



Opportunities in an Unyielding Market



As of 31 October 2020

The State of the Credit Market



The Fed's support of credit markets has tightened spreads to pre-crisis levels; companies looking to generate income from fixed income portfolios will experience a daunting challenge. — Mark Vaselkiv, CIO, Fixed Income



The Path Forward

Investment Grade



The bond market is a tradeoff: income for diversification, or diversification for income. **It's almost impossible to do both.**

— Steve Boothe, Portfolio Manager, Fixed Income



Investment Grade income is attractive



We are past the cycle's peak downgrades



We like BBBs, specifically the 5-7-year part of the curve

Takeaway

Investment Grade offers relative safety and income at a reasonable price

Emerging Markets



EM bond returns have been 9% a year for a quarter century. While 9% is currently unattainable, the margin over U.S. Treasuries is still 4-6%*



Asia has been the epicenter of emerging capital net supply over the last five years



The safest places to start are countries with fiscal sustainability, balance of payments, and strong political and institutional infrastructure



Takeaway

Get familiar with EM as it is becoming a bigger piece of the opportunity set

Attractive Sectors

Energy

Appealing due to recovery and consolidation. Energy needs scale, so the more M&A the better.



Banks & Financial Institutions

Banks are part of the solution—they are effective policy instruments. Bank credit is not risk free, but is protected in the event of asset declines.



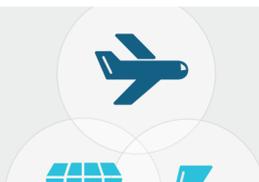
Metals & Mining

Look at copper for housing and aluminum for packaging and electric vehicles.



High Yield Defaults

- In difficult times, default rates are often overstated
- Defaults have been concentrated in sectors like retail, travel, and energy



While the market is still volatile **medical breakthroughs, fiscal stimulus, and a settled U.S. election should:**

accelerate an economic recovery and open opportunities across the credit spectrum

To Learn More troweprice.com/UncoverFI

*Source: J.P. Morgan. Index returns for the JPM Morgan Emerging Markets Bond Index Global (EMBIG) from January 1995-September 2020.

Important Information
For investment professionals only. Not for further distribution. 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, 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 noted on the material 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.

USA - Issued in the USA by T. Rowe Price Associates, Inc., 100 East Pratt Street, Baltimore, MD, 21202, which is regulated by the U.S. Securities and Exchange Commission. For Institutional Investors only.
Canada - Issued in Canada by T. Rowe Price (Canada), Inc. T. Rowe Price (Canada), Inc.'s investment management services are only available to Accredited Investors as defined under National Instrument 45-106. T. Rowe Price (Canada), Inc. enters into written delegation agreements with affiliates to provide investment management services.
© 2020 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.