T. Rowe Price

Global Asset Allocation: The View From the UK

November 2025

Outlook

- Our view on risk assets remains balanced, with fiscal stimulus and accommodative central bank policies helping support economic growth against a backdrop of elevated valuations, where a lot of good news has been priced in.
- US economic growth is underpinned by ongoing fiscal spending and the potential for further Fed easing, though the outlook remains uncertain amidst limited economic data and a lack of clarity around tariff impact.
- Outside the US, growth supported by fiscal and monetary stimulus is helping offset potential weakness from tariffs. In the UK, however, the government is expected to tighten its fiscal policy by raising taxes, with the Bank of England likely to provide monetary stimulus. A de-escalation in trade tensions and improving sentiment towards China are also supportive.
- Key risks to global markets include sticky inflation, potential policy missteps by central banks, a weakening labour market, lingering trade tensions and ongoing geopolitical tensions.

Themes driving positioning

Driving in the fog

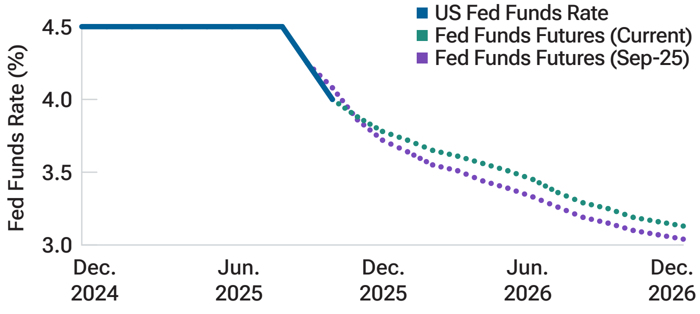
The Federal Reserve's latest 25-basis-point rate cut and decision to end quantitative tightening were widely anticipated, yet the underlying dissent amongst Federal Reserve voting members underscores growing uncertainty about the economy's trajectory. With one member advocating for a more aggressive 50-basis-point cut and another opposing any reduction, the Fed is clearly wrestling with conflicting signals, exacerbated by limited economic data. This led Chair Jerome Powell to caution that a December cut is not guaranteed amidst the 'fog'. Markets responded by dialling down rate cut expectations, but still with little clarity in the direction of the economy and more concerns about the direction within the Fed. It's tough enough driving in the fog, but it's even worse when everyone in the car wants to go in a different direction.

Reason for the jitters?

After a near 40% uninterrupted run higher off early April lows around Liberation Day, US equity markets have been a bit more jittery as of late. High valuations, scrutiny around artificial intelligence (AI) spending and a more recent focus on debt financing for AI infrastructure have been highlighted as catalysts of concern. Adding to these worries has been the ongoing US government shutdown, incoming private data showing a weakening labour market, slumping consumer confidence and the direction of the Fed mired by a lack of information. On the flip side, earnings growth remains robust, mergers and acquisitions (M&A) activity has picked up and the narrative around supportive fiscal and monetary policy still holds. AI spending, however, has been the primary driver of economic growth, earnings and market performance, offsetting weakness elsewhere in areas like housing, manufacturing and the labour market. Given these imbalances, we remain broadly neutral across risk assets and cognisant of the growing bifurcations across the economy.

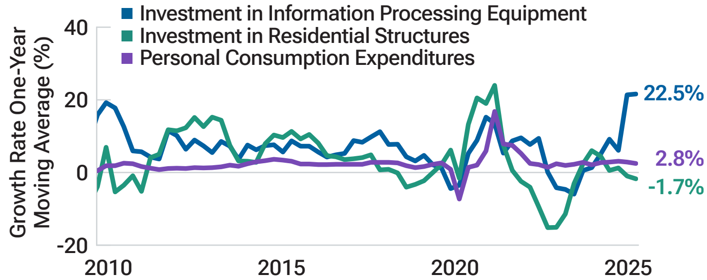
Not so fast

As of 31 October 2025



Overachieving AI

As of 31 October 2025



Source: US Bureau of Economic Analysis/Macrobond.

Asset class positioning

Equities

Under **Weighting** Over

- We maintain a neutral stance on equities, reflecting a balanced view between decent fundamentals, including fiscal support and potential for deregulation against expensive valuations.
- We added modestly to US small-caps as valuations remain compelling and earnings are poised to inflect positively with tailwinds from lower rates, fiscal policy, deregulation and the potential for increased M&A and initial public offering (IPO) activity.

Fixed income

Under **Weighting** Over

- We maintain an underweight to bonds as funding requirements associated with large, ongoing issuance in Europe, US inflation, US fiscal stimulus and continued deficits could keep upwards pressure on rates, particularly at the long end.
- We have a short duration position reflected in an underweight to government bonds, overweight to high yield and overweight to cash.

Cash

Under **Weighting** Over

- We continue to maintain an overweight position in cash, due to reasonable yields and limited duration risk.
- We believe the sector offers the liquidity to take advantage of opportunities amidst market dislocations.

Equity market views

▼ or ▲ Month-Over-Month Change

	Change	*Underweight*	*Underweight*	*Neutral*	*Overweight*	*Overweight*	
Regions							
US			U				US equity valuations are elevated but are supported by strong and improving fundamentals. The earnings outlook remains favourable, but any hiccups could be punished more harshly than normal.
Europe ex-UK				N			Increased fiscal spending, accommodative monetary policy and reasonable valuations could provide near-term upside. However, a relative dearth of innovation leaders dampens the intermediate-term outlook.
UK					O		Valuations are attractive, and the longer-term earnings growth outlook is healthy. However, budget concerns remain a significant headwind, and the inflation outlook remains volatile.
Japan	▲				O		Both trade policy and political uncertainty have decreased significantly, leading to a fragile but improving economic outlook. Structural improvements in corporate governance remain on track.
Australia			U				Economic growth is fragile, with low productivity a persistent challenge. Valuations are somewhat elevated despite a weak earnings outlook. However, potential further easing in monetary policy may be supportive.
Emerging Markets (EM)					O		EM stocks have benefitted from capital flight out of the US, whilst the global economy is benefitting from easing trade tensions and rising fiscal stimulus. A weaker US dollar offers a further tailwind.
China				N			Credit conditions are bottoming, the housing sector is stabilising and further policy support is likely. However, the labour market is soft and the housing market remains a structural drag on growth.
Style and Market Capitalisation							
Global Growth vs. Value[1]	▲				O		US growth equity fundamentals continue to deliver versus high expectations. Recently introduced tax incentives should also help. However, extended valuations make risk/reward less attractive. Regarding value, there is potential for deregulation. Fiscal policy, reshoring and Fed cuts to provide support. Economic growth and housing market activity are showing signs of improvement.
Global Small-Cap vs. Large-Cap[1]					O		For large-caps, elevated valuations and concentration risks remain a concern. However, very strong and improving fundamentals, particularly within technology, have justified valuations thus far. Regarding small-caps, Fed cuts, deregulation, fiscal stimulus and stronger M&A and IPO activity could serve as catalysts to a cyclical upswing and also lead to improving small-cap earnings and valuations.

Past performance is not a guarantee or a reliable indicator of future results.

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

[1] For pairwise decisions in style and market capitalisation, positioning within boxes represents positioning in the first-mentioned asset class relative to the second asset class.

Fixed income market views

▼ or ▲ Month-Over-Month Change

	Change	Underweight		Neutral	Overweight		
UK Gilts	▼	U					The government is likely to raise taxes, rather than increase gilt issuance, to close its fiscal gap. With the labour market weakening, economic growth is likely to slow down. The Bank of England (BoE) is expected to cut its policy rate 2–4 times in the coming year. However, gilt yields may rise in tandem with those of US Treasuries.
UK Inflation Linked	▼			N			Weakening labour market should lead to easing services inflation. We neutralised the allocation to inflation-linked gilts, partially to decrease duration.
UK Investment-Grade (IG) Corporates				N			Credit fundamentals are supportive, with spreads expensive relative to history.
US IG Aggregate		U					Fed cuts, improving growth and sticky inflation give curve a steepening bias. Credit fundamentals are still supportive, with spreads expensive relative to history.
European IG Aggregate		U					Large, ongoing issuance of government bonds is likely to push long-term government bond yields upward. European government bond yields may rise in tandem with those of US Treasuries. The European Central Bank (ECB) may cut its policy rate one more time before March 2026.
Global High Yield	▲					O	The sector offers strong fundamentals and a low duration profile, with a healthy yield and measured expectations for increases in defaults.
EM Dollar Sovereigns					O		Yields are attractive, and there is room to cut with lower inflation, though higher long-end US interest rates and the unclear impact from tariffs on economies are challenges.
EM Local Currency					O		US dollar weakness has been a tailwind and is expected to continue; however, longer-term fiscal challenges from tariffs remain unclear.
EM Corporates					O		The sector offers a shorter duration than that of EM dollar sovereigns. Spreads are tight, but total yields remain attractive relative to some other fixed income sectors.
Currency Market Views							
GBP vs. USD				N			The dollar may soften if US economic growth decelerates. However, US growth is stronger than that in the UK, and the interest rate differentials favour the USD.
GBP vs. EUR					O		Interest rate differential favours the GBP. The GBP is attractively valued relative to the EUR. However, only a slight improvement in the French political uncertainty or European activity is needed for the euro to strengthen.
GBP vs. JPY				N			The yen is a safe-haven currency. Current valuations are attractive. However, given the recent volatility in the yen and uncertainty about Bank of Japan (BoJ) policy, we remain neutral.

Past performance is not a guarantee or a reliable indicator of future results.
The specific securities identified and described are for informational purposes only and do not represent recommendations.

European Investment Committee

Elias Chrysostomou
Associate Portfolio Manager, Equity Division

Andrew Keirle
Portfolio Manager, Emerging Markets Local Currency Bonds

Yoram Lustig
Head of Multi-Asset Solutions, EMEA

Tobias Mueller
Director of Research, International Equities

Ken Orchard
Head of International Fixed Income

David Stanley
Portfolio Manager, European Corporate Bonds

Toby Thompson
Portfolio Manager, Multi-Asset Division

Michael Walsh
Portfolio Manager, Multi-Asset Division

Tomasz Wieladek
International Economist

INVEST WITH CONFIDENCE™

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so that they can feel more confident.

Additional Disclosure

Any specific securities identified and described are for informational purposes only and do not represent recommendations.

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. 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 guarantee or a reliable indicator of future results.** 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 October 2025 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.

DIFC—Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd which is regulated by the Dubai Financial Services Authority as a Representative Office. For Professional Clients only.

EEA—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.

South Africa—Issued in South Africa by T. Rowe Price International Ltd (TRPIL), Warwick Court, 5 Paternoster Square, London EC4M 7DX, is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002 (Financial Services Provider (FSP) Licence Number 31935), authorised to provide "intermediary services" to South African Investors. TRPIL's Complaint Handling Procedures are available to clients upon request. The Financial Advisory and Intermediary Services Act Ombud in South Africa deals with complaints from clients against FSPs in relation to the specific services rendered by FSPs. The contact details are noted below: Telephone: +27 12 762 5000, Web: www.faisombud.co.za, Email: info@faisombud.co.za

Switzerland—Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. For Qualified Investors only.

UK—This material is issued and approved by T. Rowe Price International Ltd, Warwick Court, 5 Paternoster Square, London EC4M 7DX which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

ID0008619
202511-4962269