



2022 Midyear Market Outlook

Transitioning to a New Paradigm

Four Themes to Follow

1

Navigating
Challenging
Currents

2

Fundamentals
Matter

3

Flexible
Fixed Income

4

Managing Through
Geopolitical Risks

1

Navigating Challenging Currents

For years markets have experienced historically low volatility and ample liquidity.

In 2022, that's changed: **Inflation is now a central factor** determining where markets might go from here.



3 ways inflation can threaten economic growth:



Less consumer spending due to higher prices



Forced interest rate hikes



Lower corporate earnings due to higher input costs



Key Takeaway

Understanding your risk tolerance, staying active, and remaining diversified could be critical to navigating these challenging currents.

We're going through a regime shift from low growth, low inflation, and low rates to something that looks different. Fortunes can be made and lost during regime shifts.

— Sébastien Page
Head of Multi-Asset
and Chief Investment Officer

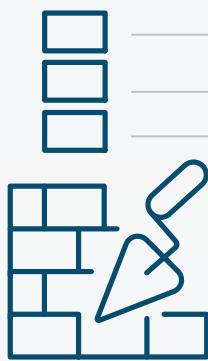
Fundamentals Matter

A potential shift in market leadership means that **fundamentals** are likely to matter more.



We believe it's wise to **diversify intelligently**, avoiding extreme allocations.

Tactical Opportunities



- Expect less tolerance for unprofitable, speculative stocks.
- Dividends and earnings growth could become more critical to equity performance.
- A deep understanding of companies and industries could be key to consistently strong performance.



A risk to watch: Rising interest rates have already punished equity valuations. The question now is whether an earnings slowdown may be the next shoe to drop.



Key Takeaway

Cap-weighted indexes may be poorly positioned for structural change, making skilled active management a critical tool for identifying risks and opportunities.

In volatile markets, active management can be your friend.

— **Justin Thomson**
Head of International Equity
and Chief Investment Officer

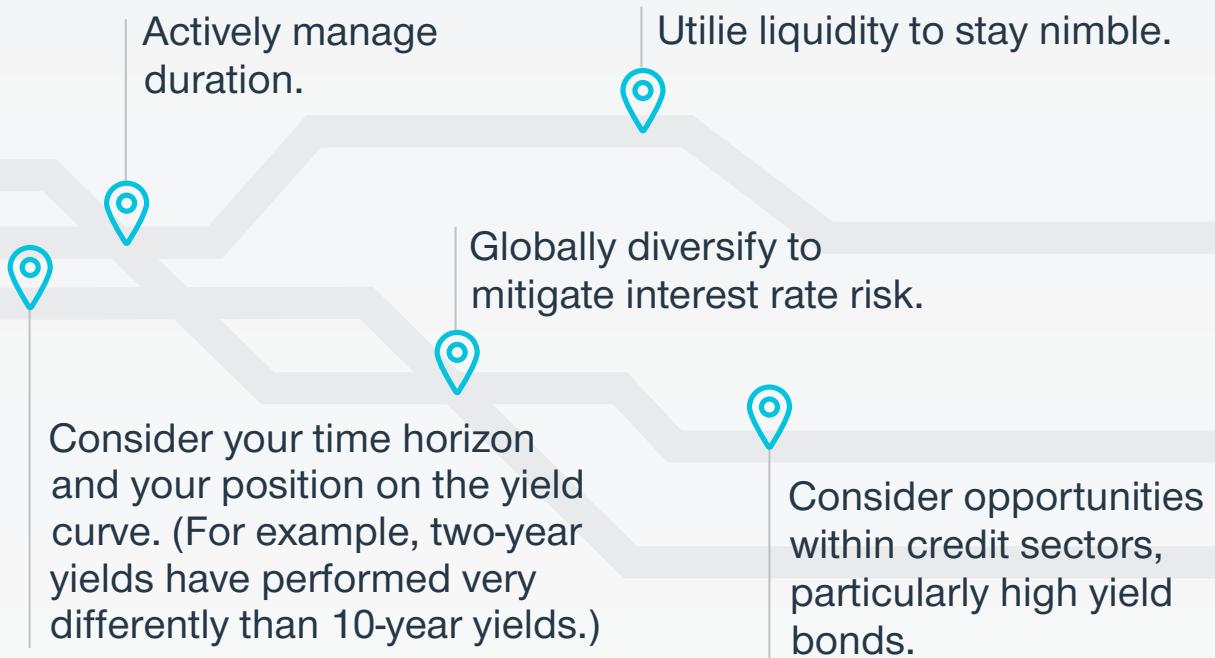
3

Flexible Fixed Income

U.S. Treasuries and other sovereign bonds have been a poor diversifier of equity risk, suggesting investors may need a more **flexible approach to fixed income** allocations.



How Do We Navigate This Shift?



Key Takeaway

We believe fixed income investors could be rewarded in 2022 for being nimble.

This may be the best point to buy bonds that we've seen for several years. Valuation is much more attractive than it has been.

— Arif Husain

Head of International Fixed Income and Chief Investment Officer

New risks for global markets have emerged, triggered by geopolitical **shocks to agriculture, digital security, defense, and energy**



The Ukraine conflict: Potential global fallout

Shorter-term

Profound humanitarian tragedy

Higher food prices

Market volatility

Longer-term

Sanctions could disrupt a broad range of industries from energy to agriculture to the international payments system.

The push for energy independence could accelerate the green transition.

Greater potential for conflict between NATO and non-NATO nations.



Key Takeaway

The war has worsened global inflation, highlighted energy security, and created agricultural shortages. Elections in a number of countries and China's upcoming Party Congress also could have significant market implications.

Some countries may be looking at [financial sanctions against Russia] and thinking, “We need to find another way of moving our money and transacting on a global basis.”

— Arif Husain
Head of International Fixed Income
and Chief Investment Officer

Take the Next Step

Get strategies to help you respond to these investment themes. Speak to your financial adviser for more information or call your T. Rowe Price Relationship Manager.

Important Information

This material is being furnished for general informational 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 June 2022 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.

Australia - Issued 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.

© 2022 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