Manulife Investment Management

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With respect to a recession, it's important to keep in mind that financial markets are forward looking. Central Banks will cut overnight rates in response to a recession, and the bond market will begin to price-in these rate cuts as we begin to see clear evidence of growth slowing down. So, the bottom line is, clear evidence of recession sets the stage for a bond market rally.

At this stage of the cycle, we are postured to be long the belly of the curve to generate Yield and Income. We are also overweight the long end of the curve as we believe it will offer the best return as the market begins to price for a slowdown. We also underweight the front end of the curve as this area is most vulnerable to further shifts in market's expectation of a terminal overnight rate.

Inflation, and the corresponding Central Bank response to it, has caused a lot of volatility in the market. We expect this heightened volatility to continue over the near-term as the market re-assesses the terminal rate and the probabilities of a slowdown. That said, we believe the valuations are attractive at current yields. So, we are taking advantage of current valuations through Investment rate and High-Yield bonds, in addition to buying long Treasuries as protection against negative events.

Keeping perspective is critical in volatile times, otherwise you will miss opportunity. So, yes rates could rise further, but given current all-in yields, investing in Fixed Income has become very forgiving both in terms of carry and break-evens. As for inflation, we believe that it is near peak levels, and growth is decelerating, asset prices are declining and as all of this plays out, the ceiling for rates will become more evident.

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A widespread health crisis such as a global pandemic could cause substantial market volatility, exchange-trading suspensions and closures, and affect portfolio performance. For example, the novel coronavirus disease (COVID-19) has resulted in significant disruptions to global business activity. The impact of a health crisis and other epidemics and pandemics that may arise in the future could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other preexisting political, social ,and economic risks. Any such impact could adversely affect the portfolio's performance, resulting in losses to your investment.

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Manulife Investment Management is the global brand for the global wealth and asset management segment of Manulife Financial Corporation. We draw on more than a century of financial stewardship and the full resources of our parent company to serve individuals, institutions, and retirement plan members worldwide. Headquartered in Toronto, our leading capabilities in public and private markets are strengthened by an investment footprint that spans 18 geographies. We complement these capabilities by providing access to a network of unaffiliated asset managers from around the world. We're committed to investing responsibly across our businesses. We develop innovative global frameworks for sustainable investing, collaboratively engage with companies in our securities portfolios, and maintain a high standard of stewardship where we own and operate assets, and we believe in supporting financial well-being through our workplace retirement plans. Today, plan sponsors around the world rely on our retirement plan administration and investment expertise to help their employees plan for, save for, and live a better retirement.

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