T. ROWE PRICE EXPERTS SHARE 2026 OUTLOOK FOR GLOBAL FINANCIAL MARKETS

November 19, 2025

Though inflation and high valuations remain a concern, the AI boom combined with monetary and fiscal stimulus in the U.S. and an expansionary phase in Europe appears to set the stage for favorable market conditions in 2026.

BALTIMORE, Nov. 19, 2025 /PRNewswire/ -- T. Rowe Price held its 43rd annual global market outlook press briefing today, featuring a panel of the firm's investment experts sharing their forecasts for the 2026 global financial markets. Speakers included Tim Murray, capital markets strategist; Josh Nelson, head of Global Equity; Ken Orchard, head of International Fixed Income; Sébastien Page, head of Global Multi-Asset and chief investment officer; and Glenn August, founder and CEO of alternative credit firm Oak Hill Advisors (OHA). The event was moderated by Jennifer Martin, Global Equity portfolio specialist.

KEY OBSERVATIONS AND QUOTES

Tim Murray, Capital Markets Strategist, Multi-Asset Division

Key Observations

- The U.S. economy is bifurcated between sectors related to artificial intelligence (AI) and others. Aggregate measures indicate solid economic growth, but there is significant performance dispersion within various parts of the economy.
- While the Federal Reserve has begun cutting rates, it will likely need to cut by a significant amount to cause a sharp rebound in housing market activity given the current relatively high mortgage rates.
- Growing labor market weakness is a concern. While layoffs remain low relative to history, job growth has slowed considerably, with recent weakness being more pronounced in noncyclical industries.

Quote

"Tariff concerns do not appear to have significantly impacted U.S. economic activity, but aggregate measures of gross domestic product growth mask a bifurcation of the U.S. economy, with the AI sector booming but interest rate-sensitive areas, notably housing and manufacturing, have been weak. Monetary and fiscal stimulus could provide a much-needed boost to the areas of weakness in 2026, leading to a broadening of economic growth. However, labor market weakness and sticky inflation cloud the outlook."

Josh Nelson, Head of Global Equity

Key Observations

- In artificial intelligence, the focus is now moving from digital AI (software, models, and applications) to physical AI—the essential infrastructure powering the next wave: energy, cooling, networking, and semiconductors. While leading AI firms such as NVIDIA, Microsoft, Alphabet, and Meta are expected to continue to outperform, dispersion is rising as product cycles diverge and as competition heats up.
- In the U.S., the enactment of the "One Big Beautiful Bill" in July 2025 is expected to add approximately $200 billion to $300 billion in stimulus planned for 2026. This fiscal thrust, combined with the expected Fed rate cuts, should provide a front-loaded boost to economic activity and corporate earnings.
- Outside the U.S., Europe is quietly entering a new expansion phase, with the suspension of Germany's debt brake allowing fiscal flexibility for defense and infrastructure. Japan stands out for attractive valuations, robust cash flow, and improved corporate governance. China remains a tactical opportunity set as regulatory attitudes have softened, with the government encouraging private enterprise. The outlook for ex-China emerging markets stocks also looks broadly positive, highlighted by attractive valuations.

Quote

"The AI boom is far from over, but market leadership is beginning to evolve. By 2026, we expect broader participation and a wider range of opportunities—both within AI and across the broader market."

Ken Orchard, Head of International Fixed Income

Key Observations

- From a credit quality perspective, we do not see many particularly concerning trends in fundamentals—issuer balance sheets are still solid, capital markets access remains robust, and we anticipate that default rates will stay below long-term

averages. That said, there have been some "later cycle" credit behaviors that heighten the value of credit selectivity.
- Expansionary fiscal policy in the U.S., the UK, and some eurozone countries—notablyGermany and France—is forcing developed market governments to fund deficit spending by issuing new debt. This raises questions about the long-run sustainability of their debt and forces governments to offer higher yields.
- Our highest-conviction fixed income ideas are to keep duration—a measure of a bond's sensitivity to interest rate fluctuations—low, overweight public credit versus government bonds, underweight theU.S. versus the result of the world, seek exposure to inflation-linked bonds, and overweight emerging markets with a quality bias.

Quote

"Though credit spreads remain narrow in 2025, we think there will still be credit market opportunities in 2026. However, rich valuations will make disciplined credit selection essential. Value will be harder to find in high-quality government bonds, where significant fiscal expansion and economic growth are pushing supply and yields higher in a competition to attract buyers."

Sébastien Page, Head of Global Multi-Asset and Chief Investment Officer

Key Observations

- There are interesting diversification opportunities beyond U.S. equities. International equities offer more reasonable valuations, with potential catalysts from fiscal stimulus, most notably in Germany, and more pronounced monetary policy easing from the European Central Bank. Within international equities, the team favors international value and small-cap stocks.
- Given the potential for persistent inflation against a backdrop of improving growth, tight labor markets, and supply chain friction from tariffs, we believe it is reasonable to hedge the inflation risk through tilts to inflation-sensitive parts of the market, such as real assets equities and short-term Treasury inflation protected securities within fixed income.

Quote

"Our Asset Allocation Committee has a positive outlook for the economy over the next six to 18 months, with policy tailwinds, AI spending, and Fed rate cuts providing support for an improving growth outlook. However, we remain neutral between stocks and bonds due to elevated valuations."

Glenn August, Founder and CEO, Oak Hill Advisors

Key Observations

- When investing in leveraged finance markets, investors get paid for taking credit and liquidity risks.
- There are always cockroaches within a $5 T market which amounts to a couple hundred billion dollars of challenged credits,
- The quality of the loan and high yield markets has changed over time as markets have grown and evolved,
- However, recovery rates have the potential to be lower which is why cockroach avoidance is key.
- There are also ways to effectively manage cockroaches including via credit selection, active portfolio management and by utilizing distressed capabilities.

Quote

"There are always cockroaches in markets. The key is to avoid them. We believe that credit selection, active portfolio management and deep distressed capabilities matter more than ever."

A recording of today's event can be found on the Global Market Outlook Press Briefing **page**; registration can be completed at any time for access.

ABOUT T. ROWE PRICE

T. Rowe Price (NASDAQ-GS: TROW) is a leading global asset management firm entrusted with managing $1.79 trillion in client assets as of October 31, 2025*, about two-thirds of which are retirement-related. Renowned for over 85 years of investment excellence, retirement leadership, and independent proprietary research, the firm leverages its longstanding expertise to ask better questions that can drive better investment decisions. Built on a culture of integrity and prioritizing client interests, T. Rowe Price empowers millions of investors worldwide to thrive amid evolving markets. Visit **troweprice.com/newsroom** for news and public policy commentary.

ABOUT OAK HILL ADVISORS

Oak Hill Advisors (OHA) is a leading global credit-focused alternative asset manager with over 30 years of investment experience. OHA works with institutions and individuals and seeks to deliver a consistent track record of risk-adjusted returns with downside focus. The firm manages approximately $108 billion of capital across credit strategies, including private credit, high yield bonds, leveraged loans, stressed and distressed debt, and collateralized loan obligations as of September 30, 2025. OHA's emphasis on long-term partnerships with companies, sponsors, and other partners provides access to a proprietary opportunity set allowing for customized credit solutions with strength across market cycles.

With over 410 experienced professionals across six global offices, OHA brings a collaborative approach to offering investors a single platform to meet their diverse credit needs. OHA is the private markets platform of T. Rowe Price Group, Inc. (NASDAQ – GS: TROW). For more information, please visit oakhilladvisors.com.

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