

2021 Midyear Market Outlook

Positioning for a New
Economic Landscape

Four themes to follow

Building a Sustainable Recovery

A Focus on Earnings Growth

Creativity in an Era of Rising Yields

China: Too Big to Ignore

Building a Sustainable Recovery

A “v-shaped” recovery could broaden
Yet investors should keep an eye on the fundamentals

Central banks signaled they’d maintain their stance as unemployment falls toward pre-pandemic levels

The U.S. Federal Reserve indicated a willingness to tolerate inflation pressures before raising interest rates

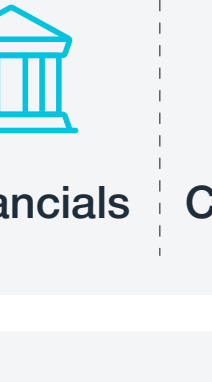
There’s a race between vaccine distribution and mutations

A Focus on Earnings Growth

Valuations are generally elevated
Many investors may have become too optimistic



There are signs of speculative excess within “meme” stocks, SPACs, and cryptocurrencies



However, opportunities from disruption and a cyclical value recovery could persist

Intermediate Term Opportunities Include

Cyclicals

Financials

Commodities

Energy

Long-Term Opportunities Include

Disruptors

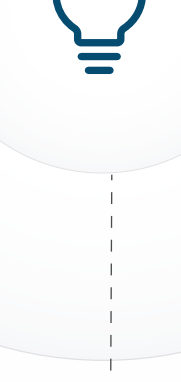
Companies that can sustain strong, steady earnings growth

Creativity in an Era of Rising Yields

Higher yields could create income opportunities

Yet duration risk could be meaningful if inflation and interest rates outpace expectations

Creativity could mean



Considering high yield bonds

Increasing allocations to floating-rate loans and other low-duration assets

Seeking opportunities in ex-U.S. debt markets

China: Too Big to Ignore

Benchmarks may be understating the opportunity set in China

30% of annual global GDP growth¹

25x increased in equity market capitalization since 2002¹

2nd largest R&D spender in the world⁴

57% China’s share of global ecommerce¹

50% MSCI China index exposed to ‘disruptive tech’³

5,000+ number of investable companies in China²

Sources: ¹UBS, IMF, March 2021. ²Goldman Sachs, March 31, 2021. ³FactSet; T. Rowe Price calculations using data from FactSet Research Systems Inc. ⁴Organisation for Economic Co-operation and Development 2020, Center for Business and Economic Research, December 2020. All rights reserved. ‘Disruptive Tech’ is defined as the Information Technology sector, the Internet & Direct Marketing, Retail industry within the Consumer Discretionary sector, and the Media & Entertainment industry group within the Communication Services sector. 40EOD,2020. Please see Additional Disclosures below for information on this MSCI information.

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SPAC stands for special purpose acquisition company, which are companies formed to raise capital for the purpose of acquiring other companies.

Duration refers to how long it takes for an investor to be repaid a given bond’s price by that bond’s total cash flows.

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