



The “In-Between,” the “New Normal,” and What’s Next...

Tracking the course for global equities to a post-COVID-19 world.

February 2021

Sometimes in life, you find yourself “in between.” In between seasons, in between relationships, in between jobs. One season is ending, and the next has yet to begin. This is where markets are now.

Extreme Outcomes Have Unfolded Because of Coronavirus

Discussing COVID-19, the disease caused by the coronavirus, and markets should begin with an acknowledgment of the human suffering that the crisis has caused and the injustices that it has revealed. There is more to this experience than market uncertainty, but that uncertainty is what our clients trust us to navigate.

It is remarkable how humanity met the Covid challenge. This response reminds us of our adaptability and ingenuity as a species. Let us hope that this ingenuity combined with a renewed focus on tackling injustice will lead to better long-term outcomes for us all.

The coronavirus crisis was unexpected, even though predictions of some sort of global pandemic were not new. Human beings struggle to imagine the implications of something so unexpected. Billions of people stopped what they were doing and changed their behavior almost simultaneously. We found ourselves in a time of extremes.

The COVID-19 economy is a contrast between extreme positives and extreme



David Eiswert

Portfolio Manager,
Global Focused Growth Equity Strategy

negatives. We all know the examples: the positive extremes of new pet adoption and new computers, video games, home exercise equipment, video streaming, video calls, food delivery, home improvements, and time with immediate family.

By contrast, we have the negative extremes of empty office buildings, airplanes, hotels, and theaters; disruption of schools and education; separation from extended families; shuttered restaurants; and empty brick-and-mortar shops. In peacetime, it is likely that the world has never seen such a synchronized shift in behavior.

“Crossing the Chasm”—Moving From Concept to Profitable Business at Pace

This shift has intersected a dynamic time for technology and communication. Many technology-enabled businesses crossed the chasm into critical scale, adoption, and habit. The adoption of innovation has happened in just a few weeks instead of years.

“The COVID-19 economy is a contrast between extreme positives and extreme negatives.”

“The adoption of innovation has happened in just a few weeks instead of years.”

This is an important insight because we are not headed back to the “same normal” of pre-COVID-19 but, rather, a “new normal,” where many of the innovations brought about or accelerated by COVID-19 will be durable and long term. A good example will be advances in vaccine technology. Picking between the chasm crossers—those that will succeed and thrive—and the imposters—those that will not prove durable—will be yet another test for us as active investors.

Science Has Put Us on a Path to Improvement in 2021

It can be exhausting to follow the daily news on vaccines and virus variants. Luckily, we have the support of our global health care team to keep us focused on what matters. Our takeaway from their work is that things will get better in 2021, potentially much better in many countries. What we think matters most is that vaccines seem to prevent serious disease and death. In short, we will learn to live with COVID-19. The path continues to be uncertain, but the destination of a new normal looks more and more likely.

Positioning for the Future

What does this mean for equity markets? We find ourselves in an extreme environment for liquidity, government debt, and stimulus, and this is influencing the market’s appetite for risk assets. Many trends are being extrapolated far into the future, potentially fueled by stay-at-home behavior and some speculation. The market’s behavior, in the simplest of terms, is focused on the extreme short-term winners and the extreme long-term dream.

The market also appears very confident in the Federal Reserve’s ability to control inflation and interest rates for a long time. Although it is too early to drive portfolio investment decisions, we do worry

about how this level of stimulus will be removed from the system in the future.

Understanding where the world is on the path to recovery is crucial. The question we ask ourselves is, “What if the first half of 2021 is the “in between” of a COVID-dominated world and a post-COVID-19 world?” If this is the case, then focusing on short-term winners or extreme long-term dreams may be exactly the wrong thing to do. The game is about to change, as our lives and activities shift once again.

We find ourselves looking for investments that will experience accelerating returns as we move out of the crisis, even if they are out of favor and have faced crisis headwinds. This kind of investing is difficult because it requires imagination and a carefully contrarian mindset. But experience has shown that making these uncomfortable decisions with confidence can work with the support of our global research platform, which has deep industry and company knowledge. In short, now is the time to imagine what companies will evolve or reemerge as “winners,” and consequently be the most attractive stocks, as we move through the in-between phase and into a postcrisis world.

The in-between phase is by definition uncomfortable. One season is ending, and the next has yet to begin. This is complicated by the fact that the “new normal” will be different from the pre-COVID world. We are working hard to position the portfolio for the move through the in-between phase to capture the opportunities we see as the world shifts to the new normal. Investors who can imagine the impact of this change, distinguish between the “imposters” and the winning businesses, all while taking calculated risks, should benefit.

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

T.RowePrice[®]

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, nor is it intended to serve as the primary basis for an investment decision. 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 reliable indicator of future performance.** 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 in Australia by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 50, Governor Phillip Tower, 1 Farrer Place, Suite 50B, Sydney, NSW 2000, Australia. For Wholesale Clients only.

Brunei—This material can only be delivered to certain specific institutional investors for informational purpose upon request only. The strategy and/or any products associated with the strategy 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 Accredited Investors as defined under National Instrument 45-106. T. Rowe Price (Canada), Inc. enters into written delegation agreements with affiliates to provide investment management services.

China—This material is provided to specific qualified domestic institutional investor or sovereign wealth fund on a one-on-one basis. No invitation to offer, or offer for, or sale of, the shares will be made in the People's Republic of China ("PRC") (which, for such purpose, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan) or by any means that would be deemed public under the laws of the PRC. 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 PRC. The strategy and/or any product associated with the strategy may only be offered or sold to investors in the PRC that are expressly authorized under the laws and regulations of the PRC to buy and sell securities denominated in a currency other than the Renminbi (or RMB), which is the official currency of the PRC. Potential investors who are resident in the PRC are responsible for obtaining the required approvals from all relevant government authorities in the PRC, 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 PRC, or nationals with permanent residence in the PRC, or to any corporation, partnership, or other entity incorporated or established in the PRC.

DIFC—Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd. This material is communicated on behalf of T. Rowe Price International Ltd. by its representative office which is regulated by the Dubai Financial Services Authority. For Professional Clients only.

EEA ex-UK—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 in Hong Kong 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.

Korea—This material is intended only to Qualified Professional Investors upon specific and unsolicited request and may not be reproduced in whole or in part nor can they be transmitted to any other person in the Republic of Korea.

Malaysia—This material can only be delivered to specific institutional investor upon specific and unsolicited request. The strategy and/or any products associated with the strategy has not been authorised for distribution in Malaysia. 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 in New Zealand by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 50, Governor Phillip Tower, 1 Farrer Place, Suite 50B, 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—THE STRATEGY AND/ OR ANY SECURITIES ASSOCIATED WITH THE STRATEGY BEING OFFERED OR SOLD 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 in Singapore by T. Rowe Price Singapore Private Ltd., No. 501 Orchard Rd, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is regulated and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

South Africa—T. Rowe Price International Ltd ("TRPIL") is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002 (FSP Licence Number 31935), authorised to provide "intermediary services" to South African investors.

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 issued 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, 60 Queen Victoria Street, London, EC4N 4TZ 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., 100 East Pratt Street, Baltimore, MD, 21202, which is regulated by the U.S. Securities and Exchange Commission. For Institutional Investors only.

© 2021 T. Rowe Price. All rights reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the bighorn sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc.