

# T. Rowe Price

## T. ROWE PRICE 2026 MIDYEAR MARKET OUTLOOK: FRAGMENTATION, AI, AND INFLATION RESHAPE FINANCIAL MARKETS AMID HEIGHTENED GEOPOLITICAL TENSIONS

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*Oil prices may normalize some but are likely to remain structurally higher*

BALTIMORE, June 10, 2026 /PRNewswire/ -- T. Rowe Price, a global investment management firm and a leader in retirement, released its [midyear outlook](#) for global financial markets for the remainder of 2026. Fiscal expansion and AI investment have underpinned stronger-than-expected U.S. growth, but leadership in stocks has begun to broaden beyond mega-cap technology companies. In fixed income, while government bond yields have stayed under pressure from deficits and issuance, credit markets have been resilient. The risk for investors is mistaking resilience for calm, as the market regime is changing.



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Key points from the 2026 Midyear Market Outlook include:

- Markets have remained relatively sturdy, but rising geopolitical tensions are prompting a reassessment of long-standing security assumptions, with greater emphasis on cyber capabilities and localized defense capacity. This is creating central bank policy dispersion, creating opportunities in rates and currency markets.
- Manufacturing is recovering after a multi-year downturn, adding a new source of inflation pressure just as markets had hoped central banks could continue cutting interest rates. This is likely to make inflation broader and more durable than markets expect.
- Supply shocks have sparked a global push for energy security. The Middle East conflict has exposed how fragile global energy supply chains have become. This has sharpened investor focus on industries positioned to benefit from a world of scarcer supply.
- AI-related upside is broadening beyond the most obvious beneficiaries to industrial and hardware technology companies enabling the infrastructure build-out. The focus is shifting from the size of hyperscaler spending to where that spending flows, such as power, data centers, electrical equipment, cooling, connectivity, construction, and services.
- The long-running dynamic of stock market returns being dominated by a small group of mega-cap, asset-light platforms is shifting. These companies are being pulled into a capital-intensive investment race, which can pressure free cash flow and alter return profiles. For investors and active managers, the implications are significant.

### QUOTES

**Chris Kushlis, chief emerging market macro strategist**

"Geopolitical tensions are accelerating the fragmentation of the global economy as governments prioritize energy security, domestic industrial capacity, and diversified supply chains. This is likely to prove structurally inflationary, increasing costs through reshoring, tariffs, supply-chain duplication, higher defense spending, and more volatile central bank policy paths."

**Razan Nasser, credit analyst**

"Credit markets have absorbed the year's geopolitical shocks better than might have been expected. But repeated shocks could test resilience if higher energy prices and more volatile inflation expectations begin to weigh on financial conditions and risk appetite. Central banks are coming under pressure to compromise their inflation targets."

**Adam Marden, portfolio manager, Fixed Income**

"Markets have not priced in the possibility of more persistent inflation tied to the upturn in global manufacturing and more expensive raw materials. Markets are trying to look through short-term pressures, but investors may be disappointed by the structural inflation that remains after the immediate energy supply crunch."

**Rick de los Reyes, head of commodities and sector portfolio manager**

"Declining oil productivity and elevated geopolitical risk are likely to keep prices structurally higher than before the current Middle East conflict. We see opportunities in businesses tied to energy scarcity, such as oil field services firms and producers in developed countries of critical minerals such as tungsten and uranium."

**Jason Adams, sector portfolio manager, Equity**

"AI is no longer just a technology story. It is increasingly becoming a broader industrial and infrastructure investment cycle. The most attractive opportunities sit with companies that can monetize complexity, power intensity, connectivity, and execution, rather than simply benefiting from backlog growth or AI enthusiasm."

**David Eiswert, portfolio manager, Equity**

"Market leadership is broadening across sectors and geographies, widening the gap between companies that can translate higher investment into stronger returns on capital and those that cannot. This creates a richer opportunity set for active investors who can distinguish between capital spending that enhances returns and spending that dilutes them. This is more than market rotation. It's a shift from concentration to dispersion, and from passive exposure to active selection."

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