedge, that now has turned. You’ve now seen the tables shifted, inflation projections are likely to continue to show that inflation is going to move lower throughout the course of this year. And you can start to see fixed income really perform like it has in the past as a diversifier and as a hedge for the global assets that you hold in your portfolio. And so I think now for the first time, you know, in at least two years that we can credibly say, that fixed income is back as a defensive asset and as a hedge to your portfolio. And that's one of the reasons that we do think that there's real value to fixed income now in portfolio construction.

**CRANNY:**

Well now to be fair, it took a bit of time for the old bond market to be waking up to be in the hedge of hedges last year and it didn't exactly perform very well for us in the front-day months. But let's see, we've got a long road to run and of course, we have an election at the back end of the year.

**CRANNY:**

So are they going to achieve a 1995 soft landing? The lady with the answer to that is Erin Browne. Is that your core belief, Erin?

**BROWNE:**

So I think that whether they achieve a soft landing or slow down into a softer landing, is probably the question to ask. And we're not expecting by any means a hard recession. We do think that there's going to be softness throughout this year with declining inflation. So if that's what you define as a “soft landing", I don't think we're gonna be off to the races with respect to growth. And this is a new sort of inflection point for more positive growth. I do think it's gonna be a more challenged year for growth this year. But we'll likely avoid sort of the left tail of a hard recession. In that environment, the classes can do well, but I would say that they'll do well in not a linear straight line, but also in a more measured or more moderate pace than what we experienced certainly from last year. So I think that this is an environment where all eyes today are gonna be on the Fed, where they're really gonna be looking for insights and clarification with respect to, what those minutes are suggesting, not just for the pace of rates hikes, but when it's likely to start, the market gets already underwritten a pretty aggressive rate cutting cycle. And so that's I think gonna be the key point to look at later today.

**CRANNY:**

Okay, 47.63 is where we are on the futures, unconvinced Peter Tchir, Erin Browne. Let's see what the Fed minutes have to say and the data, coming up over the next 37 minutes.