BlackRock

# 2025 Midyear Global Outlook

July 2025

BlackRock
**Investment**
Institute



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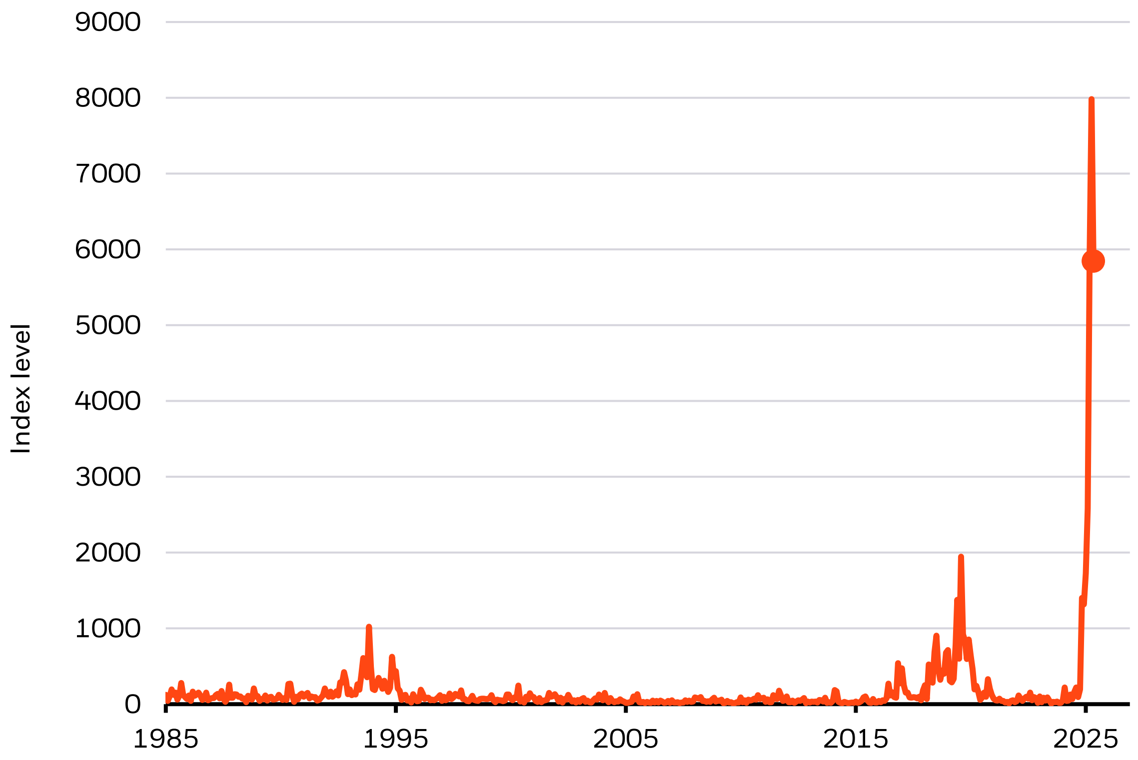
# World seems upended by policy shifts and elevated uncertainty

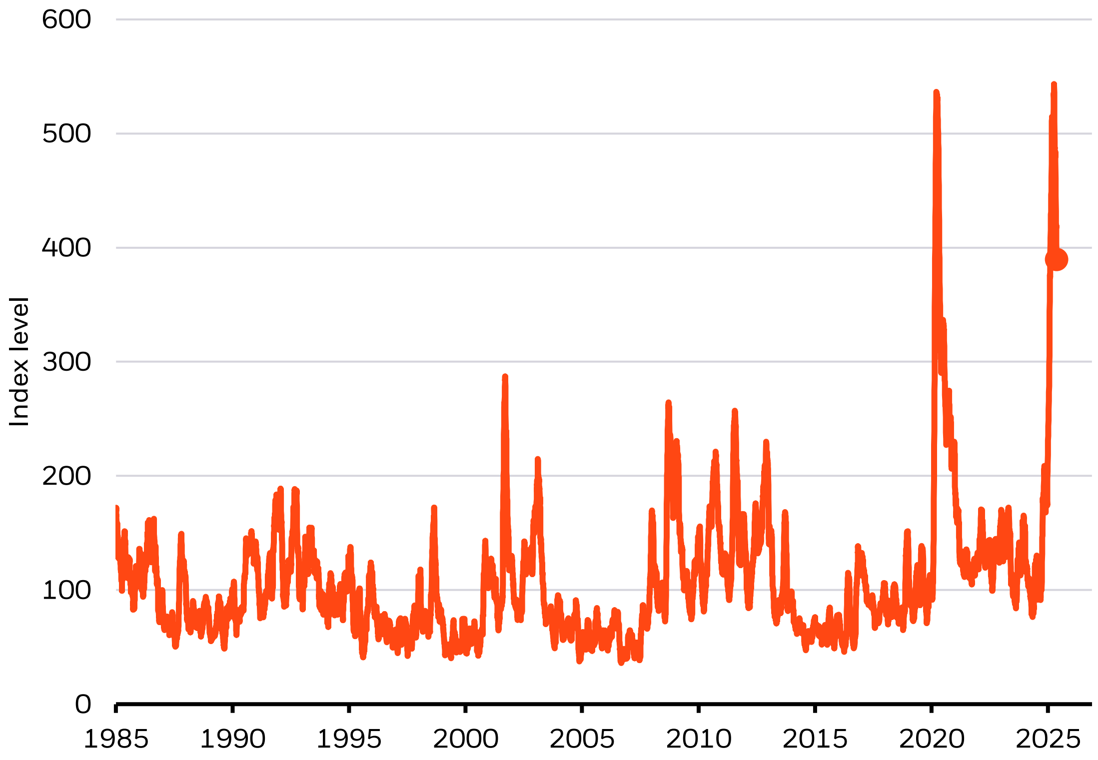
Since late 2024, we saw macro policy becoming a potential source of disruption – and we think that's come to pass. Uncertainty remains elevated – driven by jarring U.S. economic policy shifts – but is well below April's highs.

## U.S. trade policy uncertainty index, 1985–2025




Source: BlackRock Investment Institute, with data from Matteo Iacoviello and LSEG Datastream, July 2025. Note: The Trade Policy Uncertainty (TPU) Index is based on automated text searches of the electronic archives of seven newspapers. The measure is calculated by counting the monthly frequency of articles discussing trade policy uncertainty (as a share of the total number of news articles) for each newspaper. The index is normalized to a value of 100 for a 1% article share.

## U.S. economic policy uncertainty index, 1985–2025

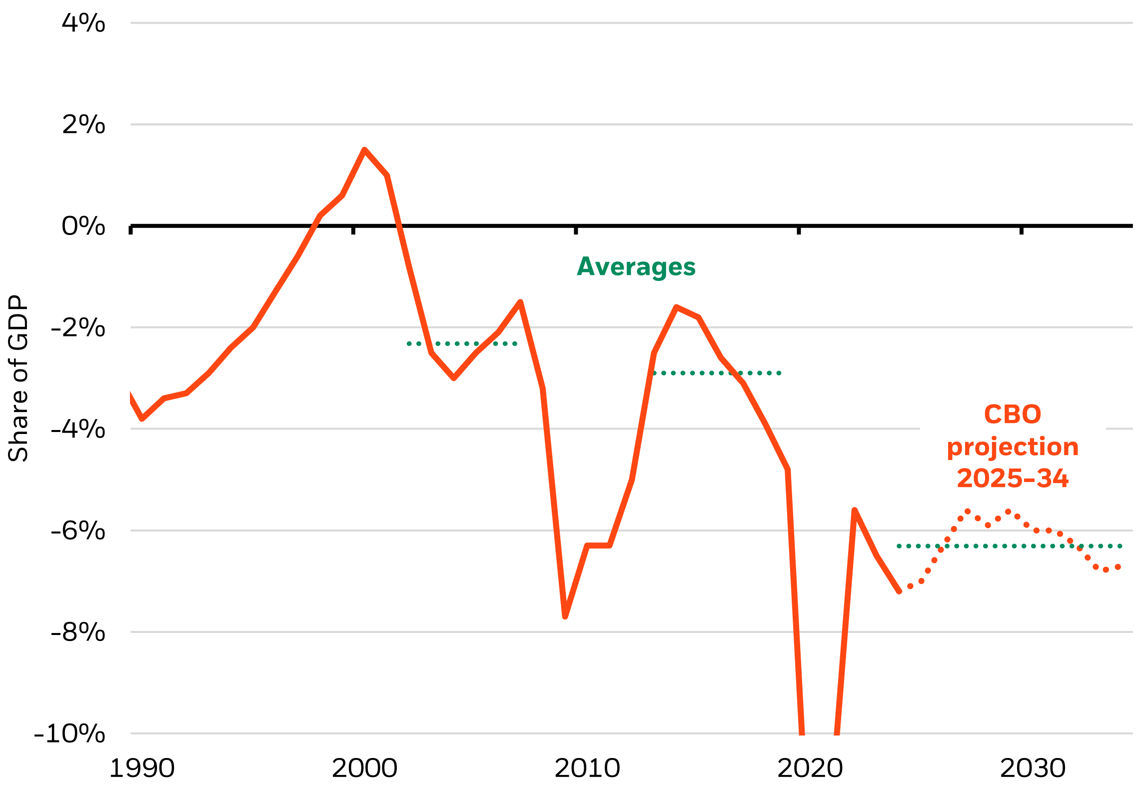



Source: BlackRock Investment Institute, Economic Policy Uncertainty, with data from LSEG Datastream, July 2025. Note: The line shows the 30-day average of the economic policy uncertainty index. The index automated text searches of newspaper archives (measuring the frequency of policy-related uncertainty articles), the number of federal tax code provisions set to expire and disagreement among professional economic forecasters. The index is normalized with higher values indicating greater uncertainty. See https://www.policyuncertainty.com/methodology.html for more.

# Markets are losing long-term macro anchors

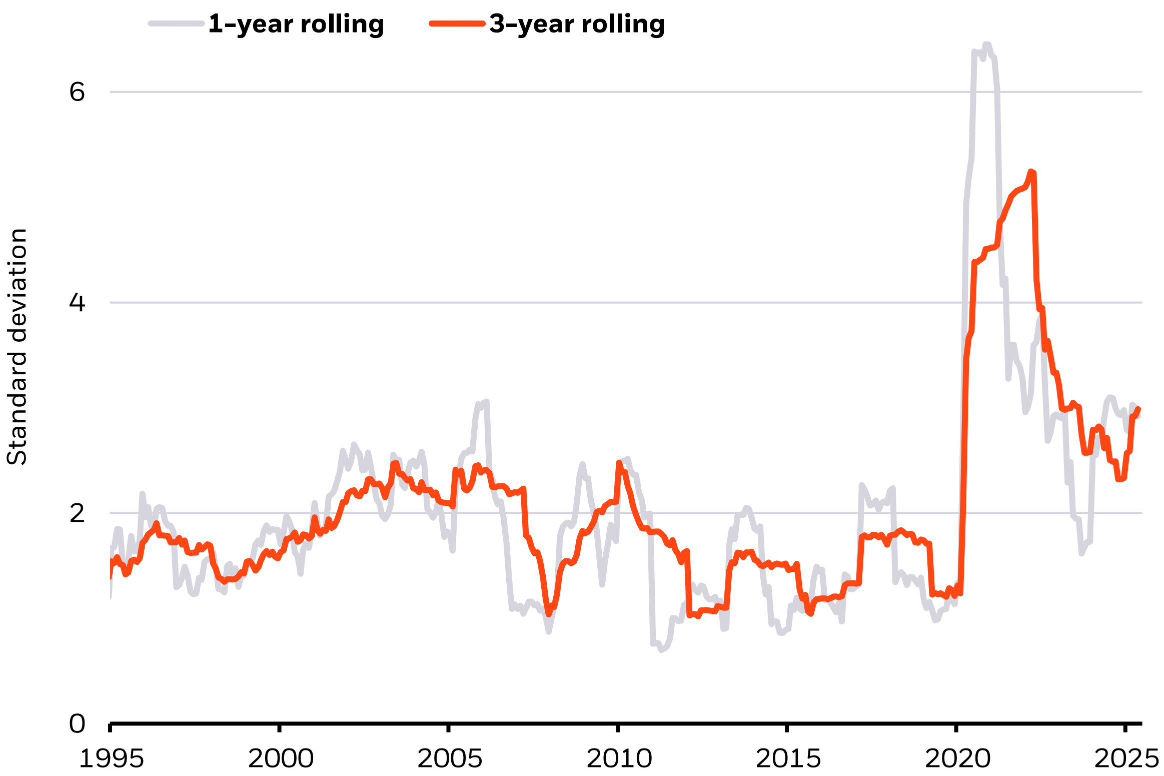
Long-term macro anchors that markets relied on for decades like stable debt, inflation and growth, have become more volatile since 2020. That's a defining feature of the new regime we've long spoken about.

## U.S. fiscal balance, 1990–2034




**Forward-looking estimates may not come to pass.** Source: Blackrock Investment Institute and Congressional Budget Office, July 2025. Note: The chart shows U.S. cyclically adjusted federal fiscal balance as a percentage of GDP, including historical data and CBO projections. Adjustments account for the effects of the economic cycle, offering a cleaner view of underlying fiscal trends. The chart cuts off the sharp decline in the fiscal balance around the onset the Covid-19 pandemic.

## Inflation volatility gauged in standard deviation

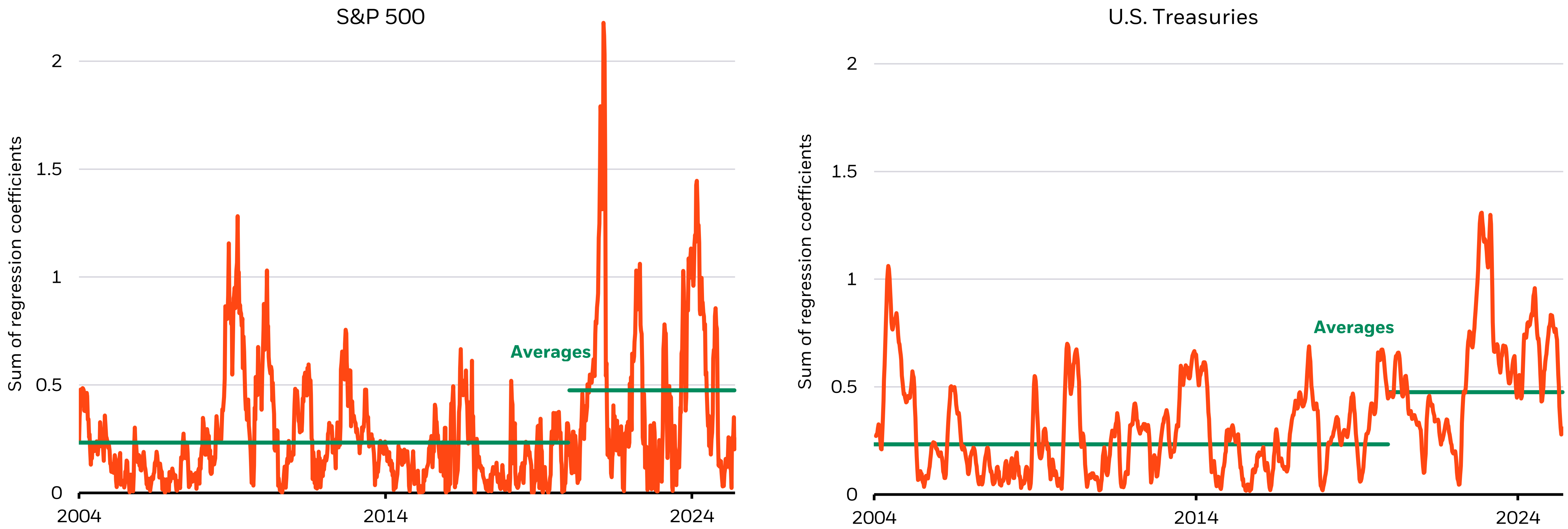



Source: BlackRock Investment Institute, U.S. Bureau of Labor Statistics with data from Haver Analytics, June 2025. Notes: The chart shows the rolling standard deviation of month-on-month annualized core services CPI inflation excluding shelter, calculated over one-year and three-year intervals. Standard deviation measures the dispersion of data points from their average, with a higher value indicating more volatility.

# Markets remain highly sensitive to short-term surprises

Since 2020, stocks and bonds have become twice as sensitive to economic surprises and trade policy uncertainty. We think that reflects markets relying on incoming data about the long-term outlook.

## Asset sensitivity to macro and trade uncertainty, 2004-2025



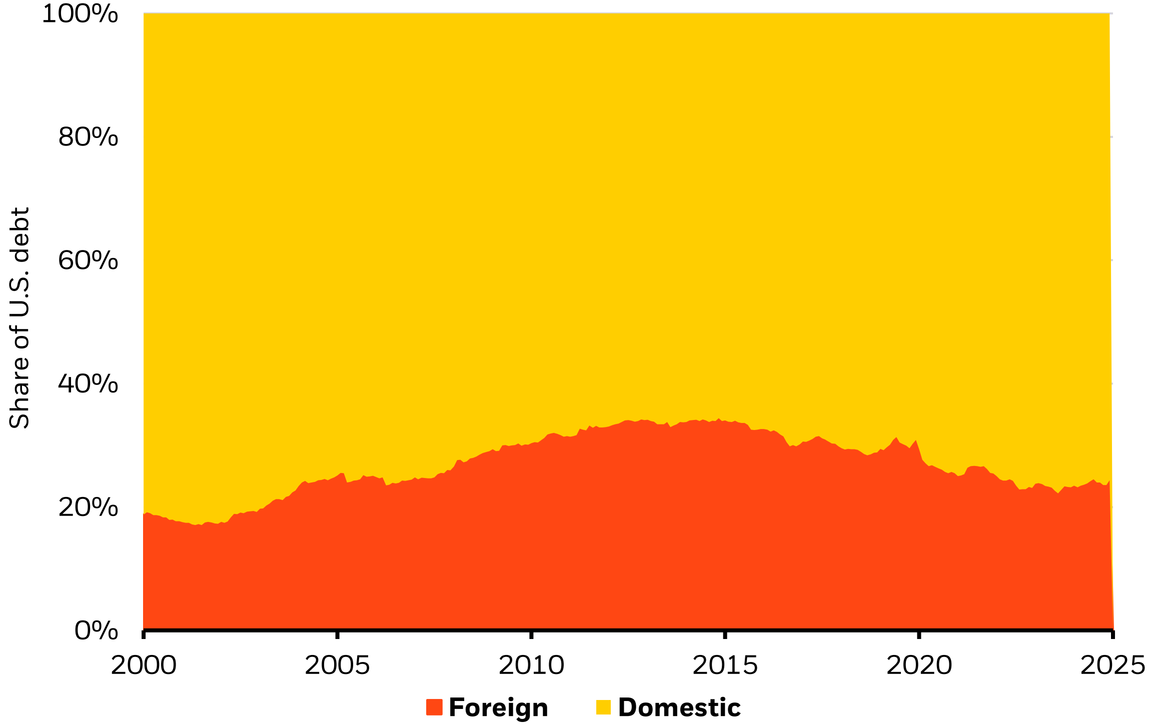

Source: BlackRock Investment Institute, with data from LSEG Datastream, Economic Policy Uncertainty, July 2025. Note: The charts show how sensitive the S&P 500 returns and 10-year U.S. Treasury yields are to economic surprises and trade policy uncertainty, using regression analysis to estimate the relationship between these assets and both economic surprises and trade policy uncertainty. Regression analysis is backward-looking and is only an estimate of the relationship. The future relationship may differ. Sensitivity represents the sum of the coefficients (absolute value) in the regression. All variables used in the regression are normalized by taking the z-score (subtracting each data point by the overall average and dividing it by the standard deviation). Index proxies used: Citi Economic Surprises Index for economic surprises, Trade Policy Uncertainty Index by Iacovello et al. (2020) for trade policy uncertainty. The Trade Policy Uncertainty Index is available from 2015 at daily and weekly frequency, and backfilled (assumed zero) in the previous years in the regression analysis.

# Immutable economic laws bind near-term U.S. policy shifts

The first law: Sustaining U.S. debt relies on steady foreign funding. The second law: The rapid rewiring of supply chains causes major disruption. Both laws help investors navigate near-term uncertainty, in our view.

## Law 1: Sustaining debt needs foreign funding

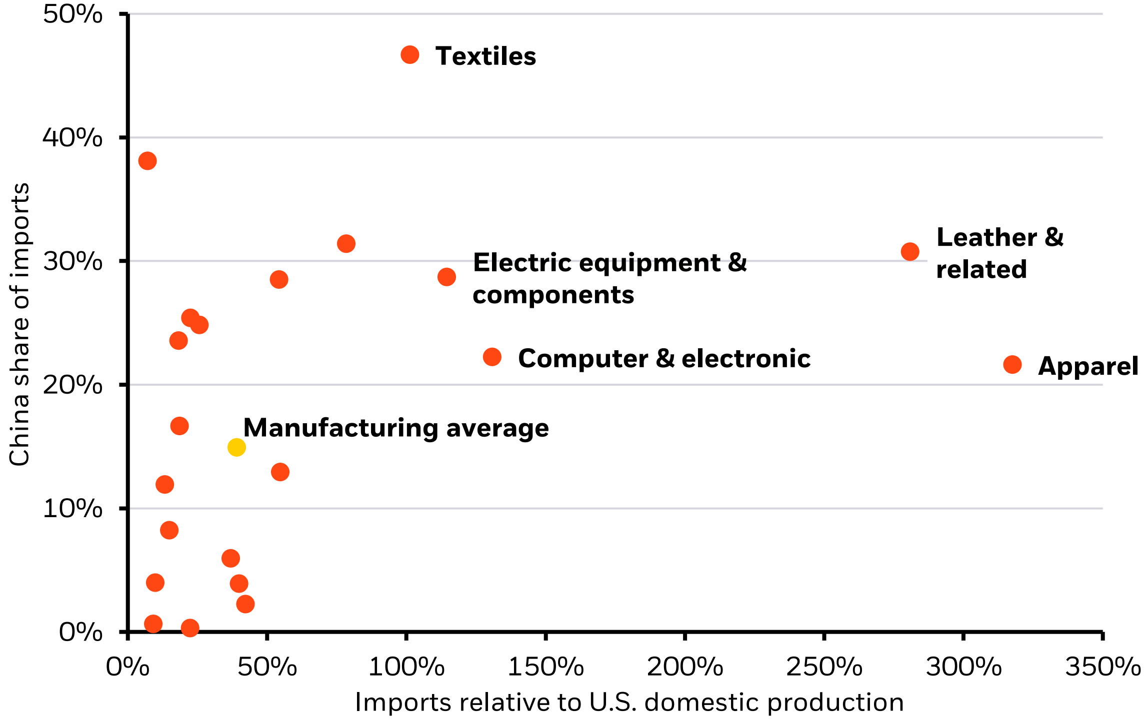
### Ownership of U.S. Treasuries, 2000-2025




Source: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, Historical Statistics of the United States, with data from Haver Analytics, July 2025. Note: The chart shows the effective rate of tariffs on U.S. imports and the dot shows our estimates of the effective tariff rate in different scenarios.

## Law 2: Supply chains can't be rewired quickly

### China share of U.S. imports vs. value of China imports, 2024

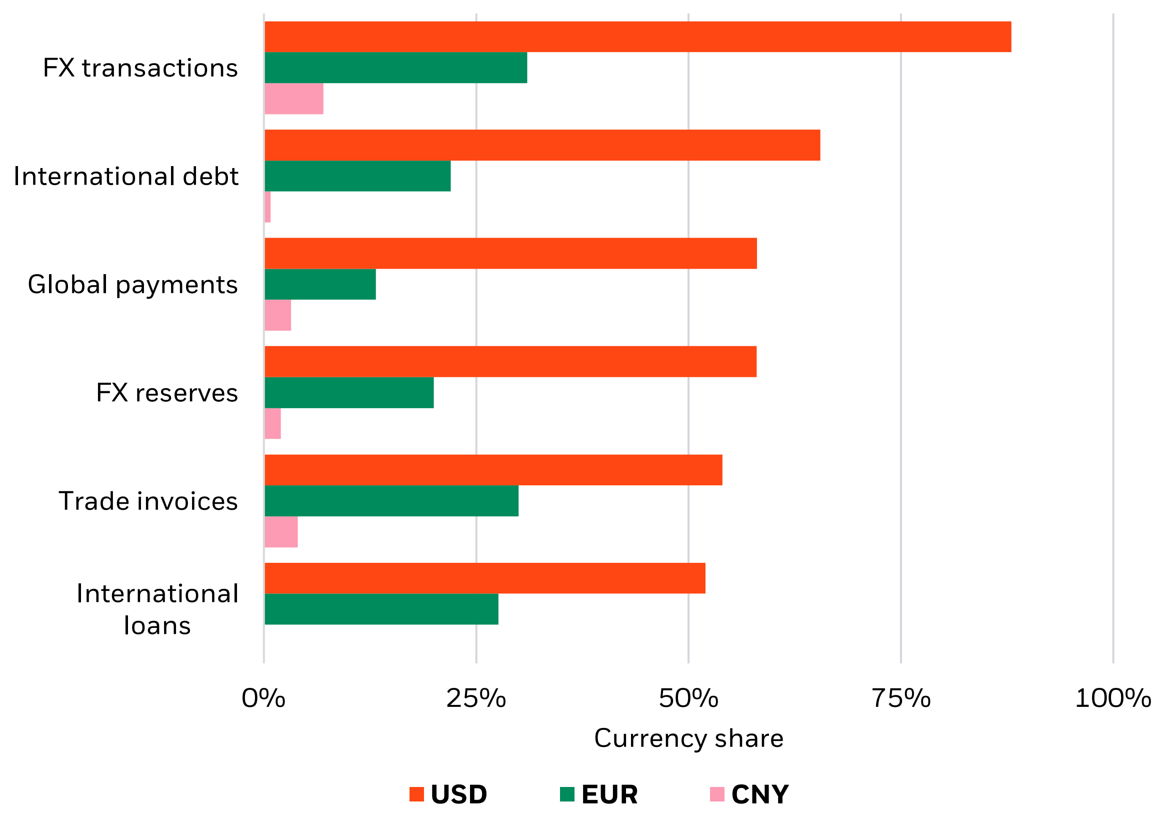



Source: BlackRock Investment Institute, U.S. Census Bureau, with data from Haver Analytics, July 2025. Note: The chart shows the value of China's imports relative to U.S. production (horizontal axis) vs. the share of China in total imports for that sector (vertical axis), as of 2024. Highlighted sectors are those with either outlying value or share of trade, or both. The dot for "Manufacturing" is the average of all U.S. manufacturing sectors.

# Greenback remains the backbone

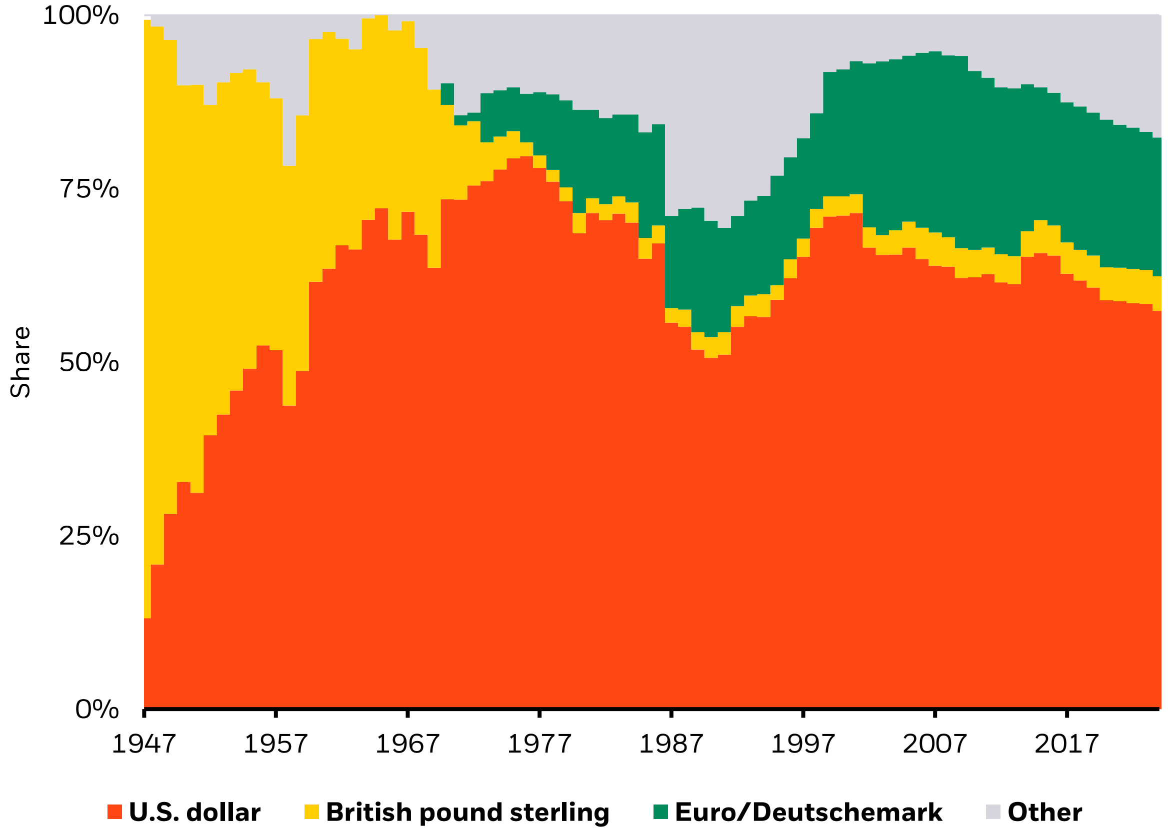
The U.S. dollar remains the dominant currency for global transactions and finance, with the euro a distant second. Shifts in reserve currency can take decades, so we see the dollar remaining central.

## Share of major currencies in global transactions




Source: BlackRock Investment Institute, with data from the Bank for International Settlements (BIS), July 2025. Note: The chart shows the share of major currencies in global transactions including the U.S. dollar (USD), the euro (EUR), the Chinese yuan (CNY) also known as the renminbi (RMB).

## Share of global reserves, 1947-2024

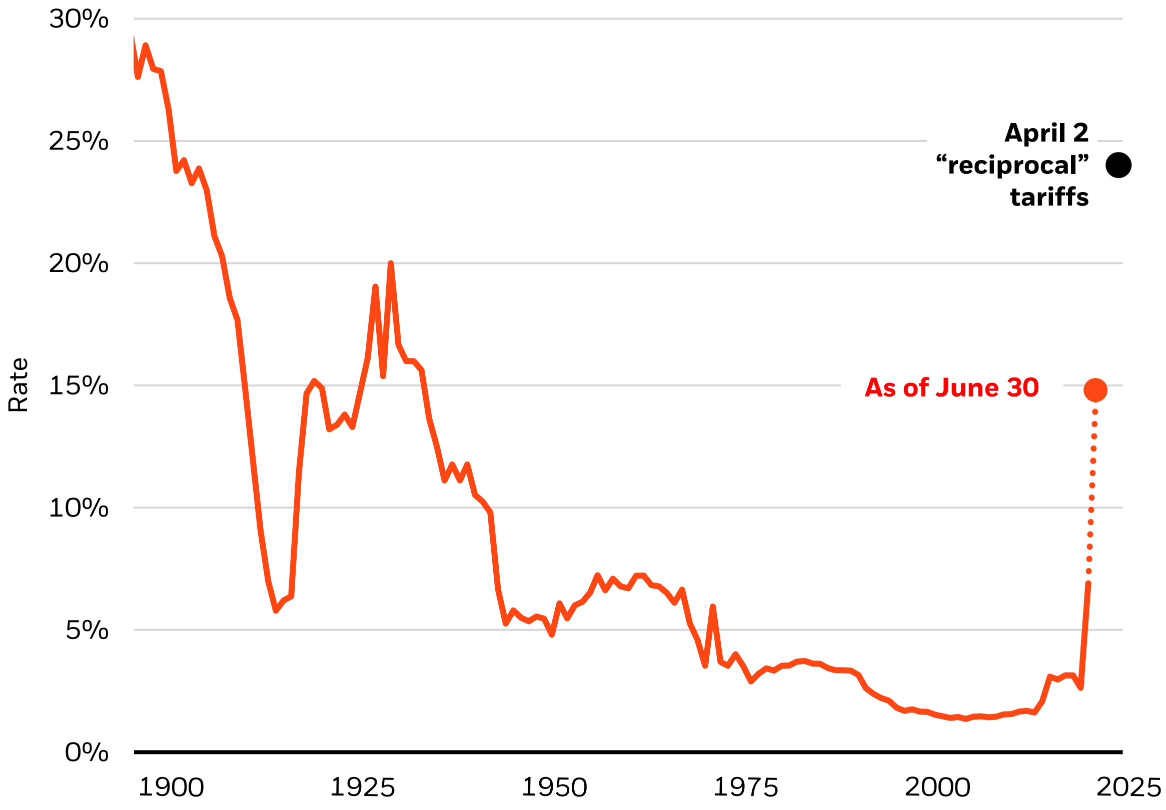



Source: BlackRock Investment Institute, Eichengreen, Mehl and Chitu (2016, 2017), Eichengreen and Flandreau (2009). Note: The bars show the share of global reserves by currency. Data use the German deutschemark for euros pre-1999. Other currencies include Japanese yen, French francs, Chinese yuan/renminbi.

# A maximal stance on tariffs remains unlikely

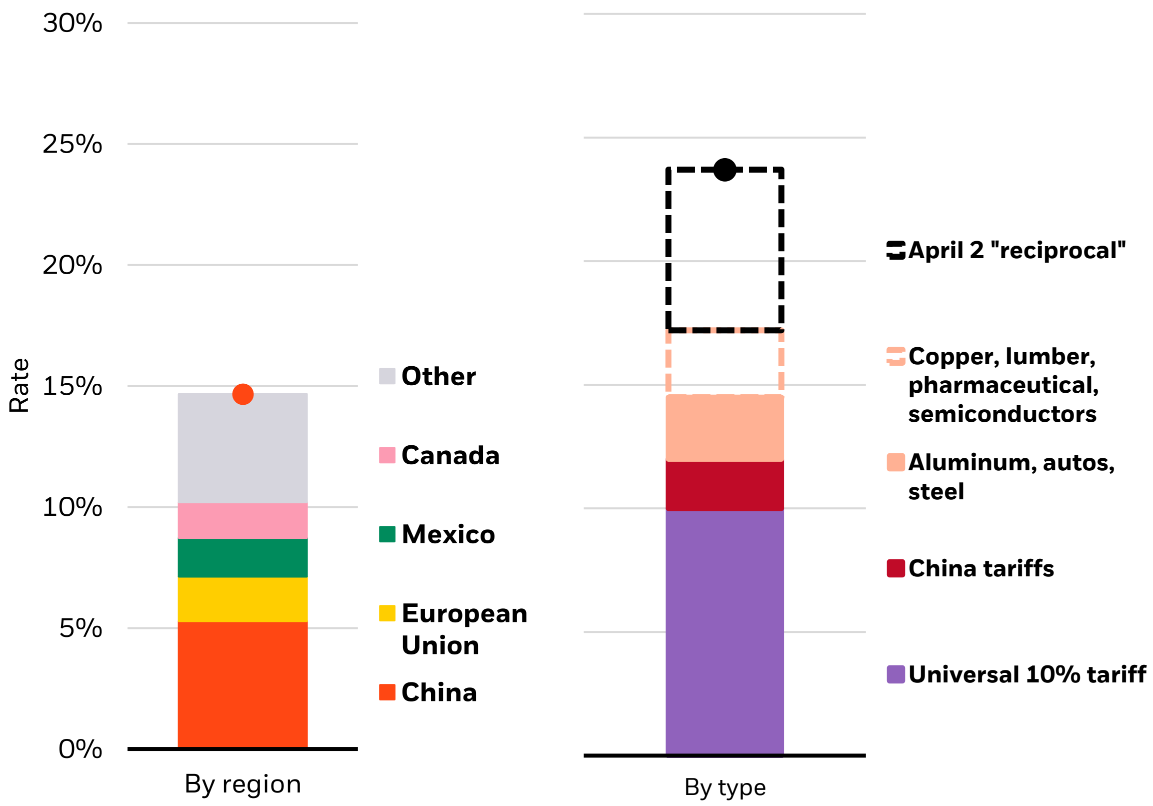
Tariffs are already near the highest level since the 1930s. An escalation of tariffs would be highly disruptive to supply chains – we think that provides some certainty about the near-term outlook.

## U.S. effective tariff rate, 1900-2025




Source: BlackRock Investment Institute, Census Bureau, Historical Statistics of the United States, with data from Haver Analytics, July 2025. Note: The line shows the historic effective U.S. tariff rate, with two dots for the effective tariff rate including tariffs as of June 30 and what the tariff rate would be if April 2 "reciprocal tariffs" came into effect.

## Contributions to U.S. effective tariff rate, June 2025

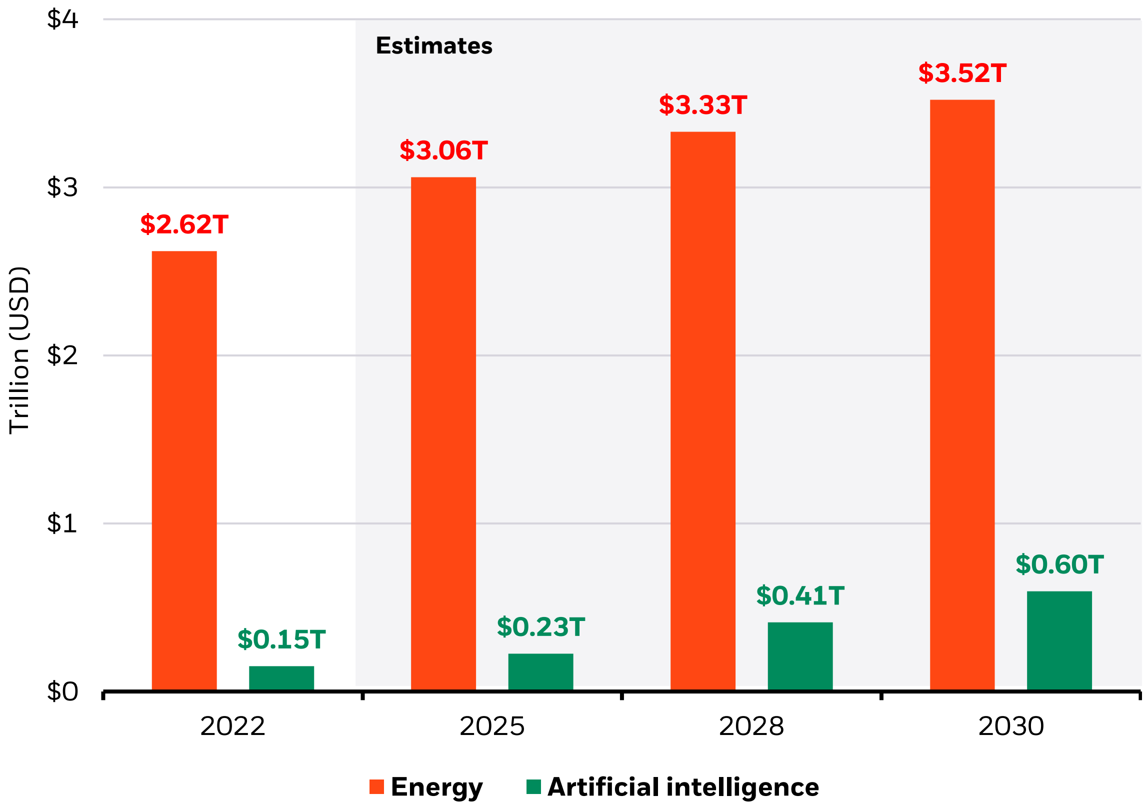



Source: BlackRock Investment Institute, U.S. Census Bureau, with data from Haver Analytics, July 2025. Note: Both bars show the breakdown of the effective tariff rate as of June 30. The first bar shows contributions by region and the second bar shows contribution by tariff type. Bars with dotted outlines show the potential impact of other tariffs.

# Mega forces spur waves of investment

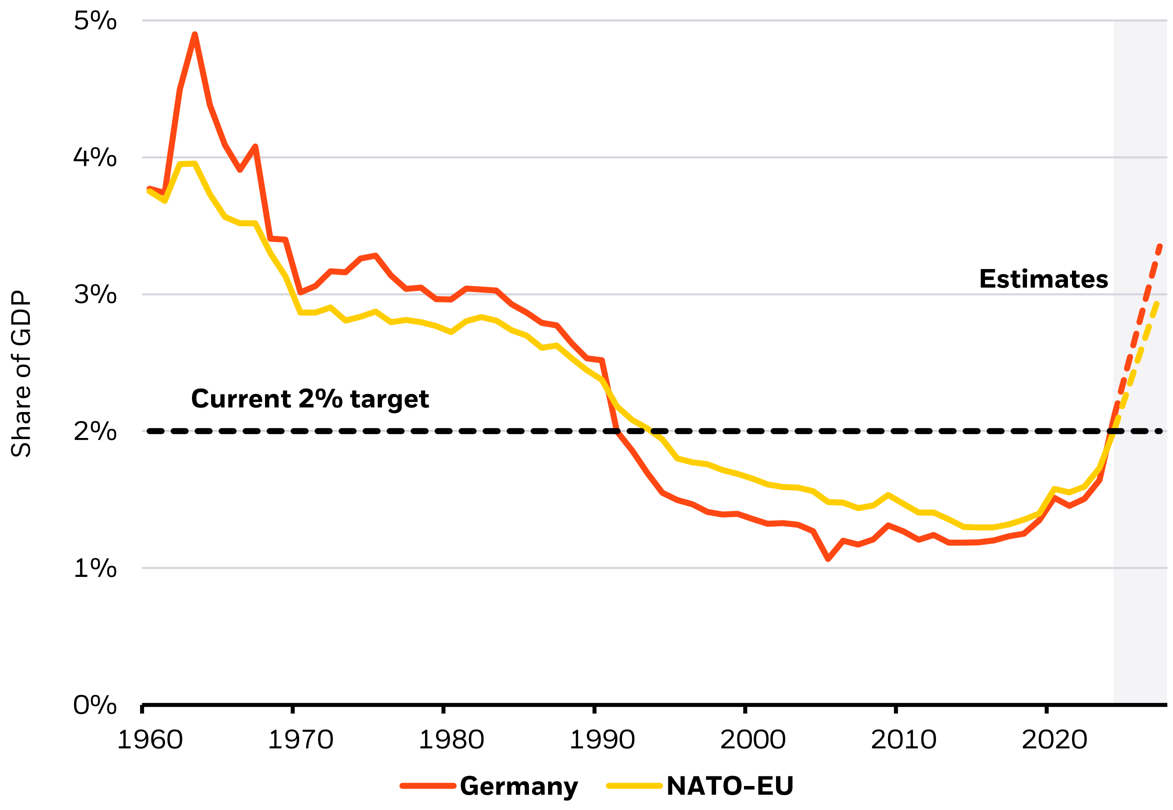
The transformations caused by mega forces could change the future make-up of economies. Sharp shifts in defense, energy and AI-related spending show history is a poor guide to the future now.

## Energy and AI-related capital spending, 2022–2030




**Forward looking estimates may not come to pass.** Source: BlackRock Investment Institute, Reuters and Aladdin Sustainability Analytics, with IEA data, April 2025. Note: The bars show the estimated breakdown of capital investment needs – both from supply and demand-based estimates. 2022 data is from the IEA. BlackRock estimates start in 2025.

## Defense spending, 1960–2027




**Forward looking estimates may not come to pass.** Source: BlackRock Investment Institute, NATO, World Bank, European Commission, July 2025. Note: The solid lines show the defense spending as a share of GDP for Germany and European NATO countries. The dotted lines assume current plans to boost defense spending are realized.

# 2025 Midyear Outlook themes

## 1. Investing in the here and now

Immutable economic laws limit how fast global trade and capital markets can evolve, providing more certainty about the near-term macro outlook than the long term. That keeps us pro risk and overweight U.S. equities.

## 2. Taking risk with no macro anchor

We believe this environment of transformation is better than the prior decade for achieving above-benchmark returns, or alpha. Yet the volatile macro environment injects risk into portfolios that needs to be actively managed or neutralized.

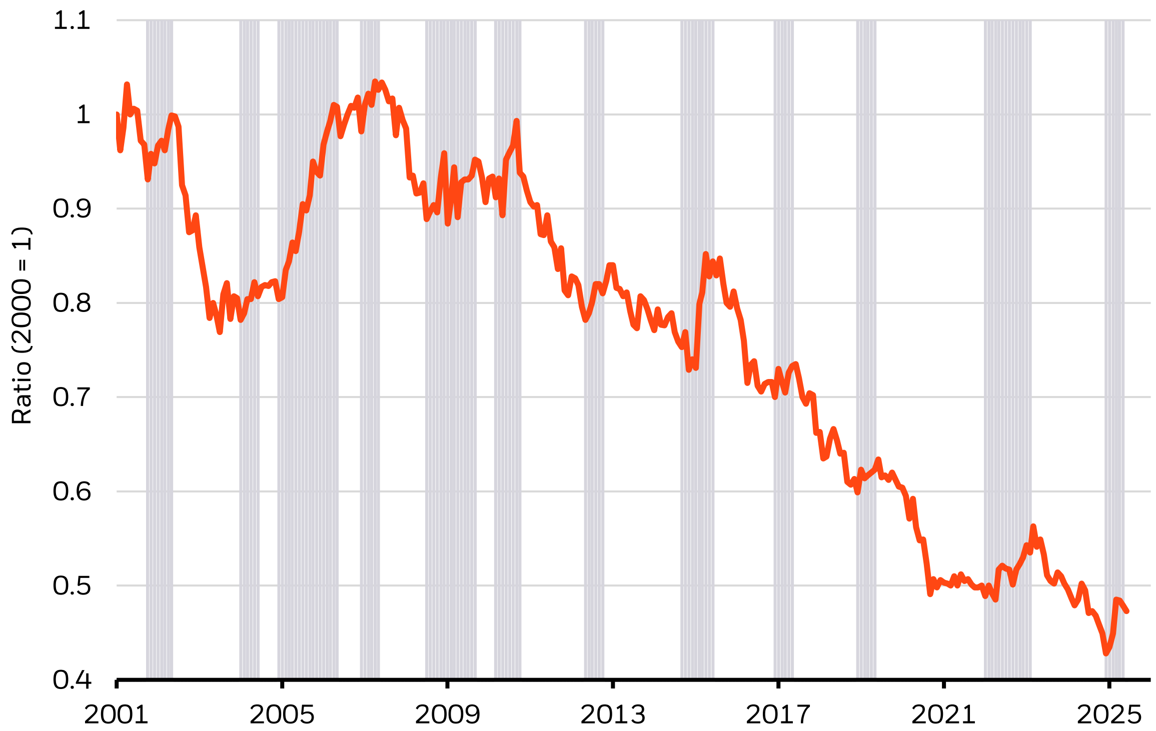
## 3. Finding anchors in mega forces

Even with the loss of long-term macro anchors, we believe mega forces are durable return drivers. Yet mega forces don't map into broad return drivers, and we get granular to track their evolution across and within asset classes. We like the AI theme.

# We stay risk on, preferring equities over bonds

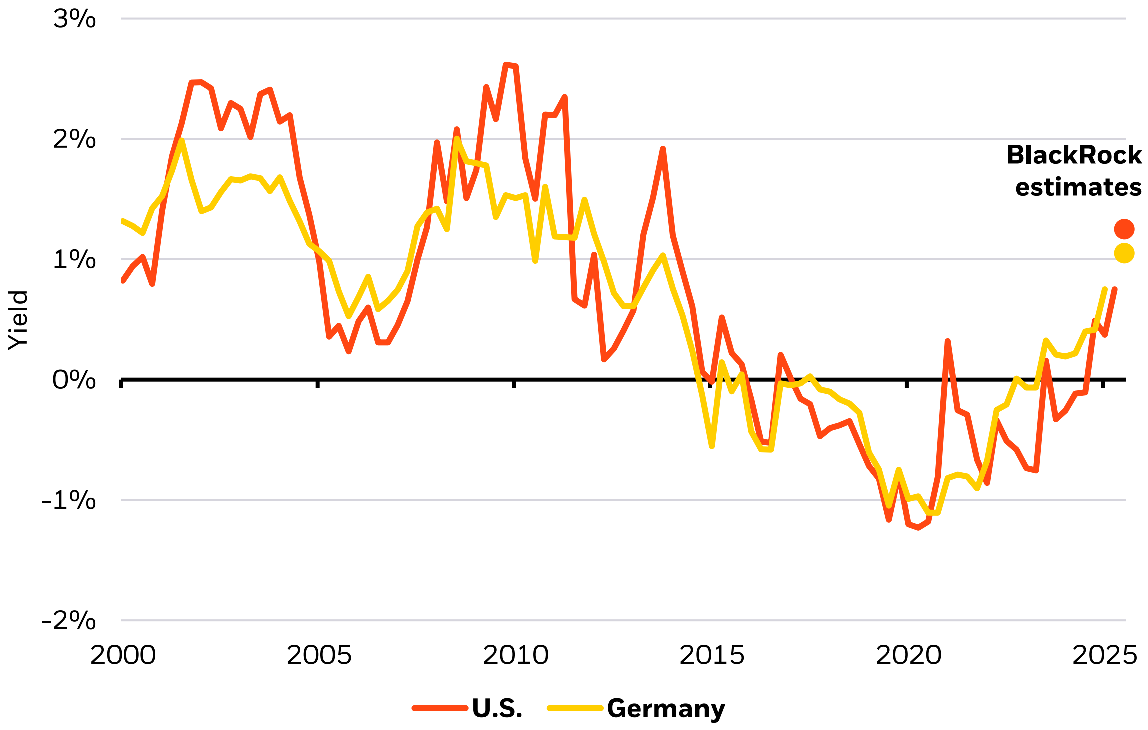
We see strong corporate fundamentals and the AI theme extending U.S. equity outperformance. Persistent U.S. deficits and sticky inflation leads us to prefer European bonds over the U.S.

## Ratio of European vs. U.S. equity total returns




**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.** Source: BlackRock Investment Institute, with data from LSEG Datastream, July 2025. Note: The chart shows the ratio of total returns in local currency for the Stoxx 600 over the S&P 500, with shaded areas highlighting instances where the Stoxx 600 outperformed the S&P 500 by more than 5% over a three- to six-month period.

## U.S. and German 10-year term premium, 2000-2025

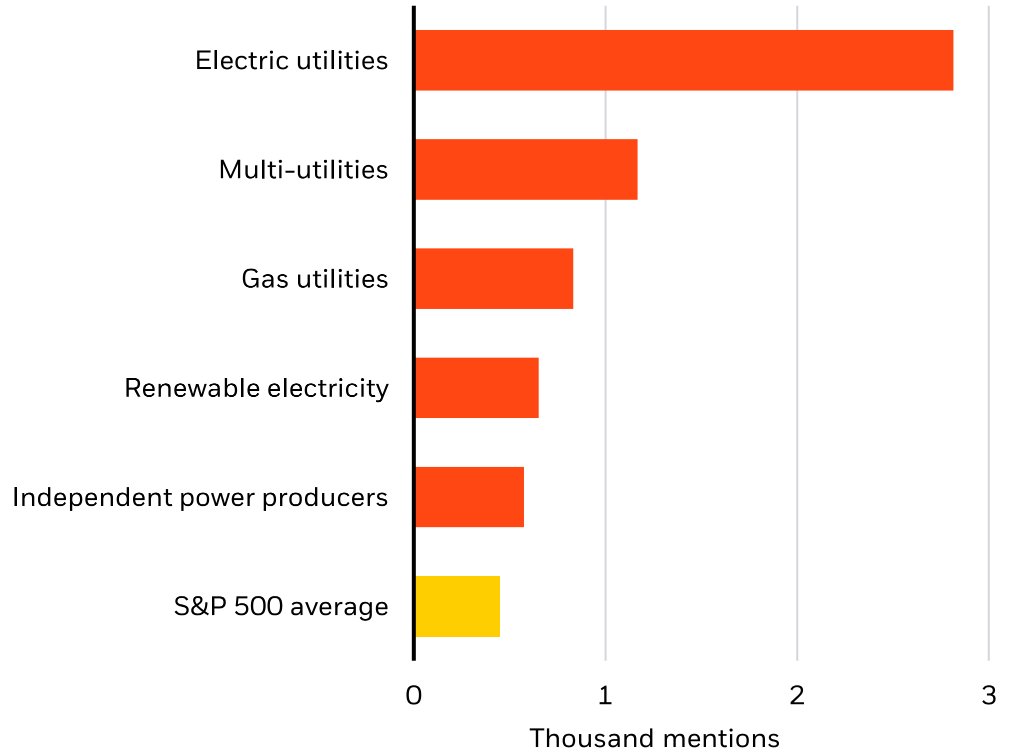



**Forward-looking estimates may not come to pass.** The chart shows the historic term premium for the U.S. and Germany. Term premium is defined as the compensation investors demand for the risk of holding long-term bonds. Our historic estimates of term premium are based on our own implementation of the Adrian, Crump and Moench (2013) "ACM" model. The ACM model is an arbitrage-free affine term structure model that provides an approach for extracting term premia from Treasury yields, described in detail here: Pricing the Term Structure with Linear Regressions - FEDERAL RESERVE BANK of NEW YORK (newyorkfed.org). Our future estimates represent a five-year view embedded in the yield curve forecasts behind our capital market assumptions.

# Getting granular to find opportunities in equities

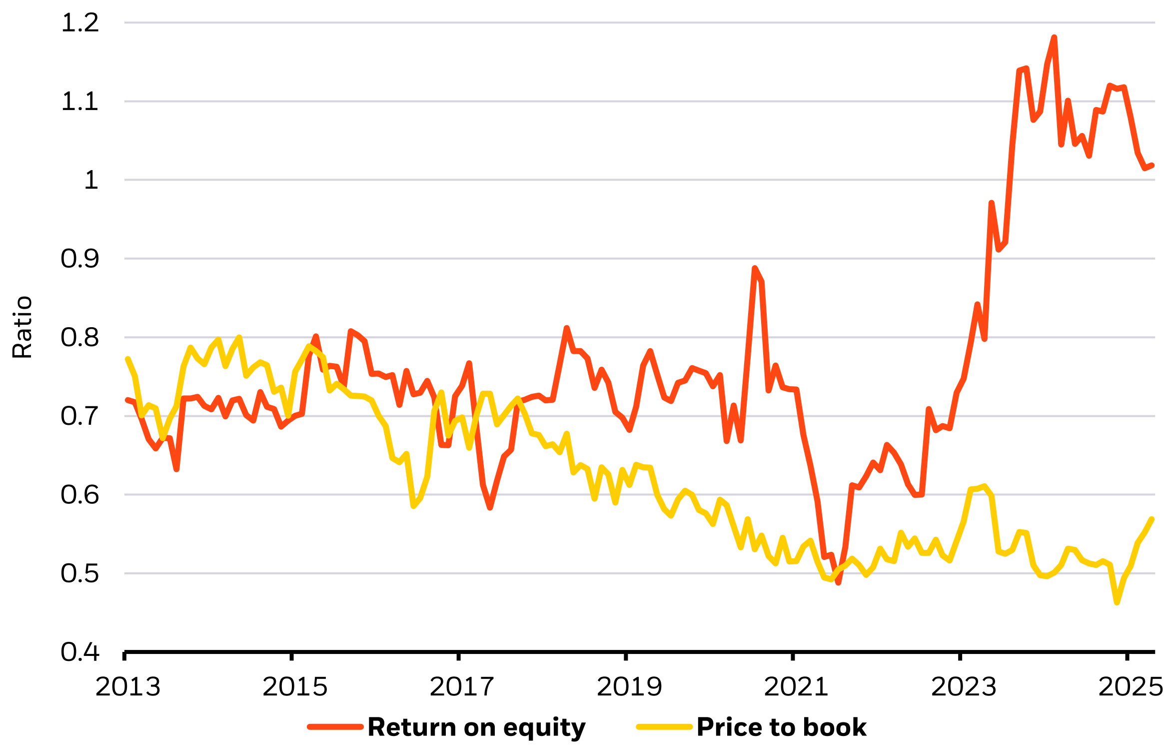
We like the sectors benefitting from the AI buildout, such as utilities that are seeing many more mentions of AI on earnings calls than the S&P 500 average. In Europe, financials look cheap versus U.S. peers.

## Mentions of AI in Q1 2025 earnings calls (S&P 500)




**Indices are unmanaged and one cannot invest directly in an index.** Source: BlackRock Investment Institute, with data from CapIQ, July 2025. Notes: The bars show how often AI was mentioned by various U.S. large cap utility companies, proxied by the MSCI USA Utilities index, in their Q1 2025 earnings calls.

## Ratio of European financials over U.S. financials

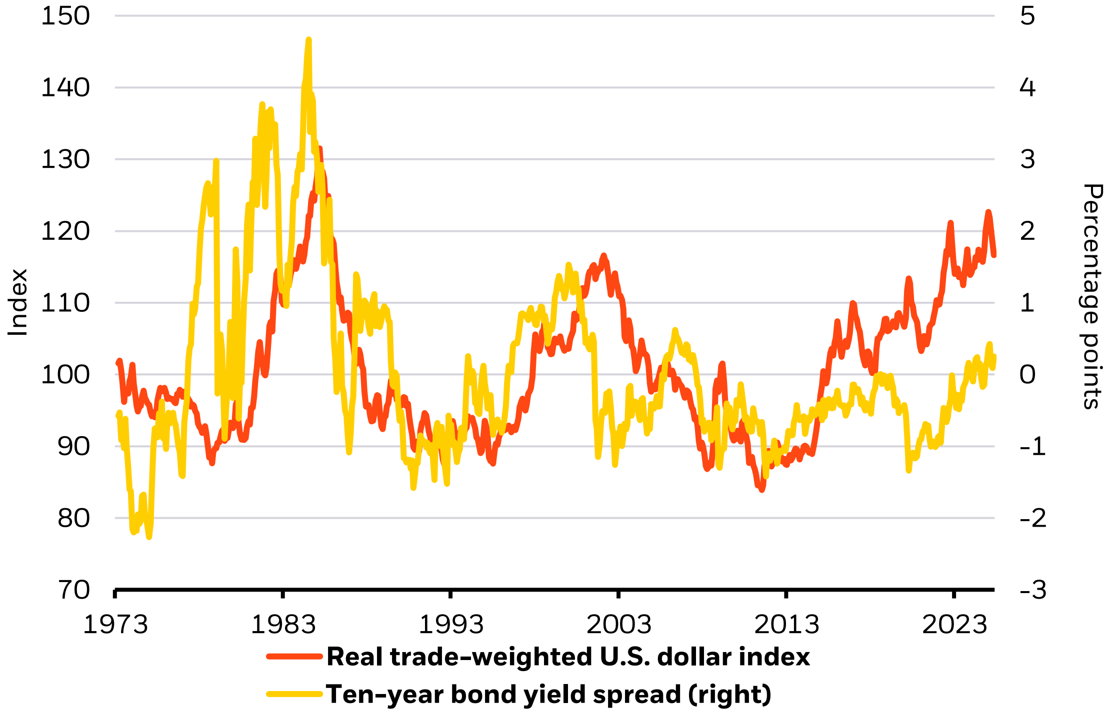



**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.** Source: BlackRock Investment Institute, MSCI, with data from Bloomberg, July 2025. Note: The lines show the ratio of the return on equity and price to book of European financial companies over U.S. financial companies. A ratio of one means equal performance between the Europe and U.S., greater than one means European financials are outperforming and less than one means U.S. financials are outperforming. Index proxies used: MSCI Europe Financials Index, MSCI US Financials.

# Seeking new portfolio hedges amid U.S. dollar uncertainty

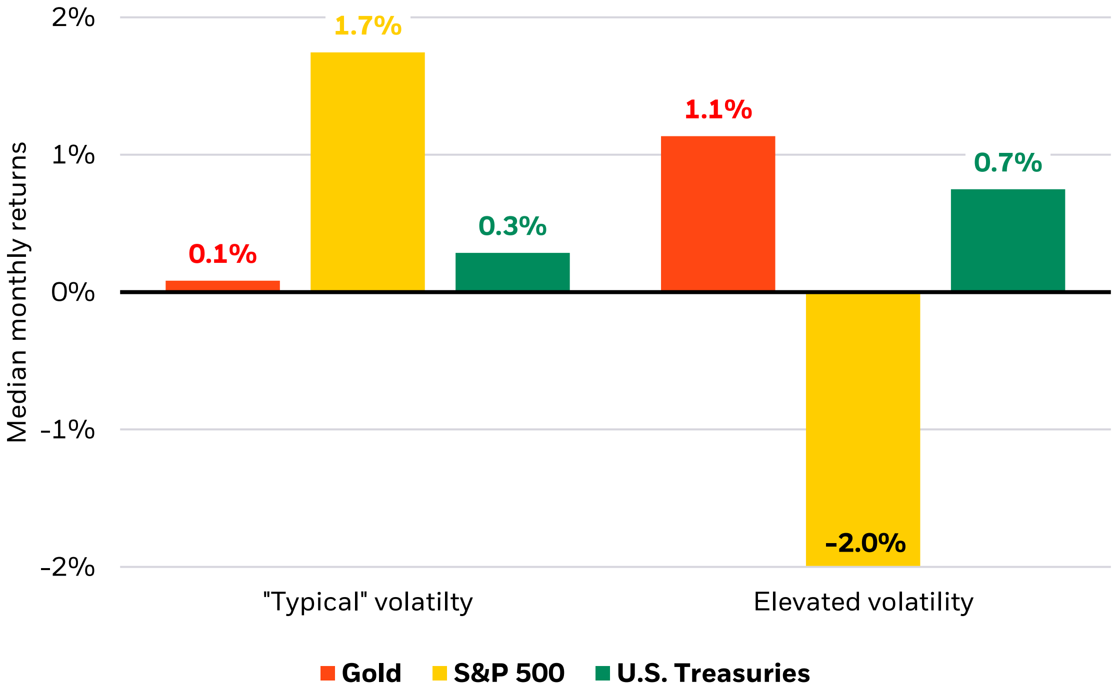
The U.S. dollar looks richly valued compared with the spread of U.S. Treasury yields over other developed market bond yields. We prefer gold as a portfolio hedge amid heightened volatility.

## U.S. dollar index & U.S. Treasury yield spreads




The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, U.S. Federal Reserve, with data from Haver Analytics and LSEG Datastream, July 2025. Notes: The chart shows the real trade-weighted U.S. dollar index constructed by the U.S. Federal Reserve and the spread of 10-year U.S. Treasury yields over a basket of 10-year government bond yields for major trading partners, weighted by trade.

## Monthly returns during typical & elevated volatility

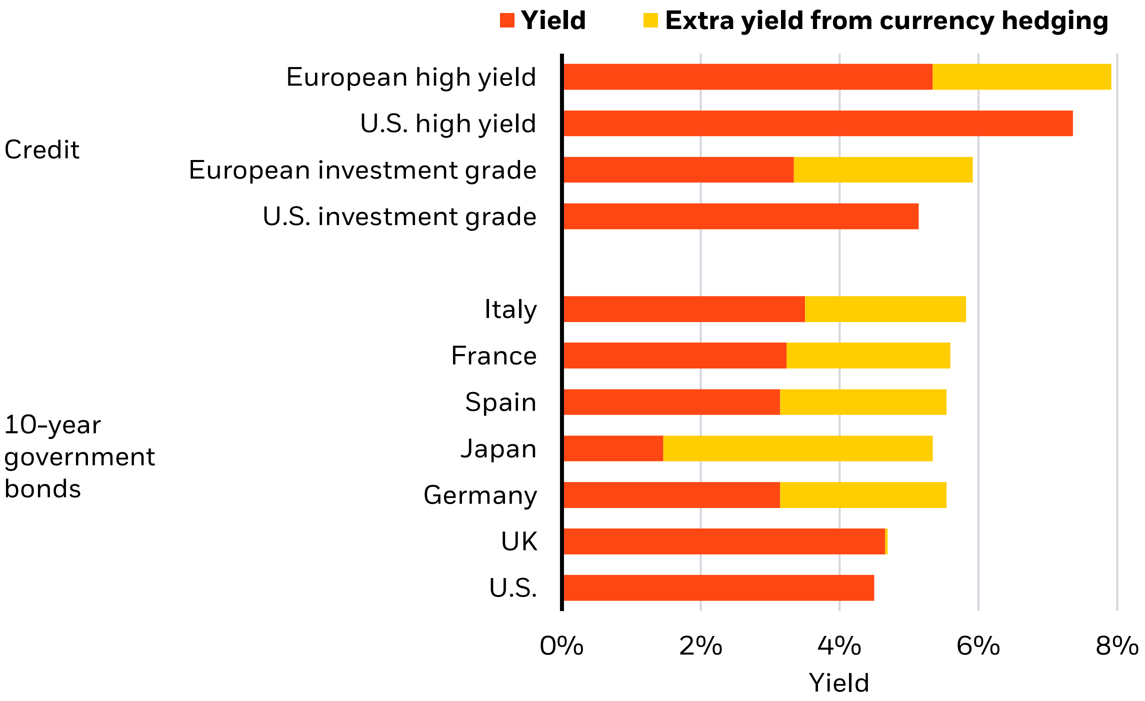



The figures shown relate to point in time historical index performance. The figures do not represent any portfolio strategy or investment product. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: Source: BlackRock Investment Institute, with data from LSEG Datastream, July 2025. Note: The bars show monthly returns of gold, the S&P 500 and 10-year U.S. Treasuries during period of "typical" and elevated volatility. "Elevated" volatility is defined as when the rolling three-month realized volatility of daily S&P 500 returns is above the 75th percentile of all observations, going back to 1990. Other periods are classed as "typical" volatility.

# We look to Europe and emerging markets for income

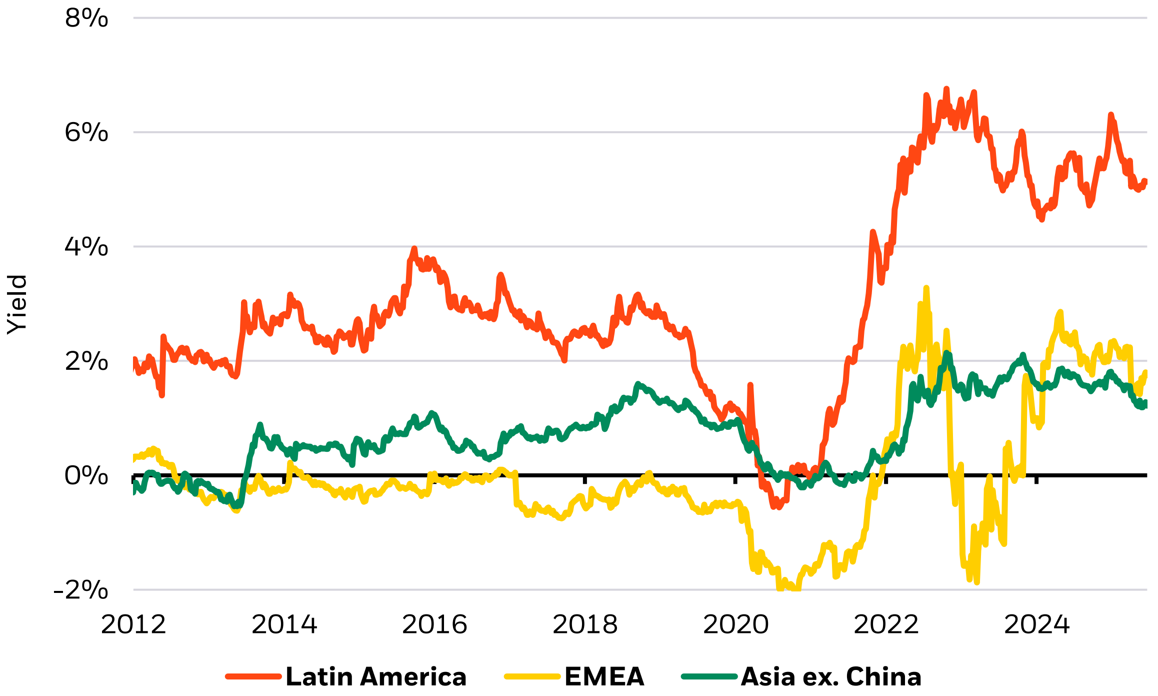
There is a wealth of income opportunities outside the U.S., especially on a currency-hedged basis. In emerging markets (EM), local-currency debt income looks attractive, especially in Latin America.

## Government bond and credit yields, June 2025




**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.** Source: BlackRock Investment Institute with data from LSEG Datastream, July 2025. Note: The bars show government bond and credit yields. The "extra yield from currency hedging" is proxied as the difference between the policy rates of the U.S. and each country. Index proxies include: ICE BofA Euro High Yield Index for European high yield, Bloomberg U.S. Corporate High Yield USD for U.S. high yield, Bloomberg Pan-European Aggregate: Corporate EUR for European investment grade, Bloomberg U.S. Corporate Investment Grade USD for U.S. investment grade.

## Two-year real government bond yields, 2012-2025




**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.**. Source: BlackRock Investment Institute, BlackRock Global Fixed Income, with data from Bloomberg, July 2025. Note: Real yields are calculated by subtracting our estimate of long-term inflation expectations, based on market data, from the two-year nominal yield for each country. We take a weighted average of each country's yields within each region to broadly represent the JP Morgan GBI-EM local-currency bond index. The data reflects some modifications, like the exclusion of China and Turkey, and including Korea.

# Taking risk in an uncertain environment

When the macro was more stable, exposure to growth or inflation typically didn't hurt portfolios. That's no longer the case. We see other types of risk-taking that can be more rewarding in this environment.

## Relative value

Positioning for prices of different securities to converge or diverge.

## Regulatory

Potential deregulation or regulatory changes that could offer alpha opportunities – see the evolving U.S. approach to cryptocurrencies.

## Positioning

Recognizing when markets are crowded around particular trades or positions.

## Liquidity

Providing markets with liquidity during periods of stress.

## Hedging assets and strategies

Seeking new diversifiers as government bonds become less reliable as a portfolio ballast.

## Mega forces

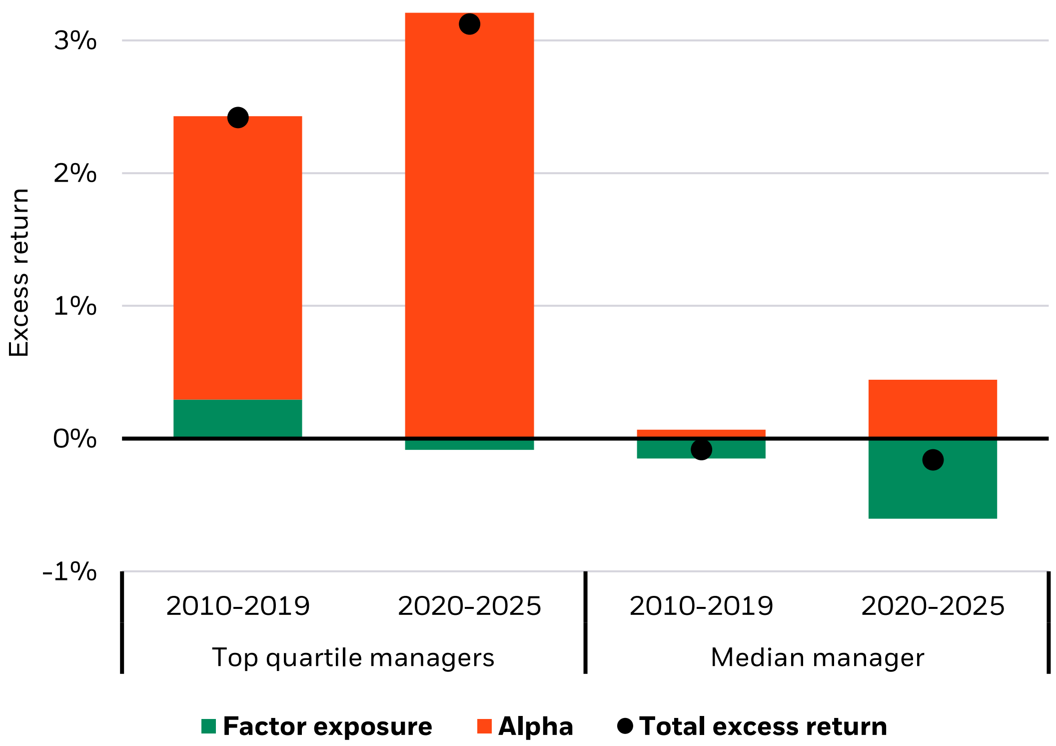
Even with weaker long-term macro anchors, we believe that mega forces will be durable drivers of returns.

**For illustrative purposes only. The opinions expressed are as of July 2025 and are subject to change at any time due to changes in market or economic conditions. 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.** Source: BlackRock Investment Institute, July 2025. This information should not be relied upon by the reader as research or investment advice regarding any funds, strategy or security in particular.

# Greater potential alpha on offer

Macro risk – exposure to changes in activity, inflation and interest rates – has become a drag on outperformance since the pandemic. Yet we believe this environment is better than the prior decade for achieving above-benchmark returns.

## Excess returns of U.S. equity fund managers, 2010-2025

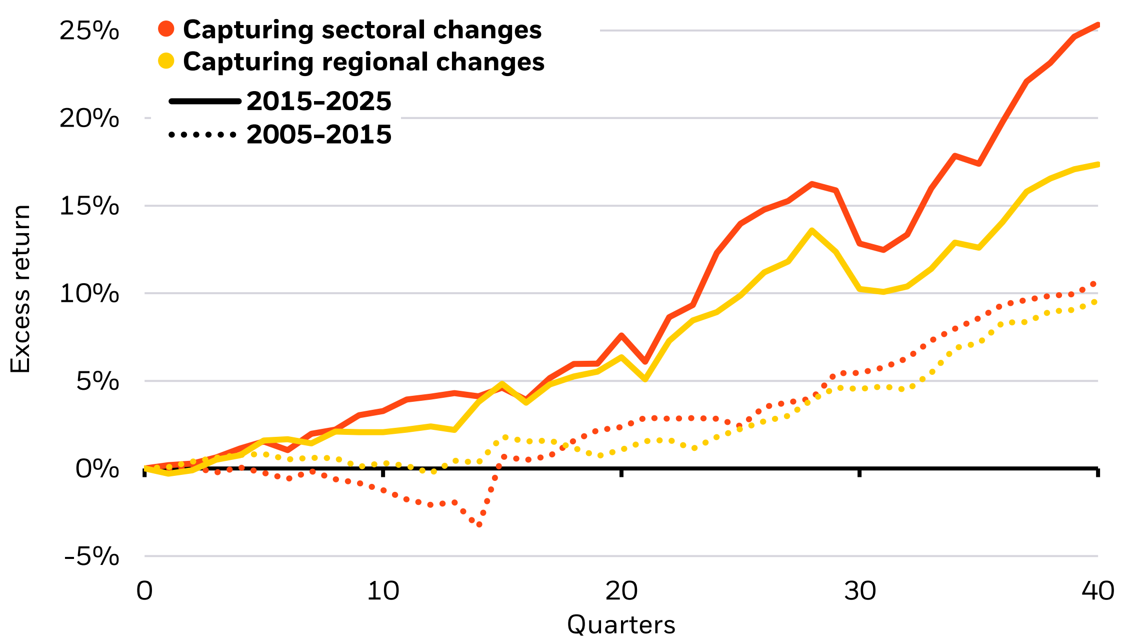



**Past performance is not a reliable indicator of future performance. This information should not be relied upon by the reader as research or investment advice regarding any funds, strategy or security.** Source: BlackRock Investment Institute, with data from eVestment and LSEG Datastream, July 2025. Notes: The chart compares the rolling three-year average excess return (into alpha and factor contribution) between 2010-2019 and 2020-2025 – excluding January-June 2020 for both top-quartile and median quartile U.S. large cap equity managers in the eVestment universe. We use regression analysis to estimate the relationship between alpha-seeking manager performance and market conditions. Regression analysis is backward-looking and is only an estimate of the relationship. The future relationship may differ.

# Getting granular to move beyond macro risk

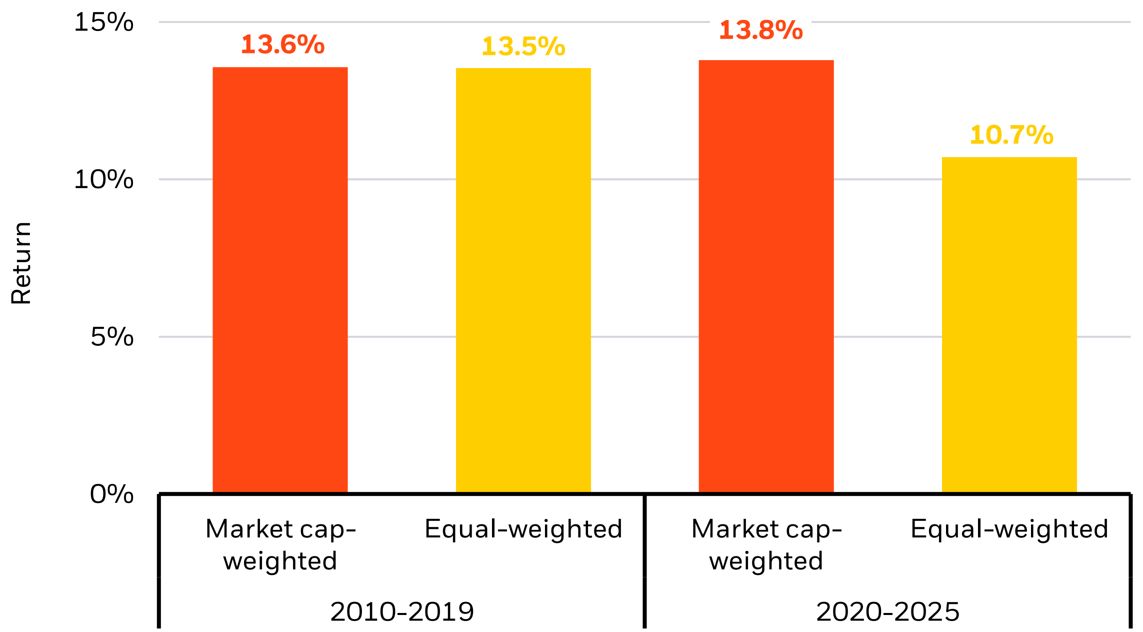
We stay granular in portfolios, leaning into mega forces – durable drivers of returns – in an environment where macro risk is less supportive of broad stock market performance.

## Hypothetical returns from sectoral and regional shifts




**The figures shown relate to simulated past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.** Source: BlackRock Investment Institute with data from LSEG Datastream, April 2025. Note: The chart shows the excess returns over the MSCI All-Country World Index (ACWI) for a hypothetical strategy that uses the sectoral and regional market shares in the MSCI ACWI at the end of each period as the starting allocation point. The strategy picks the sector weights at the end of each period and pairs them with the historic returns from that period to generate the hypothetical returns for this strategy. The difference between these hypothetical returns and the MSCI ACWI returns is the excess return. This strategy is replicated for regions, using the 5-6 biggest regions in the MSCI ACWI. This analysis uses historical returns and has been conducted with the benefit of hindsight. Future returns may vary and these results may not be the same other asset classes. It does not consider potential transaction costs that may detract from returns. It also does not represent an actual portfolio and is shown for illustrative purposes only.

## Annualized S&P 500 returns, 2010-2025

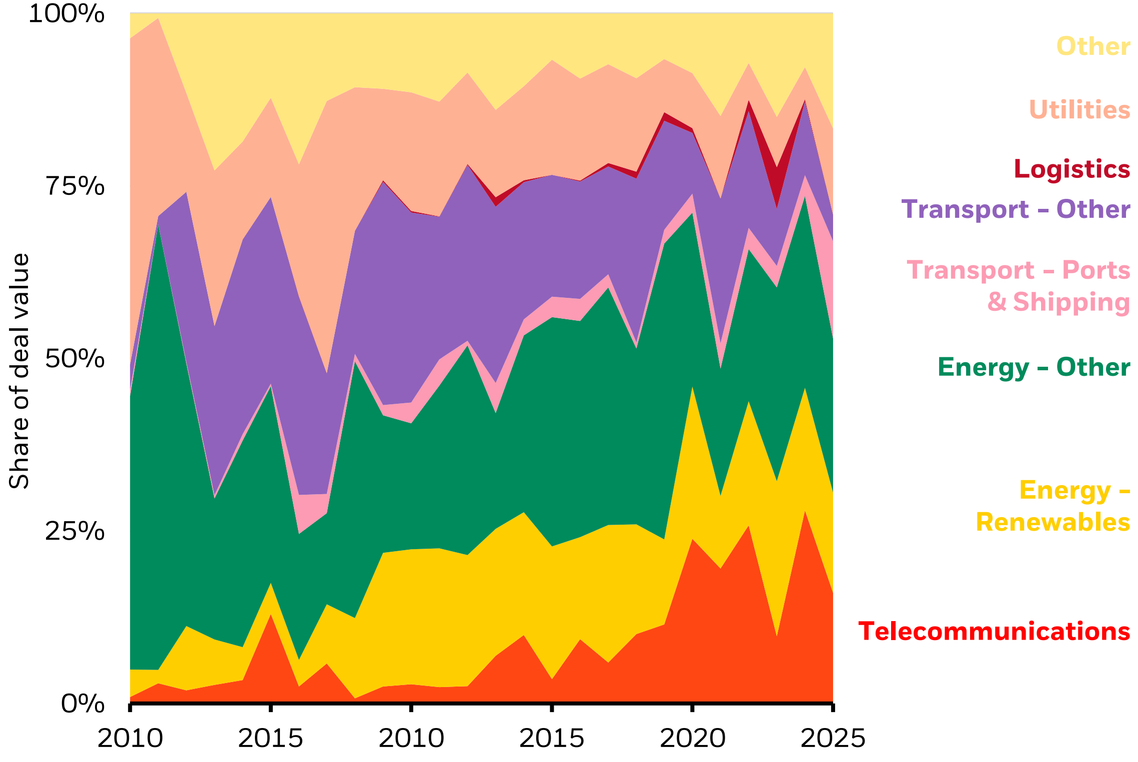



**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.** Source: BlackRock Investment Institute with data from Bloomberg, May 2025. Note: The chart shows the annualized total return of the S&P 500 Index and the S&P 500 equal-weighted index across 2010-2019 and 2020-2025

# Infrastructure at the confluence of mega forces

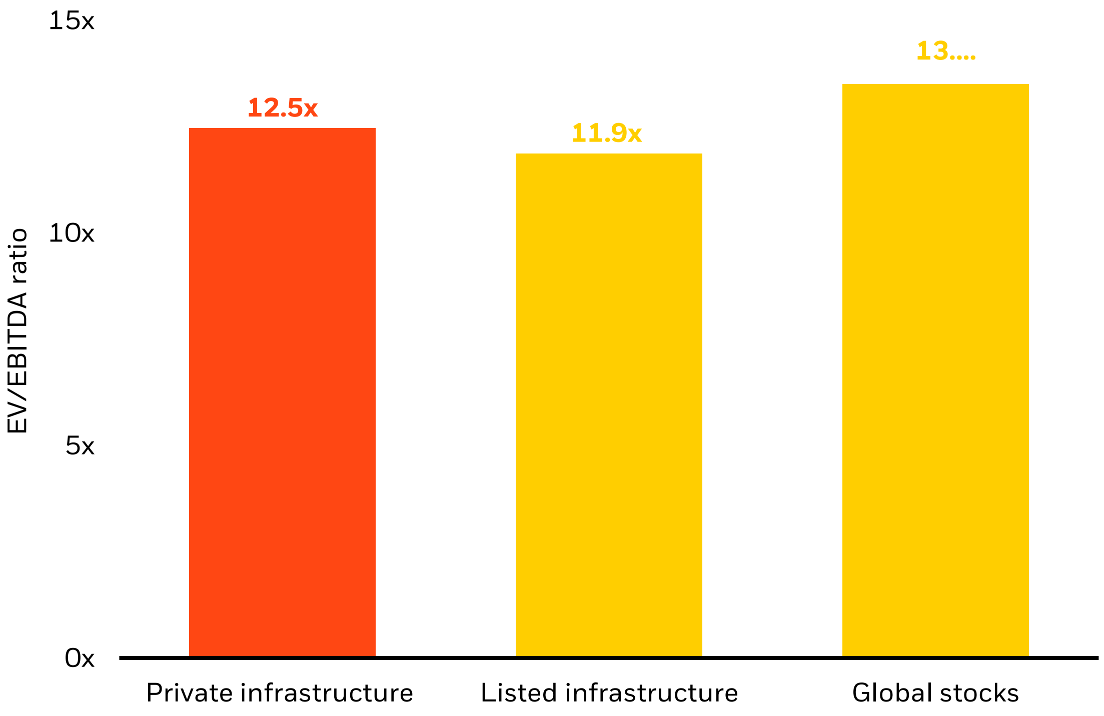
We believe infrastructure offers a diverse opportunity set exposed to colliding mega forces. For investors without the governance or liquidity allowances to invest in private markets, public infrastructure may offer an alternative option.

## Global infrastructure deal value by sector, 2010–25




Source: BlackRock Investment Institute, with data from Preqin, July 2025. Note: The chart shows the share of global infrastructure deal value (measured in billions, USD) by sector. Telecommunications includes data centers.

## Public equity and private infrastructure valuations

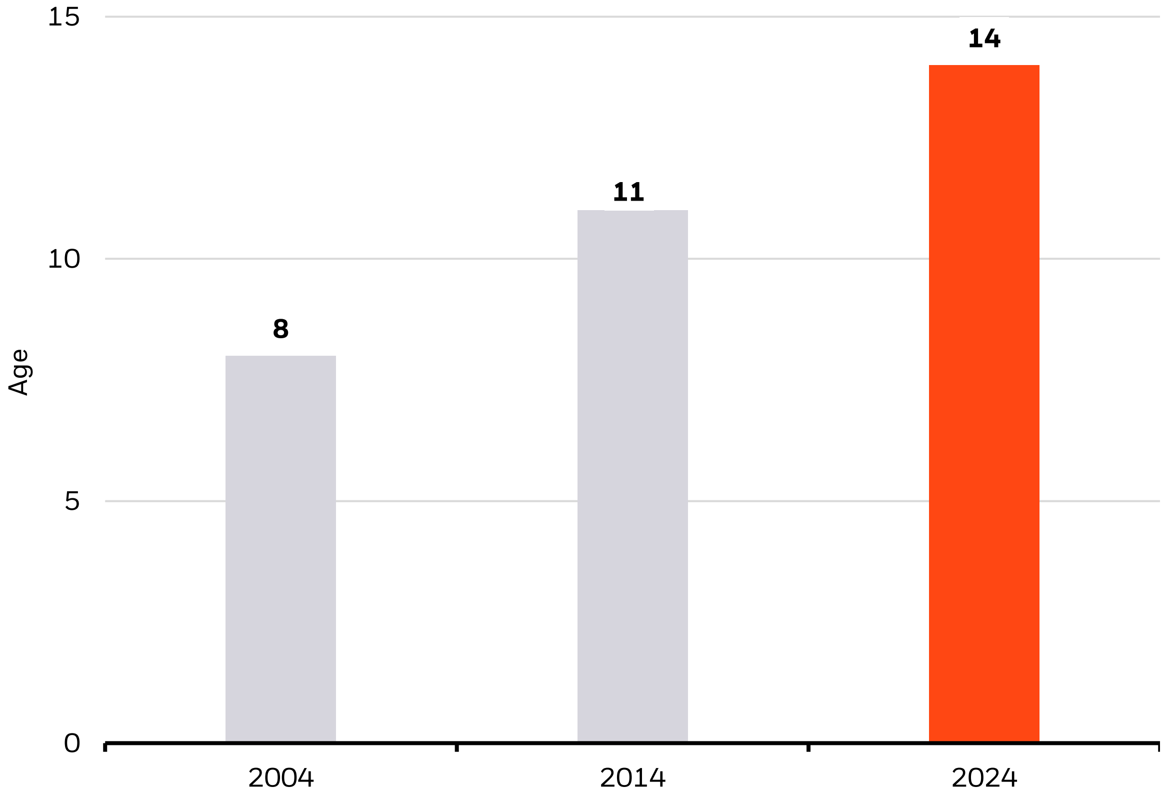



**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.** Source: BlackRock Investment Institute, with data from Bloomberg and GLIO, July 2025. Data is as of 31 December 2024. Index proxies used: FTSE DevCore Infra 50/50 for listed infrastructure, GLIO data for Private infrastructure and MSCI All-Country World Index for global stocks.

# We see opportunities in private credit as financing evolves

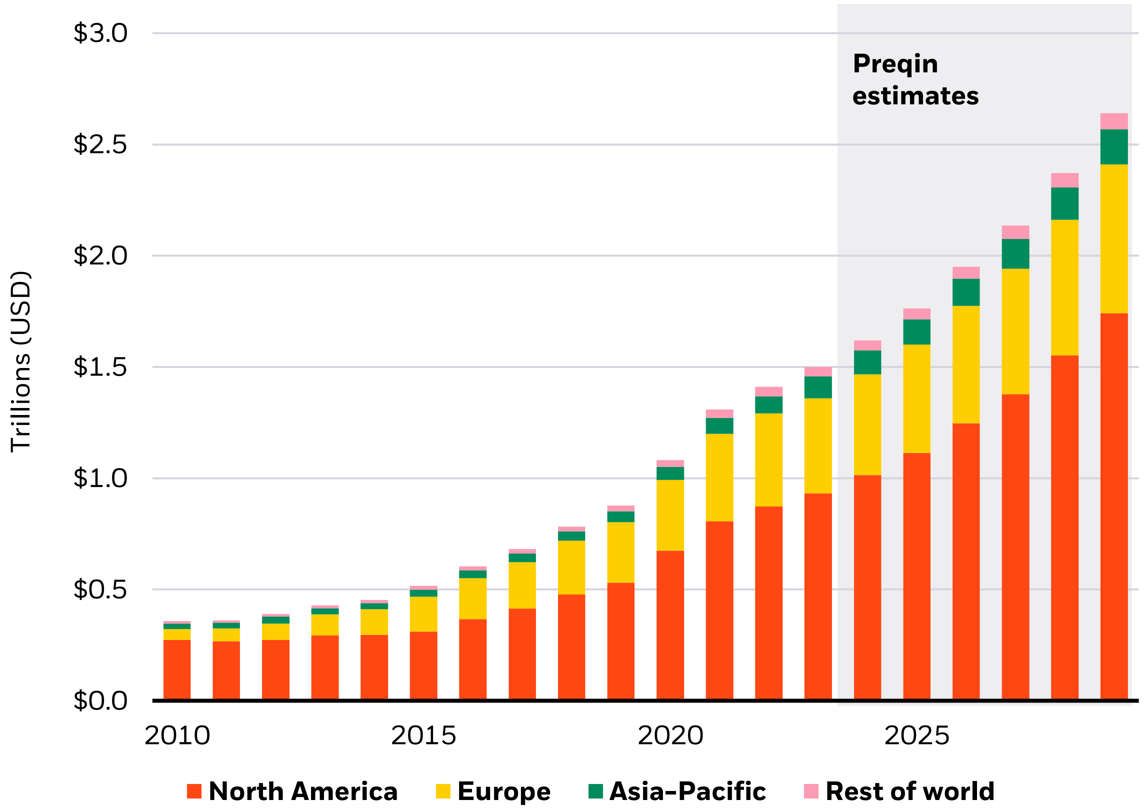
Companies now stay private for longer, relying more on private financing over raising money from public markets. We see the evolving financial architecture creating opportunities within private credit.

### Average U.S. company age at initial public offering




Source: BlackRock Investment Institute, University of Florida, with data from Jay R. Ritter, July 2025. Note: The bars show the median age when companies launch initial public offerings.

### Private debt assets under management, 2010–2029




Forward looking estimates may not come to pass.. Source: BlackRock Investment Institute, with data from Preqin, July 2025. Note: The bars show the assets under management in private debt funds, excluding Chinese yuan denominated funds.

# Our big calls for 2025

Our highest conviction views on tactical (6-12 month) and strategic (long-term) horizons, July 2025

| Tactical | Reasons |
|---|---|
| U.S. equities | • Policy uncertainty may weigh on growth and stocks in the near term. Yet we think U.S. equities can regain their global leadership – supported by mega forces such as AI. |
| Using FX to enhance income | • FX hedging is now a potential source of income, especially when hedging euro area bonds back into U.S. dollars. |
| Risk-taking strategies | • We identify sources of risk taking to be more deliberate in earning alpha. These include the potential impact of regulatory changes on corporate earnings, spotting crowded positions where markets could snap back and opportunities to provide liquidity during periods of stress. |
| **Strategic** | **Reasons** |
| Infrastructure equity and private credit | • We see opportunities in infrastructure equity due to attractive valuations and mega forces. We think private credit will earn lending share as banks retreat – and at attractive returns relative to public credit risk. |
| Fixed income granularity | • We prefer developed market (DM) government bonds over investment grade credit given tight spreads. Within DM government bonds, we favor UK gilts and short- and medium-term U.S. Treasuries. |
| Equity granularity | • We favor emerging market (EM) over DM stocks. We get selective in EM via mega forces. In DM, we like Japan. |

Note: Views are from a U.S. dollar perspective, July 2025. 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 any particular funds, strategy or security.

# Incorporating downside scenarios to our strategic views

We believe an ever-changing outlook with multiple possible scenarios warrants integrating scenarios into strategic asset allocation. Being dynamic with long-term portfolios is even more important today.

## Illustrative change to hypothetical U.S. dollar 10-year strategic views vs. equilibrium, July 2025

| Asset Class | Starting point | Change in downside scenario | Reason |
|---|---|---|---|
| Inflation-linked government bonds | +1 | — | |
| Emerging market equity | +1 | ← | Reduce exposure to reduce risk |
| Developed market (DM) government bonds | Neutral | → | Increase exposure, leaning into short- and medium-term bonds, avoid long duration |
| Income private markets | Neutral | ← | Reduce exposure to reduce risk, preferring public market debt |
| DM equity | Neutral | ← | Reduce exposure to reduce risk |
| DM high yield and EM debt | Neutral | — | |
| Mortgage-backed securities | Neutral | — | |
| Growth private markets | Neutral | → | Increase exposure, with potential outperformance from getting granular and active management amid heightened uncertainty |
| Global investment grade credit | Neutral | → | Increase exposure, preferring credit risk over equity risk |
| Chinese government bonds | -1 | — | |

Underweight | Neutral | Overweight | ● Previous view

**This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance.** Source: BlackRock Investment Institute. Data as of 25 April 2025. Notes: The chart shows our asset views on a 10-year view from an unconstrained U.S. dollar perspective against a long-term equilibrium allocation. Global government bonds and EM equity allocations comprise respective China assets. Income private markets comprise infrastructure debt, direct lending, real estate mezzanine debt and U.S. core real estate. Growth private markets comprise global private equity buyouts and infrastructure equity. The allocation shown is hypothetical and does not represent a real portfolio. It is intended for information purposes only and does not constitute investment advice. Index proxies: a combination of Bloomberg Treasury 1-10 Year Index, Bloomberg US Long Treasury Index, Bloomberg Euro Treasury 1-15 Year index, Bloomberg Euro Aggregate Treasury 15 Year+ Index, Bloomberg Sterling Aggregate: Gilts 1-10 Year Index, Bloomberg Sterling Aggregate: Gilts 10+ Year Index and Bloomberg Asia Pacific Japan Treasury Index for DM government bonds. MSCI EM for emerging market equity, Bloomberg US Government Inflation-Linked Bond Index for inflation-linked bonds. MSCI World US$ for developed market equity. Bloomberg US MBS Index for mortgage-backed securities. A combination of the Bloomberg US High Yield, Bloomberg Euro High Yield and JP Morgan EMBI Global Diversified indexes for DM high yield and EM debt. A combination of Bloomberg US Credit, Bloomberg Euro Corporate Credit, Bloomberg UK Corporate Credit indexes for Global IG credit, Bloomberg China Treasury + Policy Bank Total Return Index for Chinese government bonds. We use BlackRock proxies for growth and income private market assets due to lack of sufficient data. These proxies represent the mix of risk factor exposures that we believe represents the economic sensitivity of the given asset class. The hypothetical portfolio may differ from those in other jurisdictions, is intended for information purposes only and does not constitute investment advice.

# Tactical granular views: equities

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, July 2025

*The table below reflects our views on a tactical horizon and, importantly, leaves aside the opportunity for alpha, or the potential to generate above-benchmark returns – especially at times of heightened volatility.*

| Equities | View | Commentary |
|---|---|---|
| **Developed markets** | | |
| United States | +1 | We are overweight. Policy-driven volatility and supply-side constraints are pressuring growth, but we see AI supporting corporate earnings. U.S. valuations are backed by stronger earnings and profitability relative to other developed markets. |
| Europe | Neutral | We are neutral. Greater unity and a pro-growth agenda across Europe could boost activity, yet we are watching how the bloc tackles its structural challenges before turning more optimistic. We note selective opportunities in financials and industries tied to defense and infrastructure spending. |
| UK | Neutral | We are neutral. Political stability could improve investor sentiment. Yet an increase in the corporate tax burden could hurt profit margins near term. |
| Japan | +1 | We are overweight given the return of inflation and shareholder-friendly corporate reforms. We prefer unhedged exposures as the yen has tended to strengthen during bouts of market stress. |
| **Emerging markets** | Neutral | We are neutral. Valuations and domestic policy are supportive. Yet geopolitical tensions and concerns about global growth keep us sidelined for now. |
| China | Neutral | We are neutral. Trade policy uncertainty keeps us cautious, and policy stimulus is still limited. We still see structural challenges to China's growth, including an aging population. |

**Underweight** **Neutral** **Overweight** ● Previous view

**Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.** Note: Views are from a U.S. dollar perspective. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast or guarantee of future results. This information should not be relied upon as investment advice regarding any particular fund, strategy or security.

# Tactical granular views: fixed income

Underweight | Neutral | Overweight | ● Previous view

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, July 2025

| Fixed income | View | Commentary |
|---|---|---|
| Short U.S. Treasuries | +1 | We are overweight. We view short-term Treasuries as akin to cash in our tactical views. We would still lean against the market pricing of multiple Fed rate cuts over the next year. |
| Long U.S. Treasuries | -2 | We are underweight. Persistent budget deficits and inflation pressures could drive term premium up over the long term, but we see scope for lower yields near term. We prefer intermediate maturities. |
| Global inflation-linked bonds | Neutral | We are neutral. We see higher medium-term inflation, but cooling inflation and growth may matter more near term. |
| Euro area govt bonds | Neutral | We are neutral. Yields are attractive, and term premium has risen closer to our expectations relative to U.S. Treasuries. We prefer peripheral bonds such as in Italy and Spain. |
| UK gilts | Neutral | We are neutral. Gilt yields are off their highs, but the risk of higher U.S. yields having a knock-on impact and reducing the UK's fiscal space has risen. We are monitoring the UK fiscal situation. |
| Japanese govt bonds | -1 | We are underweight. We see room for yields to rise further on Bank of Japan rate hikes and a higher global term premium. |
| China govt bonds | Neutral | We are neutral. Bonds are supported by looser policy. Yet we find yields more attractive in short-term DM paper. |
| U.S. agency MBS | +1 | We are overweight. We find income in agency MBS compelling and prefer them to U.S. Treasuries for high-quality fixed income exposure. |
| Short-term IG credit | +1 | We are overweight. Short-term bonds better compensate for interest rate risk. |
| Long-term IG credit | -1 | We are underweight. Spreads are tight, so we prefer taking risk in equities. We favor Europe over the U.S. |
| Global high yield | Neutral | We are neutral. Spreads are tight, but corporate fundamentals are solid. The total income makes it more attractive than IG |
| Asia credit | Neutral | We are neutral. We don't find valuations compelling enough to turn more positive. |
| EM hard currency | -1 | We are underweight. Spreads to U.S. Treasuries are near historical averages. Trade uncertainty has eased, but we find local currency EM debt more attractive. |
| EM local currency | Neutral | We are neutral. Debt levels for many EMs have improved, and currencies have held up against trade uncertainty. We prefer countries with higher real interest rates. |

**Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.** Note: Views are from a U.S. dollar perspective. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast or guarantee of future results. This information should not be relied upon as investment advice regarding any particular fund, strategy or security.

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“

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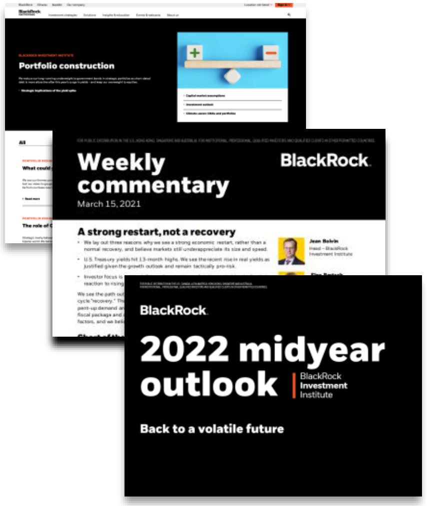
”

**Jean Boivin**

Head – BlackRock Investment Institute

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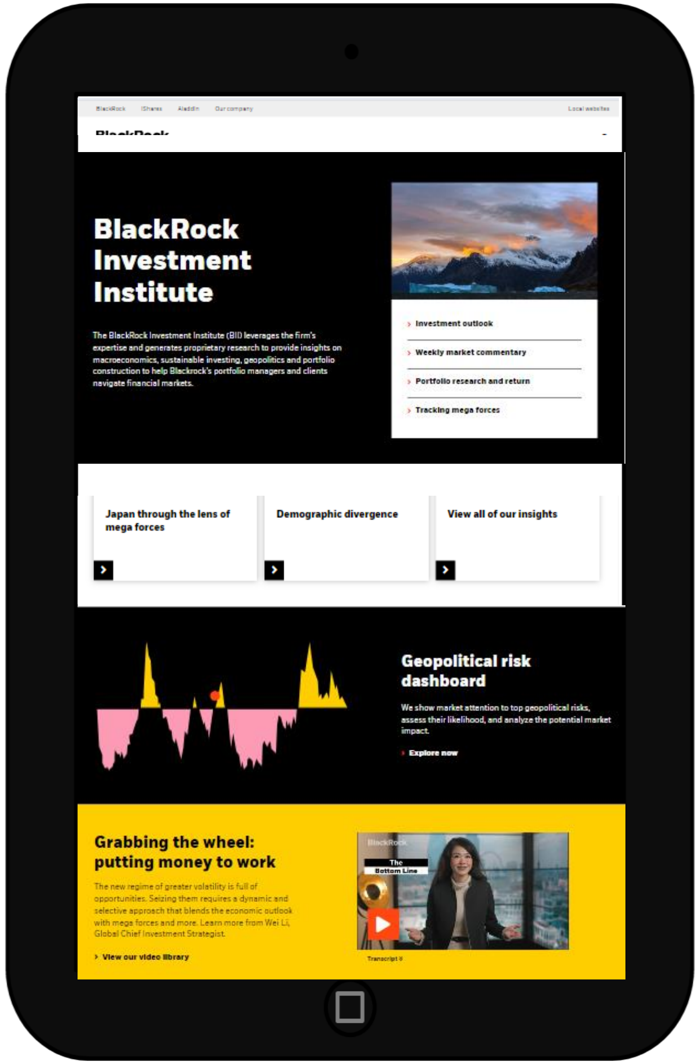


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