T. Rowe Price

Market Pulse

Global Fixed Income Update

September 2025

Ahead of the Curve

“Real” Conviction

Following the negative asymmetric yield experience of 2022, yield trends for nominal intermediate- to long-maturity U.S. Treasuries have regained symmetry as the market seeks to identify their next durable trend; but overall, nominal yield levels have still been volatile. Consider the dizzying yield journey of the bellwether 10-year U.S. Treasury for the past one year that began the period at 3.74%, tested 4.79% in mid-January, then settled in a range around 4.4% from mid-April to late July before oscillating in a range between 4.0% and 4.2% since then. It is against this challenging backdrop and a bias that U.S. rates, in conjunction with concerns centered on seemingly unsustainable U.S. deficit spending, will eventually be heading materially higher that the T. Rowe Price Fixed Income Division held its September Policy Week.

Interestingly, through the holistic assessment of Policy Week that follows detailed analysis across the various components of global fixed income markets, currencies and related economies, not much had changed since the Fixed Income division’s Policy Week meetings in the summer. Fundamentals remain sound across investment grade and below investment grade credit sectors and related spreads remain historically tight, supported by a global economy that continues to plod positively forward amid:

- Front loading (ahead of elevated tariffs) activity carrying the Eurozone economy for now that should then gain additional support with expansionary fiscal policy kicking in next year.

- China showing some signs of bolstering its consumption economy as the country’s exaggerated (and tariff free…) industrial production continues to move its overall economic needle forward.

- A slowing U.S. economy transitioning toward a greater manufacturing focus that is now supported by expansionary fiscal policy in the form of the One Big Beautiful Bill (OBBBA) and a Federal Reserve rate cut (with high market expectations for two more 25-basis-point cuts coming before year end).

Beyond strong fundamentals that are also supported by favorable equity earnings trends across the S&P 500, the continuing overlap between public and private markets also means that corporate America is technically well supported from a funding perspective as the domestic IPO market heats up.

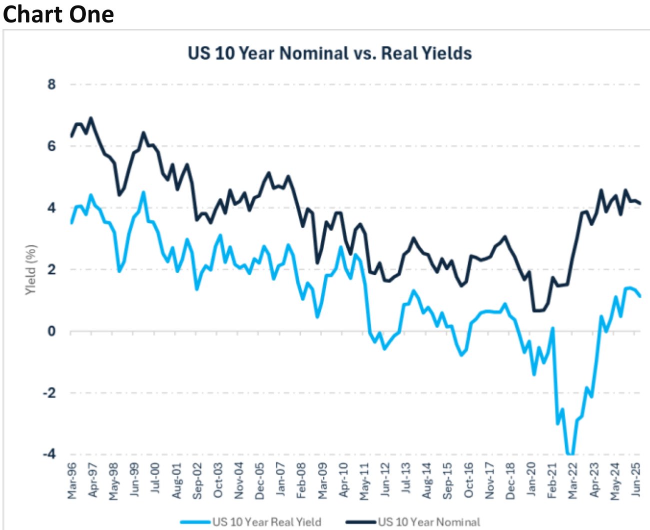
Away from corporate credit, the sharp year-to-date falling trend in the U.S. dollar, while still modestly atrophying, found near term traction in recent weeks as Policy Week unfolded. As a result, conviction levels remain broadly neutral or better across most spread sectors, apart from the mortgage-backed securities sector that is beset with some near-term technical pressure. Interestingly, from a real time perspective, the future fortunes of the U.S. dollar are being revisited for another potential leg down with more Fed rate cuts potentially coming.

Overall, while the surface appears serene across spread sectors, the division's respective credit and emerging markets debt sector teams remain vigilant regarding security selection to prepare for a a turn in the current "goldilocks" environment for credit. In addition to an emphasis on security selection within spread sectors, our sector teams highlighted the utility of the high yield and investment grade synthetic corporate markets that allow us to actively manage corporate exposures while also having an attractive liquidity profile that allows the team an opportunity to pivot if market conditions change.

In assessing the current tight spreads environment, particularly in long maturity corporate credit, getting the call right on where intermediate to long U.S. rates are headed is a focus as sharply higher yields could represent a "trip wire" for the current credit cycle. While the passing of OBBBA confirmed that the U.S. administration would continue running concerning levels of deficit spending well into the future, U.S. 10-year Treasury yields have rallied nevertheless from a high of 4.6% in late May to 4.13% as this note is being written. As a result, while the Fixed Income Division reevaluated its negative view on U.S. sovereign duration during its September Policy Week, an overall bearish view remains. Near term, this posture has been reinforced as the U.S. 10-year yield, after testing just below the 4% yield range on September 11, has since risen to the higher yield level referenced above.

One other way to evaluate what has become a complex U.S. nominal rate environment is to reduce its noise by instead focusing on real yields, which adjust for inflation. Such a simplified view is provided in the chart below. As illustrated, U.S. 10-year real yields (U.S. 10-year nominal yields less U.S. CPI) in the range of 2% arguably represented a gravity point for where U.S. nominal yields ultimately landed heading into and then just beyond the Global Financial Crisis. After that, this theoretical 2% real yield range guide was shattered by an era of quantitative easing and peak globalization. Today's world is markedly different with deglobalization trends that are being exacerbated with heightened tariff policy that now may have U.S. Treasury rates now seeking a new and higher baseline for real yields. This phenomenon may also help drive U.S. 10-year and longer maturity nominal yields higher going forward.

Chart One



As of September 22, 2025

Past performance is not a guarantee or a reliable indicator of future results.

Source: Bloomberg Finance L.P.

Against the backdrop described above, being short U.S. duration, positioning for a steeper 2s/10s U.S. Treasury yield curve, allocating to select inflation linked global sovereign debt, and potentially revisiting a short U.S. dollar posture all warrant consideration. And in terms of keeping it "real" in the current environment, T. Rowe Price Multi-Asset Division's proactive move years ago to add and now be overweight real assets seems warranted as signals from gold miners suggest that U.S. Treasury real yields may not fully capture the future realities of a changing world.

Bottom Line – In an environment where indeed the world has changed as the U.S. pursues a materially unique go forward path relative to its approach for the past 80 years, active management in global fixed income takes on heightened importance. Through a disciplined investment process, anchored by its Policy Week in conjunction with expanding quantitative capabilities and its ongoing global bottom-up research effort, we firmly believe that the T. Rowe Price Fixed Income is well positioned to actively manage the array of global strategies that compose its investment platform through the uncertain times ahead.

FOR INVESTMENT PROFESSIONALS ONLY. NOT FOR FURTHER DISTRIBUTION.

All investments are subject to market risk, including the possible loss of principal. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest-rate risk. As interest rates rise, bond prices generally fall. International investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments. Mortgage-backed securities are subject to credit risk, interest-rate risk, prepayment risk, and extension risk. International investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments. These risks are generally greater for investments in emerging markets. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest-rate risk. As interest rates rise, bond prices generally fall. Investments in high-yield bonds involve greater risk of price volatility, illiquidity, and default than higher-rated debt securities.

Capital risk - the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

Counterparty risk - an entity with which the portfolio transacts may not meet its obligations to the portfolio.

Geographic concentration risk - to the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk - a portfolio 's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk - investing in portfolios involves certain risks an investor would not face if investing in markets directly.

Conflicts of interest risk - the investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk - operational failures could lead to disruptions of portfolio operations or financial losses.

Actual outcomes may differ materially from any forward-looking statements made. The statements made are as of September 2025, are those of the author, are subject to change, and T. Rowe Price assumes no duty to and does not undertake to update forward-looking statements. Other T. Rowe Price associates may have different views.

Important Information

This material is being furnished for general informational and/or marketing purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a guarantee or a reliable indicator of future results.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

Australia—Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. For Wholesale Clients only.
Brunei—This material can only be delivered to certain specific institutional investors for informational purpose only. Any strategy and/or any products associated with the strategy discussed herein has not been authorised for distribution in Brunei. No distribution of this material to any member of the public in Brunei is permitted.
Canada—Issued in Canada by T. Rowe Price (Canada), Inc. T. Rowe Price (Canada), Inc.'s investment management services are only available to non-individual Accredited Investors and non-individual Permitted Clients as defined under National Instrument 45-106 and National Instrument 31-103, respectively. T. Rowe Price (Canada), Inc. enters into written delegation agreements with affiliates to provide investment management services.
DIFC—Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd which is regulated by the Dubai Financial Services Authority as a Representative Office. For Professional Clients only.
EEA—Unless indicated otherwise this material is issued and approved by T. Rowe Price (Luxembourg) Management S.à r.l. 35 Boulevard du Prince Henri L-1724 Luxembourg which is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier. For Professional Clients only.
Hong Kong—Issued by T. Rowe Price Hong Kong Limited, 6/F, Chater House, 8 Connaught Road Central, Hong Kong. T. Rowe Price Hong Kong Limited is licensed and regulated by the Securities & Futures Commission. For Professional Investors only.
Indonesia—This material is intended to be used only by the designated recipient to whom T. Rowe Price delivered; it is for institutional use only. Under no circumstances should the material, in whole or in part, be copied, redistributed or shared, in any medium, without prior written consent from T. Rowe Price. No distribution of this material to members of the public in any jurisdiction is permitted.
South Korea—This material is intended only to Qualified Professional Investors. Not for further distribution.
Mainland China—This material is provided to qualified investors only. No invitation to offer, or offer for, or sale of, the shares will be made in the mainland of the People's Republic of China ("Mainland China", not including the Hong Kong or Macau Special Administrative Regions or Taiwan) or by any means that would be deemed public under the laws of the Mainland China. The information relating to the strategy contained in this material has not been submitted to or approved by the China Securities Regulatory Commission or any other relevant governmental

authority in the Mainland China. The strategy and/or any product associated with the strategy may only be offered or sold to investors in the Mainland China that are expressly authorized under the laws and regulations of the Mainland China to buy and sell securities denominated in a currency other than the Renminbi (or RMB), which is the official currency of the Mainland China. Potential investors who are resident in the Mainland China are responsible for obtaining the required approvals from all relevant government authorities in the Mainland China, including, but not limited to, the State Administration of Foreign Exchange, before purchasing the shares. This document further does not constitute any securities or investment advice to citizens of the Mainland China, or nationals with permanent residence in the Mainland China, or to any corporation, partnership, or other entity incorporated or established in the Mainland China.

Malaysia—This material can only be delivered to specific institutional investor. This material is solely for institutional use and for informational purposes only. This material does not provide investment advice or an offering to make, or an inducement or attempted inducement of any person to enter into or to offer to enter into, an agreement for or with a view to acquiring, disposing of, subscribing for or underwriting securities. Nothing in this material shall be considered a making available of, solicitation to buy, an offering for subscription or purchase or an invitation to subscribe for or purchase any securities, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase or sale would be unlawful under the laws of Malaysia.

New Zealand— Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. No Interests are offered to the public. Accordingly, the Interests may not, directly or indirectly, be offered, sold or delivered in New Zealand, nor may any offering document or advertisement in relation to any offer of the Interests be distributed in New Zealand, other than in circumstances where there is no contravention of the Financial Markets Conduct Act 2013.

Philippines—ANY STRATEGY AND/ OR ANY SECURITIES ASSOCIATED WITH THE STRATEGY BEING DISCUSSED HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE OF THE STRATEGY AND/ OR ANY SECURITIES IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE, UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

Singapore—Issued by T. Rowe Price Singapore Private Ltd. (UEN: 201021137E), 501 Orchard Rd, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is licensed and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

South Africa—Issued in South Africa by T. Rowe Price International Ltd (TRPIL), Warwick Court, 5 Paternoster Square, London EC4M 7DX, is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002 (Financial Services Provider (FSP) Licence Number 31935), authorised to provide "intermediary services" to South African Investors. TRPIL's Complaint Handling Procedures are available to clients upon request. The Financial Advisory and Intermediary Services Act Ombud in South Africa deals with complaints from clients against FSPs in relation to the specific services rendered by FSPs. The contact details are noted below: Telephone: +27 12 762 5000, Web: www.faisombud.co.za, Email: info@faisombud.co.za

Switzerland—Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. For Qualified Investors only.

Taiwan—This does not provide investment advice or recommendations. Nothing in this material shall be considered a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person in the Republic of China.

Thailand—This material has not been and will not be filed with or approved by the Securities Exchange Commission of Thailand or any other regulatory authority in Thailand. The material is provided solely to "institutional investors" as defined under relevant Thai laws and regulations. No distribution of this material to any member of the public in Thailand is permitted. Nothing in this material shall be considered a provision of service, or a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person where such provision, offer, solicitation, purchase or sale would be unlawful under relevant Thai laws and regulations.

UK—This material is issued and approved by T. Rowe Price International Ltd, Warwick Court, 5 Paternoster Square, London EC4M 7DX which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

USA—Issued in the USA by T. Rowe Price Associates, Inc., and T. Rowe Price Investment Services, Inc., 1307 Point Street, Baltimore, MD 21231, which are regulated by the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, respectively. For Institutional Investors only.

ID0008515
202509-4846179