

THE GLOBAL INVESTOR SUMMIT ROME 2024

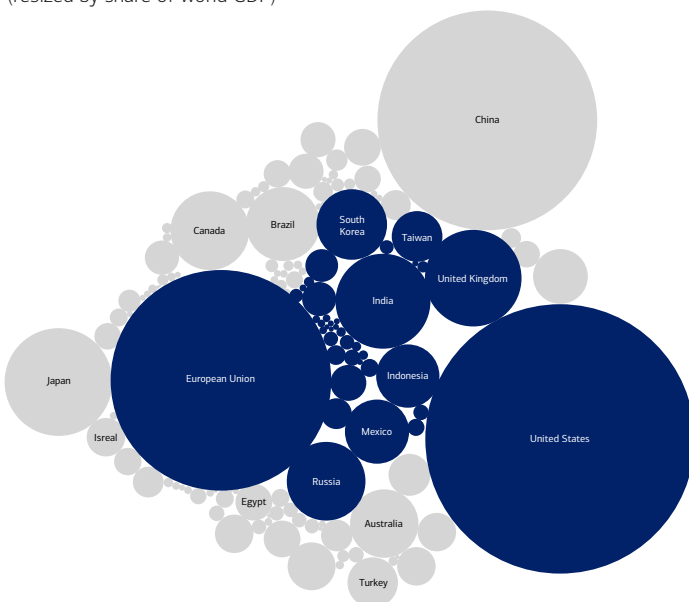
# Rediscovering Value in a Global Reset

Many of the dynamics and deeply held truths that governed the investment landscape over the last two decades are unwinding or even disappearing altogether. Even as major equity indices hover near record highs and major central banks look poised to reverse the tightening drive, Bank of America analysts have warned of a higher-than-expected risk of a hard economic landing<sup>1</sup>. Supply chain disruptions, continuing conflicts and an election supercycle that will see much of the democratic world go to the polls are all making it difficult to predict what the global picture will look like at the end of 2024, let alone in the years to come.

In discussing this difficult environment, the experts, global investors and business leaders from across the world who

## Elections in 2024 in countries representing 60% of GDP

(resized by share of world GDP)



Source: BofA Global Investment Strategy

convened at Bank of America's recent Global Investor Summit in Rome agreed on one thing: the rules have changed.

Michael Hartnett, chief investment strategist at BofA Global Research, underlined the high stakes of votes in key markets like the U.S.: **"Historically elections don't matter to markets that much – but they will matter this year,"** he said.

## A blurred outlook

The seasoned investors joining a panel chaired by Jim DeMare, president of Global Markets, BofA Securities, titled 'Fortune Favors the Bold: Investing to Win,' explored the challenge of making decisions at a time when signals are mixed and the full impacts of ongoing political and technological shifts are not always clear.

Richard Tang, partner and global head of markets at global macro fund manager Rokos Capital Management, spoke of a new 'age of discovery' in which investors should be ready to rethink cherished beliefs, and accept that the future may be substantially different than the last few decades.

One example is the widely held view that monetary policy has tightened and a return to an easier 'normal' is all but inevitable. **"There's a huge assumption that policy rates are restrictive – but the data on that is very blurry,"** Tang noted.

The president and CEO of CPP Investments, John Graham, told the audience that investors would also have to get comfortable with less consistent performance. **"Over the next 25 years we expect a reset of return expectations,"** he said.

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Similarly, the countries and companies that have powered economic and portfolio growth in recent years may no longer represent the most compelling investment cases, as de-risking and diversification rewrite trade networks.

Bank of America research has cited the migration of manufacturing resources back to the U.S. as a factor behind the surprising resilience of the world's largest economy<sup>2</sup>.

**“Reshoring is one of the main factors to think about when you look across the investment landscape,”** DeMare advised.

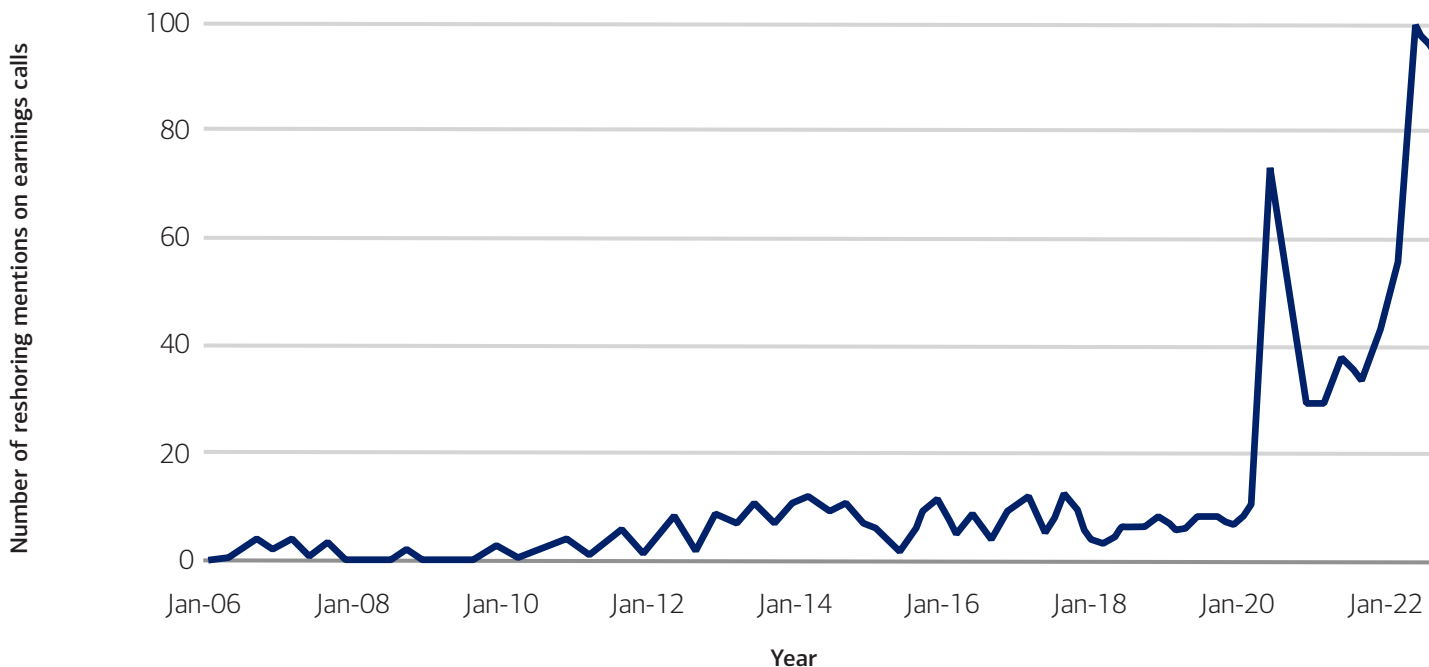
Jonathan Gray, president and COO at Blackstone, was in full agreement. **“Is globalisation over? No, but regionalisation and more stretched-out supply chains will have a powerful impact,”** he remarked in a dialogue with Karim Assef, chair of Global Investment Banking, BofA Securities.



*Jim DeMare, President of Global Markets, BofA Securities*

## Reshoring mentions on earnings calls for US stocks have skyrocketed since 2020

(based on earnings transcripts e.g. 2006-2022)

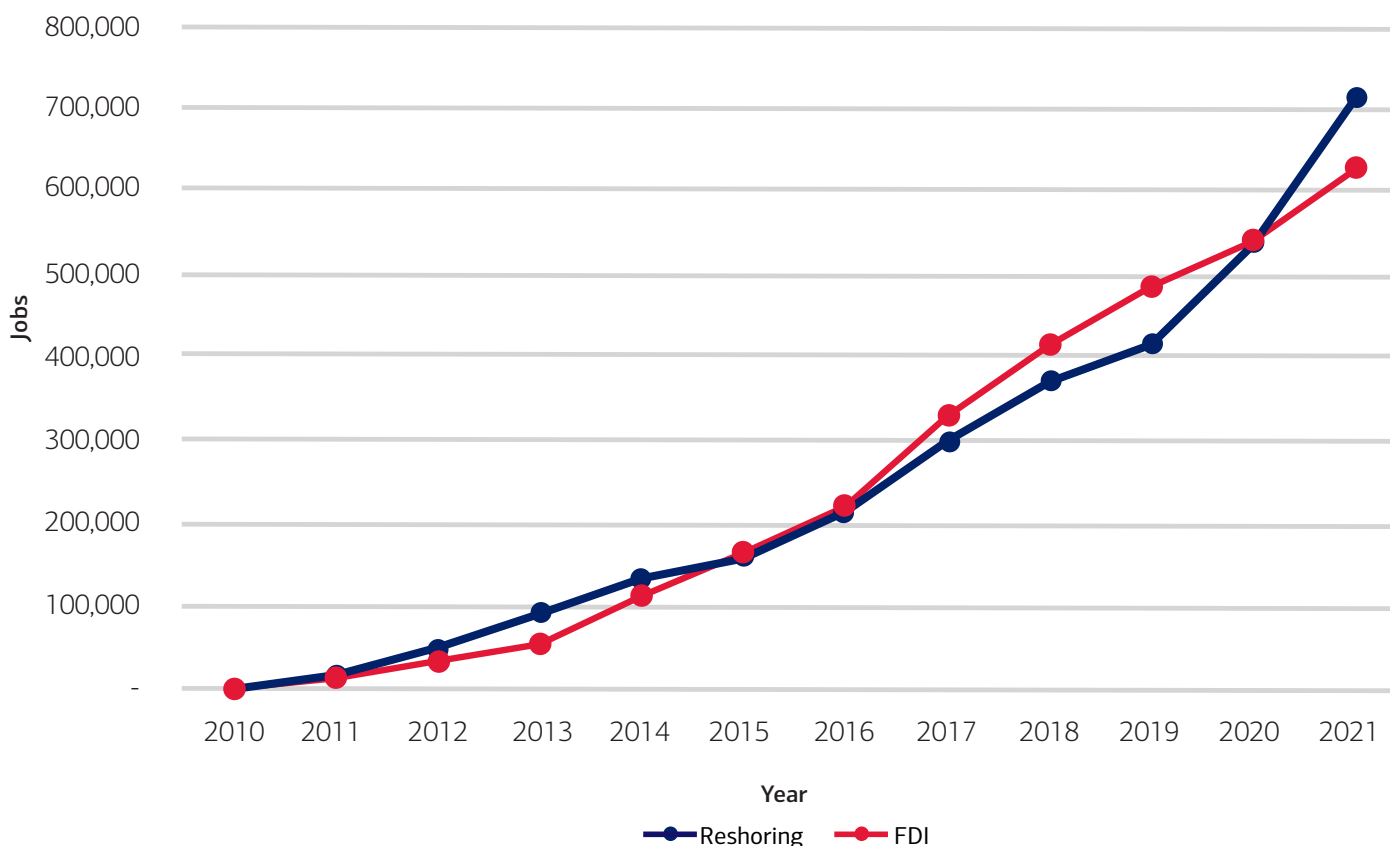


Source: AlpaSense, BofA Global Research

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## Over 1.3 million reshoring + FDI jobs since 2010

Cumulative Reshoring + FDI jobs announced, 2010-2021



Source: The Reshoring Initiative® 2021 Data Report  
([https://reshorennow.org/content/pdf/202\\_R1\\_data\\_report.pdf](https://reshorennow.org/content/pdf/202_R1_data_report.pdf))

In Gray's view these trends will favour emerging manufacturing destinations like Southeast Asia and India – where the government is targeting 8% GDP growth over the medium term<sup>3</sup> – as well as investors with dedicated resources in multiple locations at the local level. Gray also expressed confidence in commercial real estate remaining a promising field for investment, notwithstanding the negative headlines that have surrounded the asset class post-pandemic.

## Areas of potential

The Global Investor Summit proved that for all the uncertainty, investors see no shortage of future opportunities or causes for optimism. Much excitement surrounds the investment cases that will be created by the transition to a lower-carbon, more inclusive economy. Bank of America alone has set a goal to

mobilise U.S.\$1.5 trillion in capital by 2030 for climate and social development projects<sup>4</sup>.

The credit space is another case in point. The private credit market has surged in recent years and is expected to nearly double to U.S.\$2.8 trillion by 2028, according to Preqin<sup>5</sup>, as more investors explore the asset class.

Scott Kapnick, CEO of private credit-focused investment firm HPS Investment Partners, summed it up for the panel:

**“Private credit is in a very good place; you’re getting long-term equity-like returns for a fixed price.”**

The growth of private credit is often portrayed as the result of a zero-sum game as traditional lenders pull back from the market, but as BofA's Assef pointed out in his conversation with Blackstone's Gray, the reality is much more nuanced.

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**“We’re seeing more and more convergence between banks and direct lenders,” he said. “There’s more focus on creating liquidity, which in a way takes the private out of private credit.”**

It’s precisely through this kind of cooperation that the private sector can mobilise the resources needed to make the changing patterns of global investment and trade work for wider society. The Global Investor Summit showcased once again the value of bringing key experts and industry leaders together to work through complex issues, pool knowledge and insights, and enhance their strategies in a way that reduces risk, while putting growth on a sturdier, and more sustainable, footing.

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<sup>1</sup> Bank of America: BofA Global Research Calls 2024 “The Year of the Landing”

<sup>2</sup> Bank of America Institute: Back to the USA: The case for reshoring

<sup>3</sup> CNBC: India set to clock up to 8% GDP growth as it boosts manufacturing capacity, minister says

<sup>4</sup> Bank of America: How sustainable finance can work for you

<sup>5</sup> EY: Private Debt – An Expected But Uncertain “Golden Moment”

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