



Navigating the Macro Environment

September 21, 2020

The current environment opens up a number of opportunities for managers who look at fundamental value, but it also forces navigation.

Watch the video or read the recap below.

The current environment certainly opens up a lot of opportunities for fundamental value, and it also forces a lot of navigation.

Take, for example, emerging markets, where you have a lot of attractive markets but they get really punished in a risk-off kind of environment that we're seeing now.

But it also opens up opportunities for superior deductive reasoning when it comes to understanding the economic impact of this crisis.

We certainly look a lot at emerging markets. These are markets that have been hit hard by this crisis—having to do a lot with weak healthcare systems, problems dealing with this crisis, as well as oil export dependency.

But these are also the countries that have great potential to bounce back as the world economy recovers and as oil demand comes back online.

We've certainly learned that central banks and governments can go much further in stimulating the economy than

you would usually predict—at least in developed countries.

We also learned that inflation is really the hardest thing to predict. You see all these economists coming out with forecasts that are very certain about whether this is a V-shaped or a U-shaped or a W-shaped, and so, on recovery, but often will not make predictions about inflation because it's a really tricky one.

Lotta Moberg, Ph.D., CFA, is an analyst on William Blair's Dynamic Allocation Strategies team.

Disclosure:

This content is for informational and educational purposes only and not intended as investment advice or a recommendation to buy or sell any security. Investment advice and recommendations can be provided only after careful consideration of an investor's objectives, guidelines, and restrictions.

Information and opinions expressed are those of the authors and may not reflect the opinions of other investment teams within William Blair Investment Management, LLC, or affiliates. Factual information has been taken from sources we believe to be reliable, but its accuracy, completeness or interpretation cannot be guaranteed. Information is current as of the date appearing in this material only and subject to change without notice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. This material may include estimates, outlooks, projections, and other forward-looking statements. Due to a variety of factors, actual events may differ significantly from those presented.

Investing involves risks, including the possible loss of principal. Equity securities may decline in value due to both real and perceived general market, economic, and industry conditions. The securities of smaller companies may be more volatile and less liquid than securities of larger companies. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks. These risks may be enhanced in emerging markets. Different investment styles may shift in and out of favor depending on market conditions. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result.

Investing in the bond market is subject to certain risks including market, interest rate, issuer, credit, and inflation risk. Rising interest rates generally cause bond prices to fall. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Sovereign debt securities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. Derivatives may involve certain risks such as counterparty, liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Currency transactions are affected by fluctuations in exchange rates; currency exchange rates may fluctuate significantly over short periods of time. Diversification does not ensure against loss.

There can be no assurance that investment objectives will be met. Any investment or strategy mentioned herein may not be appropriate for every investor. References to specific companies are for illustrative purposes only and should not be construed as investment advice or a recommendation to buy or sell any security. Past performance is not indicative of future returns.

Copyright © 2020 William Blair & Company, L.L.C. "William Blair" is a registered trademark of William Blair & Company, L.L.C. No part of this material may be reproduced in any form, or referred to in any other publication, without express written consent.