T. Rowe Price

NEWS RELEASE

MIDYEAR 2024 INVESTMENT OUTLOOK: EQUITY AND FIXED INCOME MARKETS ADJUSTING TO ACCOMMODATE CENTRAL BANK POLICY EXPECTATIONS

Active Investing Appears Primed to Favor Shifting Market Conditions and Identify Pockets of Opportunity for Investors

BALTIMORE (June 20, 2024) – T. Rowe Price, a global investment management firm and a leader in retirement, released its outlook for global financial markets for the remainder of 2024. Underpinning the outlook for the next six months is the change in expectations for central bank policy. Given pricing on interest rate futures, there will likely be far fewer interest rate cuts from global central banks than seemed likely at the start of the year. Equity and fixed income markets are adjusting accordingly, noting the following key expectations for the balance of the year:

- Broadening global growth in light of decreasing recession risk
- Elevated potential for Fed surprises
- Risk of reaccelerating inflation, driven in part by sticky services inflation
- Increased opportunities in equities, specifically in value and potentially small-cap
- A reduced liquidity preference in favor of equities and short-duration bonds

While there continues to be a place for both active and passive management in investor's portfolios, this challenging market environment, including higher rates, continued asset price dispersion and more volatile markets, supports conditions for active managers to outperform.

QUOTES

Nikolaj Schmidt, Chief International Economist

"The global economic outlook consensus has markedly changed over the last six months. While in late 2023 falling inflation supported expectations of brisk rate cuts, today we foresee a broadening of global growth, resilient inflation pressures, and limited easing from central banks."

"In the U.S., the Fed is more likely to surprise with fewer cuts rather than with more. We expect to see the Fed cutting 25 basis points (0.25%) at its December policy meeting, after the November elections are out of the way, and possibly once in the late summer. The outlook for Fed easing in 2025 is less clear, one or two rate reductions seems realistic."

Ken Orchard, Head of International Fixed Income

"While inflation is notoriously difficult to predict, it's clear that it isn't going anywhere. Last year we saw a decrease in global inflation due to goods disinflation; now services inflation is driving a renewed upward pressure. This is sticky, and needs to fall, but several factors would need to adjust, including wage pressures, fiscal spending, and energy prices. In this type of environment, investors may benefit from exposure to short duration credit – such as loans and ABS – Asian government bonds, and inflation protected bonds."

Peter Bates, Equity Portfolio Manager, International Equities

"In U.S. equities, we see increased opportunity for companies and sectors that have previously lagged. Performance within the 'Magnificent Seven' is beginning to diverge as of late May, and we see this trend continuing as artificial intelligence (AI) continues to play a larger role – as the benefits are unlikely to be evenly enjoyed by each company. Additionally, we are seeing the continuation of value stocks trading at a significant discount to growth stocks. If the Fed only makes a few cuts or does not cut at all, we believe the market conditions will be primed for stocks that should benefit from higher rates and inflation to perform better."

Tim Murray, Chief Capital Markets Strategist, Multi-Asset Division

"As fears over a recession have receded, it's likely the current preference for liquidity will ease. The focus has shifted from recession risk to inflation risk, and investors are moving out of cash in favor of equities and short-duration bonds. In the current environment, energy stocks may offer best hedge against inflation. Shorter-term bonds also provide attractive yield levels and the potential for price appreciation if yields move lower."

ABOUT T. ROWE PRICE

Founded in 1937, T. Rowe Price (NASDAQ: TROW) helps people around the world achieve their long-term investment goals. As a large global asset management company known for investment excellence, retirement leadership, and independent proprietary research, the firm is built on a culture of integrity that puts client interests first. Investors rely on the award-winning firm for its retirement expertise and active management approach of equity, fixed income, alternatives, and multi-asset investment capabilities. T. Rowe Price manages USD$1.54 trillion in assets under management as of May 31, 2024, and serves millions of clients globally. News and other updates can be found on **Facebook**, **Instagram**, **LinkedIn**, **X**, **YouTube**, and **troweprice.com/newsroom**.

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