



JUNE 2022

GLOBAL ASSET ALLOCATION VIEWPOINTS AND INVESTMENT ENVIRONMENT

1 MARKET PERSPECTIVE As of 31 May 2022

- While global growth is trending lower, recent economic data, especially pertaining to the labor market, has shown resilience amid geopolitical challenges, supply disruption, and reduction of liquidity.
- The U.S. Federal Reserve remains committed to its tightening policy, hinting at a frontloaded path of rate hikes. The European Central Bank (ECB) has telegraphed its plan to end asset purchases and begin raising rates despite a fragile macro backdrop, while the Bank of Japan remains steadfast on its policy of yield curve control.
- Emerging market central banks continue to tighten policy in response to heightened inflation and weak currencies, while China's policies continue moving in the opposite direction to counter weakening growth caused by zero-COVID policy.
- Key risks to global markets include central bank missteps, lingering inflation, commodity impact of Russia-Ukraine conflict, sharp slowdown in economic data and China balancing growth amid COVID-related lockdowns.

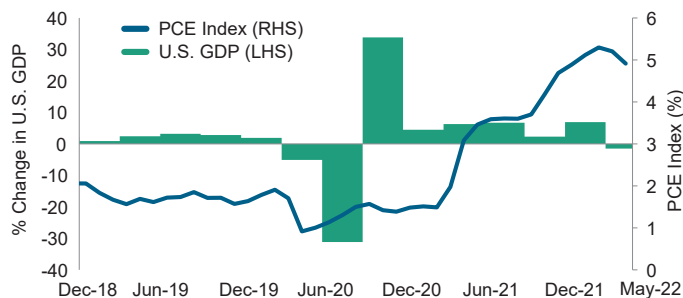
2 MARKET THEMES As of 31 May 2022

So Far, So Good...

With inflation at multi-decade highs and growth already slowing, investors were rightfully skeptical about the Fed's ability to aggressively tackle inflation without sending the economy into recession having waited too long. Now two hikes in and messaging frontloading future hikes with 50 basis point moves, recent data suggests the broader economy is largely holding up. Although first-quarter gross domestic product showed the economy surprisingly contracted by 1.5%, it appeared an anomaly due to temporary disruptions in trade and inventories, masking underlying support from consumer and capex spending. And while expected to slow, full year 2022 growth estimates still expect a 2.6% expansion, near pre-covid averages. Inflation too is showing some early signs of cooperating, with recent data suggesting easing in producer prices and wages, giving Fed officials a sigh of relief. While far from out of the woods, with top-line CPI still expected to be near 6% levels at year-end, so far it seems like maybe, just maybe a Fed-driven recession or stagflation are not inevitable.

U.S. GDP & Inflation¹

As of 31 May 2022



Growth Spurt?

After more than a decade of outperformance versus value amid years of low economic growth, growth stocks went nearly parabolic during COVID lockdowns as many large-cap technology companies disproportionately benefitted from stay-at-home trends, sending valuations to record levels. That trend abruptly ended at the end of last year and has continued amid a spike higher in interest rates and threats of aggressive Fed tightening to battle multi-decade high inflation. The sharp drawdown in growth stocks has led to more reasonable valuations and the move higher in rates appears to be largely priced in as expectations for economic growth are moderating—historically a time when growth stocks have tended to outperform. While time will tell if this is a pivotal inflection in style back toward growth stocks, they still face near-term challenges on upcoming earnings comparisons and uncertainty around the path of Fed policy. But, for now growth could be due for a spurt higher as many of the tailwinds for value—higher energy prices and rates—may be peaking.

Growth vs. Value²

As of 31 May 2022



Past performance is not a reliable indicator of future performance.

Sources: Bloomberg Finance L.P. and London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). Please see the last page for information about this FTSE Russell information.

¹ U.S. GDP is represented by the U.S. Gross Domestic Product Index quarter over quarter. The PCE Index is represented by the Personal Consumption Expenditure Core Price Index year over year.

² Chart represents the difference between Growth and Value indices. Growth is represented by Russell 1000 Growth Index and Value is represented by Russell 1000 Value Index.

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

3 REGIONAL BACKDROP

As of 31 May 2022



	Positives	Negatives
United States	<ul style="list-style-type: none">■ Strong corporate and consumer balance sheets■ Pent-up demand for services and capex	<ul style="list-style-type: none">■ Fed tightening at a rapid pace■ Significantly elevated inflation■ Supply chain issues limiting economic activity■ Fiscal stimulus has peaked
Europe	<ul style="list-style-type: none">■ Fiscal spending likely to increase■ Equity valuations attractive relative to the U.S.■ European Union unity is strengthening	<ul style="list-style-type: none">■ Russia-Ukraine conflict has driven energy prices sharply higher■ Industrial production is dampened by supply chain challenges■ Limited long-term catalysts for earnings growth■ ECB support is likely to fade in the near term
Japan	<ul style="list-style-type: none">■ Earnings remain healthy. With buybacks at record levels, shareholders should be rewarded■ The policy setting remains accommodative■ The Japanese Yen is cheap. With interest rate differentials stabilizing, the currency should appreciate	<ul style="list-style-type: none">■ Leading economic indicators continue to be weak due to supply shortages and rising input prices■ Inflation is back and may encourage the BOJ to change its policy guidance■ The global slowdown, especially in China, is impacting the export sector
Emerging Markets	<ul style="list-style-type: none">■ Chinese authorities are easing monetary, regulatory and credit conditions■ Equity valuations are attractive relative to the U.S.	<ul style="list-style-type: none">■ COVID outbreak significantly weighing on economic activity■ Global trade remains impacted by supply chain issues, geopolitical uncertainty and COVID restrictions
China	<ul style="list-style-type: none">■ Policy makers are becoming more forceful in their stimulus measures, suggesting that the worst may be behind us already■ Depressed sentiment and positioning make Chinese stocks an interesting contrarian, medium term investment, amidst appealing valuation■ Earning reports suggested that companies are looking at cost cutting and efficiency gains to preserve margins and profits in this downturn	<ul style="list-style-type: none">■ Mobility indicators are still significantly below normal levels, indicating that the reopening story will take time to develop■ The economic slowdown appears to be even greater than in Q1 2020■ Geopolitical tensions are making the balancing act between the zero covid policy and economic stimulus extremely difficult

4 PORTFOLIO POSITIONING

As of 31 May 2022

- While equity valuations are more reasonable after recent declines, we remain cautious on the earnings growth outlook and inflationary impacts on margins supporting our modest underweight.
- Within equities, we added to real assets-related equities, bringing the position to overweight, to provide a hedge should inflationary pressures persist longer, or settle higher, than expected. The overweight was funded from European Equities, as Europe faces the highest risk of recession among all major regions with the tail risk skewed to the downside.
- Within fixed income, we increased overweight to Asia Credit as its yield spread is at the widest it has been in 10 years. This was funded by short-term Treasury inflation protected securities and cash.



¹For 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.



MULTI-ASSET



Thomas Poullaouec (Chair)
Head of Multi-Asset
Solutions APAC



Richard Coghlan
Portfolio Manager,
Global Multi-Asset Team



Wenting Shen
Portfolio Manager,
Global Multi-Asset Team

EQUITY



Haider Ali
Associate Portfolio Manager,
International Equity

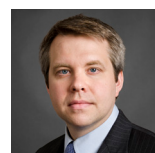


Anh Lu
Portfolio Manager,
Asia Ex-Japan
Equity Strategy

FIXED INCOME



Sheldon Chan
Portfolio Manager,
Asia Credit Bond Strategy



Chris Kushlis
Chief of China and Emerging
Markets Macro Strategy



Leonard Kwan
Portfolio Manager,
Emerging Markets
Fixed Income

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 2022 FactSet. All Rights Reserved.

"Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by T. Rowe Price. Bloomberg is not affiliated with T. Rowe Price, and Bloomberg does not approve, endorse, review, or recommend Global Asset Allocation Viewpoints. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Global Asset Allocation Viewpoints.

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2022. FTSE Russell is a trading name of certain of the LSE Group companies. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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.

© 2022 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.

202208-2396025

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