T.RowePrice®
INVEST WITH CONFIDENCE

OCTOBER 2021

GLOBAL ASSET ALLOCATION VIEWPOINTS AND INVESTMENT ENVIRONMENT

1 MARKET PERSPECTIVE As of 30 September 2021

- Global economic growth outlook remains favorable, albeit past peak levels, balanced by further progress toward global emergence from COVID-19 shutdowns versus fading policy support and supply chain disruptions.
- Global monetary policy is expected to continue path toward tightening, but central banks on different trajectories, with some, particularly in EM, having already acted in response to higher inflation while others continue to keep policy on hold awaiting stronger evidence of sustained growth.
- Long-term interest rates could trend higher amid outlook for above trend growth and inflation, but upside may be limited as growth and imbalances driving inflation moderate.
- Key risks to global markets include elevated inflation, central bank missteps, slowing China growth, supply chain disruption, increased regulatory pressures, higher taxes, and increasing geopolitical concerns.

2 PORTFOLIO POSITIONING As of 30 September 2021

- We remain modestly underweight equities relative to bonds and cash as valuations look less compelling amid moderating growth and stimulus. Higher rates, rising input costs related to supply chain bottlenecks, and potential tax increases could pose challenges to near-term earnings outlook.
- Within equities, we continue to favor value-oriented equities globally, U.S. small-caps, and emerging market stocks as we expect cyclically exposed companies to benefit from a supportive global growth profile, coupled with unleashed pent-up demand and inventory rebuilding as supply bottlenecks and COVID concerns abate.
- Within fixed income, we continue to favor shorter duration and higher yielding sectors through overweights to high yield bonds and floating rate loans given our constructive credit outlook.

3 MARKET THEMES As of 30 September 2021

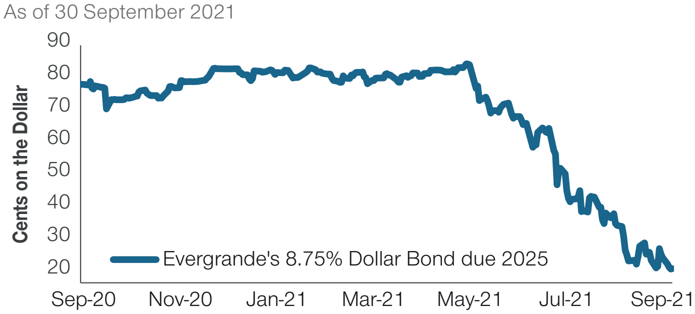
More Predictably, Unpredictable

After a crackdown on internet technology and educational companies last month, risks continue to emerge out of China including the potential fallout in its massive real estate sector following missed debt payments by Evergrande–one of the nation's largest property developers. The focused suite of regulatory actions out of Beijing are driven by efforts to balance wealth inequality and have had far sweeping impacts on sectors such as technology, education, real estate, and healthcare. At the same time, authorities have started to more aggressively pursue its 5-year plan to reduce carbon emissions by limiting coal supply, resulting in power outages, and shuttering factory activity leading to supply shortages. The degree of recent actions taken by the Chinese government combined with declining growth estimates is causing investors angst. Although unlikely to allow economic growth to fall significantly, China's actions may force foreign investors and trading partners to reassess the risks of investing in a place that has become more predictably, unpredictable.

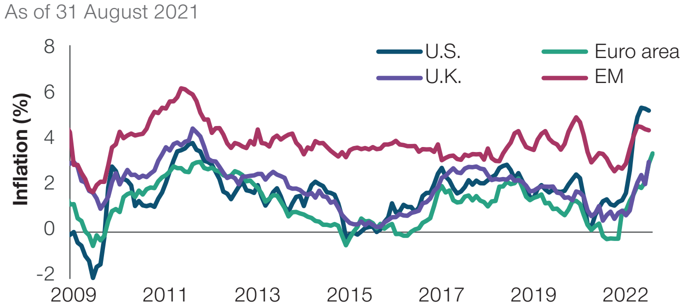
Actions Speak Louder than Words

Inflation is proving to be a bit more persistent and higher than many expected, putting pressure on some central banks around the globe to act. Several emerging market central banks, such as Brazil and Mexico, began raising rates over the summer to fend off higher prices and now, some developed market central banks are similarly looking to act. The Bank of England has signaled higher rates are coming soon as inflation is expected to get close to 4%, double their target. And while the Federal Reserve is planning on tapering asset purchases, it remains committed to its current rate policy, reiterating that elevated inflation levels will be "transitory". The ECB similarly warned of not overreacting to current inflation levels, keeping current policy in place. Although most central banks believe inflation will prove temporary, prices could remain elevated for an extended period–perhaps too long for them to hold onto their words and not take action.

Evergrande's Debt Collapse[1]
As of 30 September 2021



Global Inflation on the Rise[1, 2]
As of 31 August 2021



Past performance is not a reliable indicator of future performance.

[1] Figures are shown in USD.
[2] Infl ation is measured by Consumer Price Index.
The specifi c securities identifi ed and described are for informational purposes only and do not represent recommendations. Source: Bloomberg Finance L.P., Financial data and analytics provider FactSet.

Only For Investment Professionals Eligible To Access the T. Rowe Price Asia Regional Institutional Website.

4 REGIONAL BACKDROP

As of 30 September 2021

	Positives	Negatives
United States	■ Healthy consumer balance sheets and high savings rate ■ Exceptionally strong earnings growth ■ Infrastructure spending likely to increase ■ Delta variant spread appears to have peaked	■ Elevated stock and bond valuations ■ Elevated corporate and government debt levels ■ Fed accommodation has peaked ■ Fiscal stimulus has peaked ■ Corporate taxes likely to rise
Europe	■ Higher exposure to more cyclically oriented sectors that should benefit from economic recovery ■ Monetary policy remains accommodative ■ Fiscal stimulus likely to increase ■ Equity valuations remain attractive relative to the US	■ Limited long-term catalysts for growth ■ Limited scope for ECB to stimulate further ■ Demand from China fading ■ Microchip shortage impacting auto production rebound
China	■ Regulatory overhang has likely peaked from here. Contrarian investors should re-consider their exposures to Chinese stocks. ■ The slowdown in economic activity increased the chances that policy easing may come to stimulate the economy ■ Elevated volatility, cautious positioning by foreign investors and bottoming expectations on future earnings create opportunities for active investors	■ Economic data continues to surprise on the downside. The slowdown appears structural and policy induced around property, COVID zero tolerance and environmental objectives. ■ Consumer spending still lagging the recovery and below expectations. Consumers are acting cautiously in the face of uncertainties. ■ Contagion risk from the property sector and from the power cuts.
Japan	■ Local stock markets look attractive due to favorable relative valuation, light positioning and positive earnings trends. ■ Policy setting remains extremely accommodative with further boost coming from fiscal spending. ■ Economic activity should benefit from a rebound in Capex, inventory build-up and improvement in business confidence.	■ The slowdown in global economic data, especially in China, presents a headwind for Japanese companies. ■ Risk of a policy disappointment given elevated expectations. ■ Stagnant productivity remains a structural issues for margins in the face of a tight labor market.
Australia	■ Labor market and sentiment indicators proved to be more resilient than feared to the current lockdowns. ■ The high vaccination rate bodes well for a strong re-opening of the economy before year end. ■ While the RBA is likely to remain dovish and supportive for longer, tapering is moving ahead as planned.	■ Earning momentum is weak with more downgrades to come, reflecting the Chinese slowdown and the current lockdowns. ■ Re-opening beneficiaries will look different from previously, given what is already priced in and a cautious consumer behavior seen elsewhere. ■ Valuations are not as favorable as they used to.
Emerging Markets	■ Equity valuations attractive relative to developed markets ■ Exposure to cyclical areas of economy should benefit from broad global recovery ■ Chinese regulatory actions likely to have peaked ■ Vaccination rates are improving	■ Stimulus from China is fading ■ Accommodation from central banks is fading ■ New coronavirus variants remain a threat

As of 30 September 2021

▼ or ▲ Month-Over-Month Change

These views are informed by a subjective assessment of the relative attractiveness of asset classes and subclasses over a 6- to 18-month horizon.

	Underweight		Neutral	Overweight		
ASSET CLASS						
Equities		■				Valuations are elevated amid post-peak growth and stimulus levels. Earnings strength has buoyed equities thus far but may face a more challenging environment over the near term.
Bonds				■		Yields biased higher on the back of strong growth, inflation, as well as tightening global central bank policies supportive of short duration posture and modest overweight to cash. Credit sectors offer solid fundamentals and opportunities for carry.
EQUITIES						
Regions						
U.S.		■				Elevated valuations reflecting a strong recovery, earnings strength, and low interest rates. Slowing growth, fading liquidity, and the potential for higher interest rates and taxes could be headwinds. Cyclical sectors should continue to benefit from a strong macro backdrop, but a lot of good news is already priced in.
Global Ex-U.S.				■		Procyclical sector profile, vaccination progress, and attractive relative valuation should prove beneficial amid continued recovery. However, Chinese growth concerns remain a headwind.
Europe		■				Fading Chinese growth, low-rate environment, and lack of long-term growth catalysts remain concerns. However, cyclical orientation, low valuations among financials, and improving stimulus expectations provide near-term support.
Japan				■		Substantial progress on vaccine rollout, improved political environment, attractive valuations, and strong global trade outlook should be supportive. Improving corporate governance also provides long-term tailwind.
Emerging Markets (EM)				■		Valuations very attractive and Chinese regulatory pressures may have peaked. Global trade likely to improve as bottlenecks are worked through and vaccine levels continue to improve.
Style & Market Capitalization						
U.S. Growth vs. Value[1]		■				Growth remains vulnerable to elevated valuations and higher rates. Cyclical orientation of value should still benefit from unleashed pent-up demand, economic strength, and potential for infrastructure spending.
Global Ex-U.S. Growth vs. Value[1]		■				Deep cyclical orientation of value stocks combined with attractive relative valuations and improving earnings outlook could be catalysts. Growth stocks challenged by fading consumer demand from China.
U.S. Small vs. Large-Cap[1]				■		Small-caps should be supported by economic growth, attractive relative valuations, infrastructure spending, and strong earnings outlook. However, elevated input costs and wage pressures are weighing on margins.
Global Ex-U.S. Small vs. Large-Cap[1]			□			Strong domestic growth trends remain supportive for small-caps, and idiosyncratic opportunities are plentiful. Meanwhile, strong global economic outlook should benefit large-caps given cyclical orientation and exposure to international trade.
Inflation-Sensitive						
Real Assets Equities		■				The long-term outlook for commodities remains challenged by supply/demand imbalances despite recent strength. Real estate remains attractive in the context of economic recovery, but rising rates could pose a headwind.
BONDS						
U.S. Investment Grade (IG)		■				Fundamentals and yield advantage supportive for credit, but upside may be limited with rich valuations. Rates continue to be biased higher based on elevated growth and inflation levels.
Developed Ex-U.S. IG (Hedged)				■		Sector offers yield curve diversification and short-end rates should be contained as monetary policy changes not likely through 2022. Compression in global yields has eroded most of the USD hedged yield advantage.
U.S. Treasury Long	■					Stronger growth, persistent inflation, and less accommodative Fed should lead to a gradual rise in yields, impacting longer duration assets. However, risk-off turn in markets could cause a rally in Treasuries.
Inflation-Linked			□			Inflationary pressures expected to remain high through year-end as pent-up demand and supply bottlenecks are worked through, however it is largely priced in.
Global High Yield				■		Limited upside given elevated valuations; relative yields still attractive versus alternatives within fixed income. Fundamentals broadly supported by positive macroeconomic backdrop.
Floating Rate Loans				■		Credit fundamentals remain favorable and sector should benefit from higher standing in the capital structure and shorter-duration profile as in a potentially rising rate environment. However, spreads are near all-time lows, limiting upside.
EM Dollar Sovereigns			□			Attractive yield versus developed markets with improving growth broadly supportive; however, vulnerabilities across countries vary in coronavirus spread/vaccine accessibility and central banks are taking actions to combat inflation.
EM Local Currency				■		Valuations remain modestly attractive, particularly for local currencies; improving macroeconomic backdrop and potentially weaker U.S. dollar could provide tailwinds. Shift higher in U.S. rates and EM central bank rate hikes could be headwinds.

[1] For pairwise decisions in style & market capitalization, positioning within boxes represent positioning in the first mentioned asset class relative to the second asset class.

The asset classes across the equity and fixed income markets shown are represented in our Multi-Asset portfolios. Certain style & market capitalization asset classes are represented as pairwise decisions as part of our tactical asset allocation framework. For a representation of how the overweight and underweight tactical decisions are implemented across our Target Allocation franchise, available upon request.

Only For Investment Professionals Eligible To Access the T. Rowe Price Asia Regional Institutional Website.

REGIONAL MULTI-ASSET TEAM REPRESENTATIVES

Thomas Poullaouec
Head of Multi-Asset Solutions APAC

Wenting Shen
Multi-Asset Solutions Strategist

Hajime Takigawa
Multi-Asset Solutions Strategist

Additional Disclosures

Certain numbers in this report may not equal stated totals due to rounding.

Source: Unless otherwise stated, all market data are sourced from FactSet. Financial data and analytics provider FactSet. Copyright 2021 FactSet. All Rights Reserved.

Important Information

This material is being furnished for general informational purpose 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.

This material is only for investment professionals that are eligible to access the T. Rowe Price Asia Regional Institutional Website. Not for further distribution.

202110-1896778
APAC-PAN-2587