

Capital Market Assumptions

Five-Year Perspective 2026 | U.S. Dollar

Capital Market Assumptions Five-Year Perspective | 2026

In-depth analysis and insights to inform your decision-making.

We are pleased to present the eighth annual publication of T. Rowe Price's Capital Market Assumptions (CMAs).

Over the past year, financial markets have navigated a period of exceptional change, marked by persistent inflation, a reconfigured global trade environment, accelerating artificial intelligence (AI)-driven capital expenditures, rotation in equity market leadership, and significant geopolitical and fiscal developments worldwide. Markets have largely absorbed higher interest rates, economic activity has stabilized, and the global investment landscape has entered a more balanced—though still uncertain—phase.

As in prior years, our forecasts are grounded in an assessment of current starting valuations. Asset prices today generally reflect more normalized conditions. Equity valuations remain elevated in some regions, particularly U.S. growth equities, while fixed income markets offer slightly lower cash rates and tighter credit spreads than in 2025. Against this backdrop, our 2026 return forecasts are generally stable to modestly lower than last year's assumptions, reflecting a reduced scope for valuation-driven equity upside in developed markets outside the U.S. and lower bond yields across most developed markets, with Japan a notable exception.

Within fixed income, lower starting yields provide a smaller source of return. In addition, investor expectations that yields may be higher and credit spreads wider over the next five years contribute to more muted return forecasts—particularly for longer-duration sectors. Credit-oriented assets remain comparatively attractive, as higher carry is only expected to be partially offset by the potential impact from spread widening.

Expected returns for alternative investment strategies remain differentiated relative to public markets. These assumptions reflect the continued importance of illiquidity premia, sustained structural demand for private capital, and opportunities for active management, while acknowledging the higher dispersion and idiosyncratic risks inherent in these asset classes.

T. Rowe Price's CMAs are best understood as forecasts of what we believe to be the central tendencies of forward returns over a five-year horizon. We do not seek to predict actual or realized returns, as meaningful variation around these estimates is inevitable. Accordingly, our approach to portfolio construction relies on multiple optimization techniques and robustness checks designed to account for uncertainty and model sensitivity.

Our baseline forecasts incorporate the perspectives of senior portfolio managers and analysts across T. Rowe Price's equity, fixed income, and multi-asset investment teams. We believe this interdisciplinary process—combining fundamental judgment with quantitative discipline—captures the firm's collective best thinking.

We welcome your questions, comments, and feedback, as they meaningfully contribute to the ongoing refinement of this publication. Please feel free to contact your T. Rowe Price relationship manager or any of the investment professionals involved in this effort.

This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise—or even estimate—of future performance.

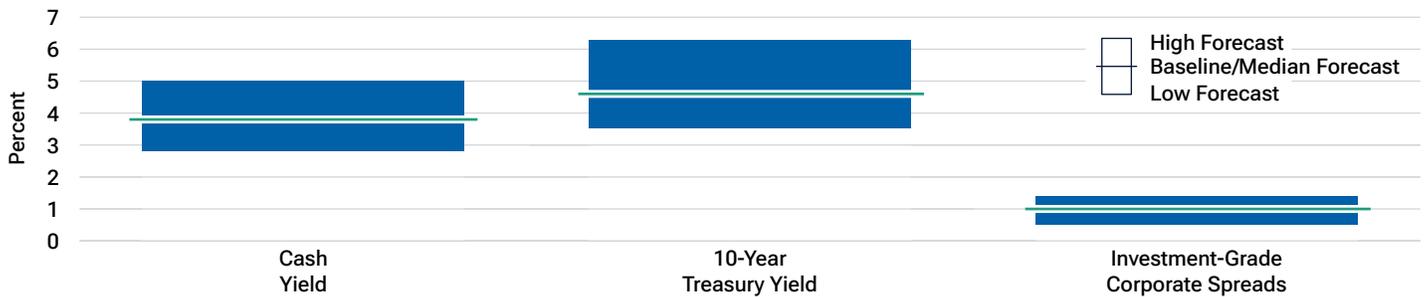


**The T. Rowe Price
Capital Market
Assumptions
benefit from the
expertise of our
global investment
platform.**

Currency—U.S. Dollar

Figures in U.S. dollars

Fig. 1: Range of U.S. economic forecasts for the five-year period ending December 31, 2030



Analysis by T. Rowe Price.

The most material differences between the 2025 and 2026 CMAs include:

Lower expected returns for most developed market (DM) equities, driven by elevated valuations and slower structural growth prospects.

Selective upgrades to return expectations for emerging market (EM) equities and certain niche segments, including Asia ex-Japan and U.S. small-cap equities.

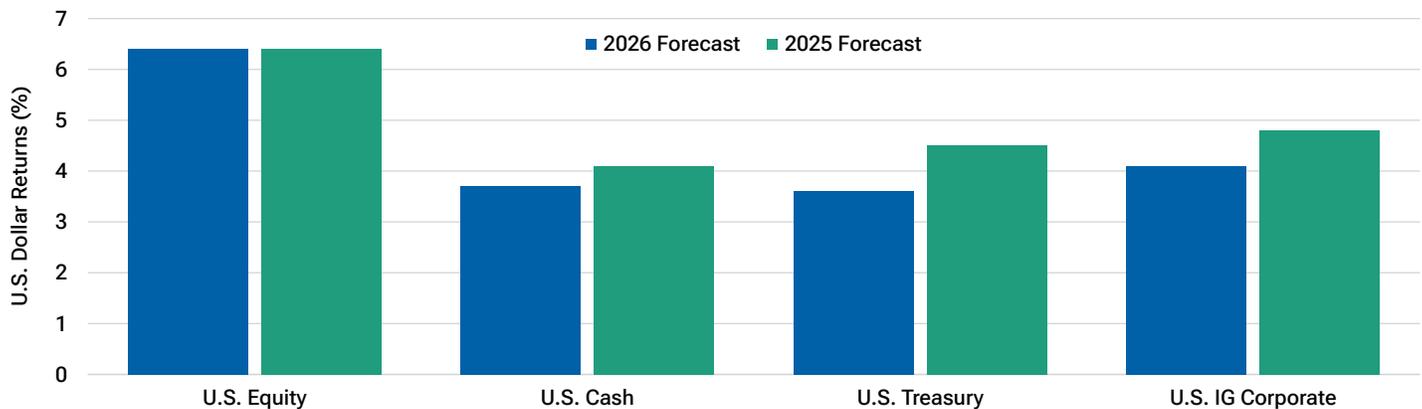
Slightly higher volatility assumptions, reflecting the elevated macroeconomic and geopolitical uncertainty experienced in 2025.

A more balanced but less forgiving fixed income outlook, as lower starting yields and tighter credit spreads provide reduced protection against the risk of rising rates or spread widening.

The elevated macroeconomic uncertainty was evident in our survey results, as shown in **Figure 1**. Forecasts for U.S. cash yields five years forward ranged widely—from **2.8% to 5.0%**—reflecting substantial dispersion in views among our investment professionals. Expectations for the 10-year U.S. Treasury yield showed a similarly broad range: While some respondents anticipated lower yields, the majority expected levels above current rates.

Encouragingly, most survey respondents anticipated **investment-grade (IG) credit spreads to widen**, though only modestly, suggesting a measured reassessment of risk rather than expectations of significant credit stress. These views translated into slightly lower return forecasts in 2026 for U.S. cash, U.S. Treasuries, and U.S. investment-grade corporate bonds, as shown in **Figure 2**.

Fig. 2: Comparison of 2025 and 2026 expected return forecasts for major U.S. asset classes



Analysis by T. Rowe Price.

The forecasts contained herein are for illustrative purposes only and are not indicative of future results.

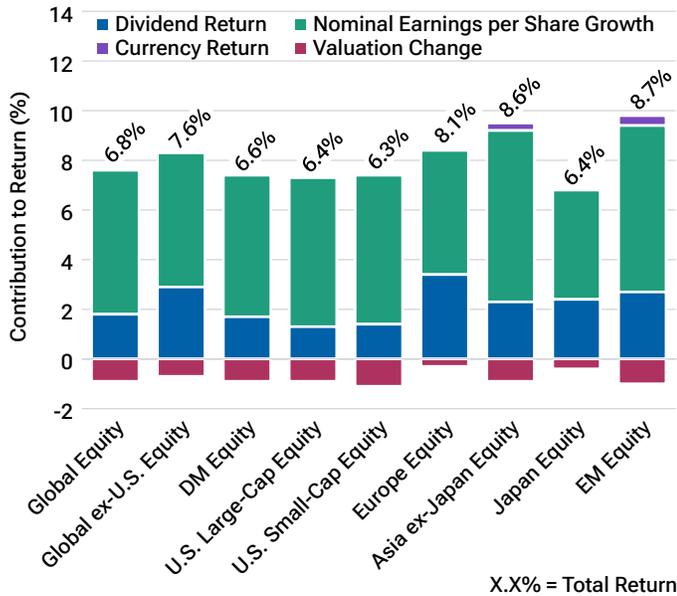
In equity markets, expected returns for developed markets outside the U.S. converged toward U.S. return expectations, clustering in the **6%–7% range**. Japan's strong outperformance in 2025 reduced the scope for further valuation expansion, and our investment professionals generally incorporated expectations for modest multiple contraction.

In emerging markets, earnings momentum improved and forward earnings expectations rebounded, supporting higher return assumptions for **Asia ex-Japan and broader EM equities** in our forecasts, as shown in **Figure 3**.

Outside of core U.S. assets, fixed income return expectations are driven primarily by the strong historical relationship between starting yields and forward returns. Forecasts generally assume a modest negative contribution from yield curve movements and spread changes. Within this framework, **global high yield, emerging market sovereign, and emerging market credit** returns are expected to fall in the **4%–5%** range, as shown in **Figure 4**.

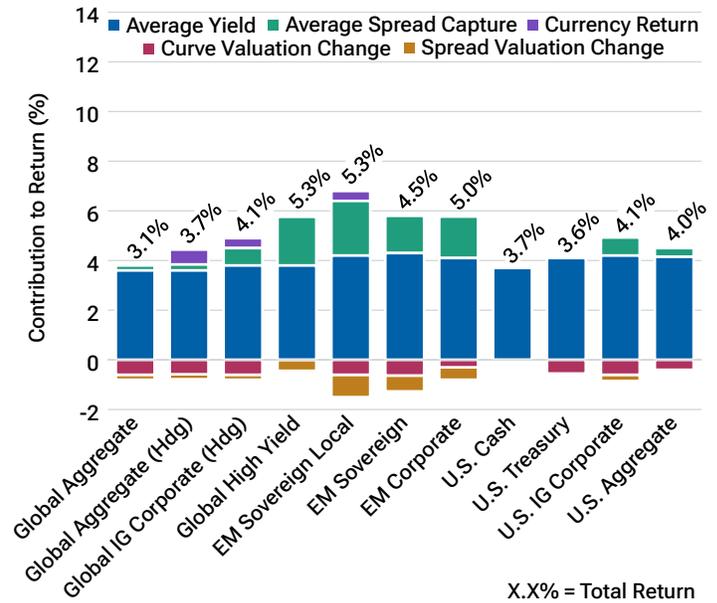
Finally, 2025 saw significant investor interest in private markets and alternative investments, and a substantial portion of our research over the past year focused on these asset classes. With cash yields modestly lower and equity risk premia expected to compress, our return expectations for most alternative assets declined slightly year over year. Even so, **private equity and private credit continue to contribute to attractive relative return expectations compared with their public market counterparts**, as shown in **Figure 5**.

Fig. 3: Components of equity return for U.S. investors



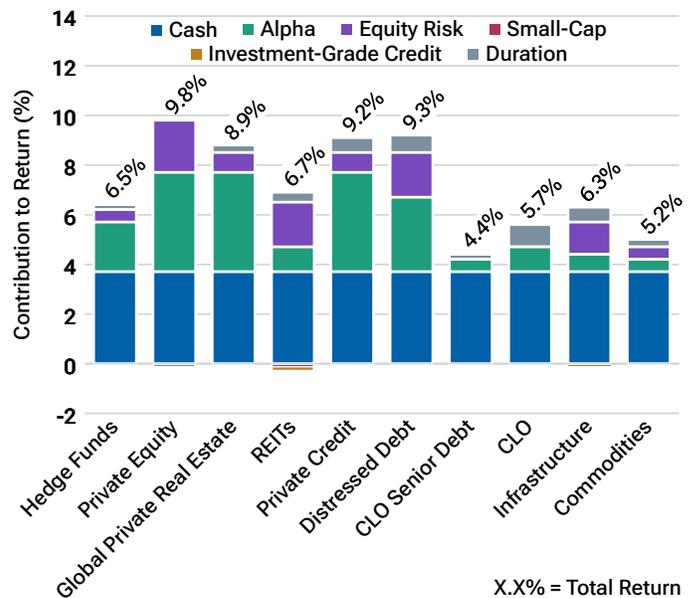
Analysis by T. Rowe Price. The forecasts contained herein are for illustrative purposes only and are not indicative of future results.

Fig. 4: Components of fixed income return for U.S. investors



Analysis by T. Rowe Price. The forecasts contained herein are for illustrative purposes only and are not indicative of future results.

Fig. 5: Components of alternatives return for U.S. investors

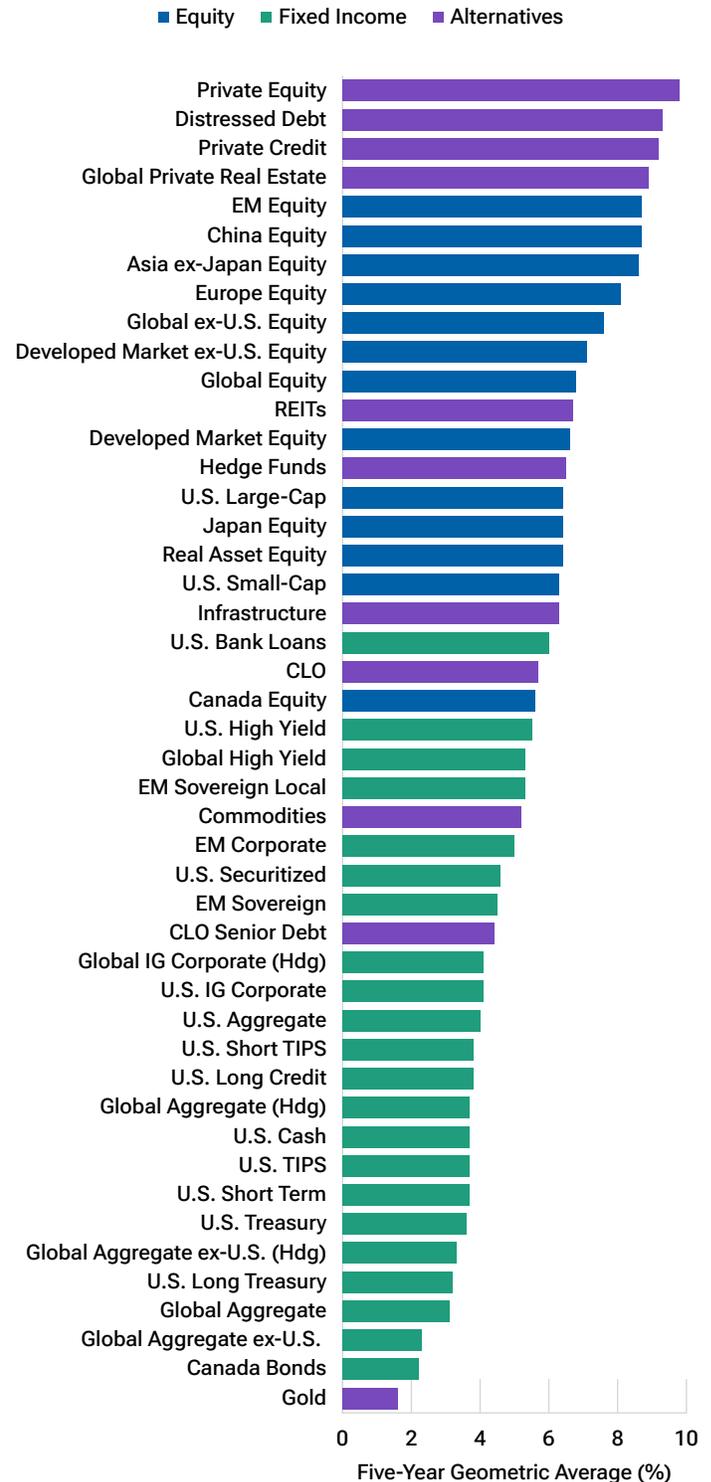


Analysis by T. Rowe Price. The forecasts contained herein are for illustrative purposes only and are not indicative of future results.

Annualized expected returns

Asset Class	Asset	2026 Five-Year Return Expectations
■	Global Equity	6.8%
■	Global ex-U.S. Equity	7.6
■	Developed Market Equity	6.6
■	Developed Market ex-U.S. Equity	7.1
■	U.S. Large-Cap	6.4
■	U.S. Small-Cap	6.3
■	Canada Equity	5.6
■	Europe Equity	8.1
■	Asia ex-Japan Equity	8.6
■	Japan Equity	6.4
■	EM Equity	8.7
■	China Equity	8.7
■	Real Asset Equity	6.4
●	Global Aggregate	3.1
●	Global Aggregate (Hdg)	3.7
●	Global Aggregate ex-U.S.	2.3
●	Global Aggregate ex-U.S. (Hdg)	3.3
●	Global IG Corporate (Hdg)	4.1
●	Global High Yield	5.3
●	U.S. Cash	3.7
●	U.S. Treasury	3.6
●	U.S. TIPS	3.7
●	U.S. Short TIPS	3.8
●	U.S. IG Corporate	4.1
●	U.S. Long Credit	3.8
●	U.S. Long Treasury	3.2
●	U.S. Short Term	3.7
●	U.S. Aggregate	4.0
●	U.S. High Yield	5.5
●	U.S. Bank Loans	6.0
●	U.S. Securitized	4.6
●	Canada Bonds	2.2
●	EM Sovereign Local	5.3
●	EM Sovereign	4.5
●	EM Corporate	5.0
▲	Commodities	5.2
▲	Gold	1.6
▲	REITs	6.7
▲	Distressed Debt	9.3
▲	CLO Senior Debt	4.4
▲	CLO	5.7
▲	Infrastructure	6.3
▲	Hedge Funds	6.5
▲	Private Credit	9.2
▲	Global Private Real Estate	8.9
▲	Private Equity	9.8

Five-year annualized expected returns



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

Hdg = Hedged currency treatment. EM = Emerging markets. ■ = Equity. ● = Fixed income. ▲ = Alternatives.

Sources: Bloomberg Index Services Limited, Cambridge Associates, Cliffwater, FTSE/Russell, HFR, ICE BofA, J.P. Morgan Chase & Co., MSCI, NCREIF, and S&P.

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Volatility and correlation matrix—expected volatilities and correlations

Asset Class		■	■	■	■	■	■	■	■	■	■	■	■	■
Asset Class	Asset	Global Equity	Global ex-U.S. Equity	Developed Market Equity	Developed Market ex-U.S. Equity	U.S. Large-Cap	U.S. Small-Cap	Canada Equity	Europe Equity	Asia ex-Japan Equity	Japan Equity	EM Equity	China Equity	Real Asset Equity
	■ Global Equity		1.0	-	-	-	-	-	-	-	-	-	-	-
■ Global ex-U.S. Equity		1.0	1.0	-	-	-	-	-	-	-	-	-	-	-
■ Developed Market Equity		1.0	1.0	1.0	-	-	-	-	-	-	-	-	-	-
■ Developed Market ex-U.S. Equity		1.0	1.0	1.0	1.0	-	-	-	-	-	-	-	-	-
■ U.S. Large-Cap		1.0	0.9	1.0	0.9	1.0	-	-	-	-	-	-	-	-
■ U.S. Small-Cap		0.9	0.8	0.9	0.8	0.9	1.0	-	-	-	-	-	-	-
■ Canada Equity		0.9	0.9	0.9	0.9	0.8	0.8	1.0	-	-	-	-	-	-
■ Europe Equity		0.9	1.0	0.9	1.0	0.9	0.8	0.9	1.0	-	-	-	-	-
■ Asia ex-Japan Equity		0.9	0.9	0.8	0.9	0.8	0.7	0.8	0.9	1.0	-	-	-	-
■ Japan Equity		0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.7	1.0	-	-	-
■ EM Equity		0.9	0.9	0.9	0.9	0.8	0.7	0.9	0.9	1.0	0.7	1.0	-	-
■ China Equity		0.6	0.7	0.6	0.7	0.5	0.5	0.6	0.7	0.9	0.5	0.8	1.0	-
■ Real Asset Equity		0.9	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.7	0.9	0.6	1.0
● Global Aggregate		0.3	0.4	0.3	0.4	0.2	0.2	0.3	0.4	0.4	0.3	0.4	0.3	0.5
● Global Aggregate (Hdg)		0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.2	0.1	0.1	0.1	0.2
● Global Aggregate ex-U.S.		0.4	0.5	0.4	0.5	0.3	0.2	0.4	0.5	0.5	0.3	0.5	0.4	0.5
● Global Aggregate ex-U.S. (Hdg)		0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2
● Global IG Corporate (Hdg)		0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.4	0.7
● Global High Yield		0.9	0.9	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.6	0.9	0.6	0.9
● U.S. Cash		0.0	0.1	0.0	0.1	0.0	-0.1	0.1	0.1	0.1	0.0	0.1	0.2	0.0
● U.S. Treasury		-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2
● U.S. TIPS		0.2	0.3	0.2	0.2	0.2	0.1	0.3	0.2	0.3	0.1	0.3	0.2	0.4
● U.S. Short TIPS		0.4	0.4	0.4	0.4	0.3	0.2	0.5	0.4	0.4	0.2	0.5	0.3	0.6
● U.S. IG Corporate		0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.4	0.6
● U.S. Long Credit		0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.5
● U.S. Long Treasury		-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3	-0.3	-0.2	-0.2	-0.3	-0.2	-0.2
● U.S. Short Term		0.0	0.1	0.0	0.1	0.0	-0.1	0.0	0.1	0.2	0.0	0.1	0.2	0.1
● U.S. Aggregate		0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.2	0.2	0.1	0.1	0.2	0.2
● U.S. High Yield		0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.6	0.8	0.5	0.9
● U.S. Bank Loans		0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.5	0.7	0.4	0.7
● U.S. Securitized		0.1	0.2	0.1	0.2	0.1	0.0	0.1	0.2	0.2	0.1	0.2	0.2	0.3
● Canada Bonds		0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.2
● EM Sovereign Local		0.7	0.8	0.7	0.7	0.6	0.6	0.7	0.7	0.8	0.6	0.8	0.6	0.8
● EM Sovereign		0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.6	0.7	0.5	0.8
● EM Corporate		0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.7	0.8	0.5	0.8	0.6	0.8
▲ Commodities		0.5	0.6	0.5	0.6	0.5	0.4	0.7	0.5	0.5	0.4	0.6	0.3	0.7
▲ Gold		0.1	0.2	0.1	0.2	0.0	0.0	0.3	0.2	0.3	0.1	0.3	0.2	0.3
▲ REITs		0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.6	0.5	0.6	0.4	0.8
▲ Distressed Debt		0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.6	0.8	0.5	0.8
▲ CLO Senior Debt		0.5	0.4	0.5	0.4	0.5	0.4	0.4	0.4	0.3	0.4	0.3	0.2	0.4
▲ CLO		0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.4	0.2	0.5
▲ Infrastructure		0.9	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.7	0.8	0.6	0.9
▲ Hedge Funds		0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.6	0.8	0.6	0.7
▲ Private Credit		0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.6	0.6	0.4	0.6	0.4	0.7
▲ Global Private Real Estate		0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.3	0.2	0.4
▲ Private Equity		0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.7	0.5	0.8	0.6	0.7

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Hdg = Hedged currency treatment. EM = Emerging markets. ■ = Equity. ● = Fixed income. ▲ = Alternatives.

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For more information on the methodology of the capital market assumptions, please visit troweprice.com/cma-methodology.

Reference indexes

Asset Class	Asset Class	Representative Index
■	Global Equity	MSCI ACWI Index
■	Global ex-U.S. Equity	MSCI ACWI ex-USA Index
■	Global ex-Japan Equity	MSCI Kokusai Index
■	Global ex-Australia Equity	MSCI ACWI ex-Australia Index
■	DM Equity	MSCI World Index
■	DM ex-U.S. Equity	MSCI World ex-USA Index
■	U.S. Equity	Russell 3000 Index
■	Europe ex-UK Equity	MSCI Europe ex-UK Index
■	UK Equity	FTSE 100 Index
■	U.S. Large-Cap Equity	Russell 1000 Index
■	U.S. Small-Cap Equity	Russell 2000 Index
■	Canada Equity	S&P/TSX Composite Index
■	Europe Equity	MSCI Europe Index
■	Asia ex-Japan Equity	MSCI Asia ex-Japan Index
■	Japan Equity	MSCI Japan Index
■	Australia Equity	S&P/ASX 200 Index
■	China Equity	MSCI China Index
■	EM Equity	MSCI Emerging Markets Index
■	Real Asset Equity	S&P Real Assets Index
●	Global Aggregate	Bloomberg Global Aggregate Index
●	Global Aggregate (Hdg)	Bloomberg Global Aggregate (Hdg) Index
●	Global Aggregate ex-U.S.	Bloomberg Global Aggregate ex-U.S. Index
●	Global Aggregate ex-U.S. (Hdg)	Bloomberg Global Aggregate ex-U.S. (Hdg) Index
●	Global IG Corporate (Hdg)	Bloomberg Global Aggregate-Corporate (Hdg) Index
●	Global High Yield	Bloomberg Corporate High Yield Index
●	U.S. Cash	Bloomberg 1-3 Month U.S. Treasury Bill Index
●	U.S. TIPS	Bloomberg Global Inflation-Linked U.S. TIPS Index
●	U.S. Short TIPS	Bloomberg Global Inflation-Linked 1-5 Year U.S. TIPS Index
●	U.S. Treasury	Bloomberg U.S. Treasury Index
●	U.S. IG Corporate	Bloomberg U.S. Aggregate Corporate Index
●	U.S. IG Coporate (Hdg)	Bloomberg U.S. Aggregate Corporate (Hdg) Index
●	U.S. Long Credit	Bloomberg U.S. Long Credit Index
●	U.S. Long Treasury	Bloomberg U.S. Long Treasury Index
●	U.S. Aggregate	Bloomberg U.S. Aggregate Bond Index
●	U.S. High Yield	Bloomberg U.S. Corporate High Yield Index
●	U.S. Bank Loans	S&P/LSTA Leveraged Performing Loan Index
●	U.S. Securitized	Bloomberg U.S. Securitized Index
●	UK Cash	Bloomberg Sterling Treasury Bills 0-3 Month Index
●	UK Gilts	Bloomberg UK Gilts Index
●	UK IG Corporate	Bloomberg UK Aggregate Corporate Index
●	Europe Cash	Bloomberg EUR Treasury Bills 0-3 Month Index
●	Europe Treasury	Bloomberg EUR Treasury Index
●	Europe IG Corporate	Bloomberg EUR Aggregate Corporate Index
●	Europe IG Corporate (Hdg)	Bloomberg EUR Aggregate Corporate (Hdg) Index
●	Europe High Yield	Bloomberg EUR High Yield Index
●	Japan Cash	Bloomberg Japan Treasury Bills 1-3 Months Index

Asset Class	Asset Class	Representative Index
●	Japan Treasury	Bloomberg Japan Treasury Index
●	Japan IG Corporate	Bloomberg Japan Aggregate Corporate Index
●	Australia Cash	Bloomberg Ausbond Bank Bill Index
●	Australia Bonds	Bloomberg Ausbond 0+ Composite Index
●	Canada Bonds	Bloomberg Canada Aggregate Index
●	Asia Bonds	JP Morgan Asia Credit Index
●	EM Sovereign Local	JP Morgan GBI – EM Global Diversified Index
●	EM Sovereign	JP Morgan EMBI Global Diversified Index
●	EM Corporate	JP Morgan CEMBI Index
▲	Hedge Funds	HFRI Fund of Funds Composite Index
▲	Distressed Debt	ICE BofA CCC & Lower Index
▲	CLOs - Senior	Palmer Square Senior CLO Index
▲	CLOs	Palmer Square CLO Index
▲	Private Credit	Cliffwater Direct Lending Index
▲	Private Equity	Cambridge Associates LLC Global Private Equity Index
▲	Commodities	Bloomberg Commodity Index
▲	Infrastructure	S&P Global Infrastructure Index
▲	Gold	S&P GSCI Gold Total Return Index
▲	Global Private Real Estate	NCREIF Property Index
▲	REITs	FTSE EPRA/NAREIT Developed Index

Hdg = Hedged currency treatment. EM = Emerging markets. DM = Developed markets. ■ = Equity. ● = Fixed income. ▲ = Alternatives.

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Key Risks

Forecasts are based on subjective estimates about market environments that may never occur. Some of the factors that could impact these forecasts include, but are not limited to:

- Political and economic conditions
- Performance of financial markets
- Interest rate levels
- Changes to laws or regulations

Investments in equities are subject to the volatility inherent in equity investing, and their value may fluctuate more than investing in income-oriented securities. Certain asset classes are subject to sector concentration risk and are more susceptible to developments affecting those sectors than broader classes. Investment in small companies involves greater risk than is customarily associated with larger companies, since small companies often have limited product lines, markets, or financial resources. Transactions in securities denominated in foreign currencies are subject to fluctuations in exchange rates, which may affect the value of an investment. Debt securities could suffer an adverse change in financial condition due to a ratings downgrade or default, which may affect the value of an investment. Investments in high yield involve a higher element of risk. Investments in less developed regions can be more volatile than other, more developed markets due to changes in market, political, and economic conditions. Investments are less liquid than those that trade on more established markets.

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