



NEWS RELEASE

T. ROWE PRICE INVESTMENT PROFESSIONALS SHARE GLOBAL MARKET OUTLOOK FOR 2018

Global growth and a low-volatility environment provide opportunities in both equity and fixed income

Baltimore: November 14, 2017

NEWS

T. Rowe Price held its annual Global Market Outlook press briefing today in New York City, where several of the firm's experts shared their perspectives and expectations for 2018. Speakers at the press briefing included Alan Levenson, chief U.S. economist; Ann Holcomb, portfolio manager, Capital Opportunity Fund and its related institutional strategy; Justin Thomson, chief investment officer, Equity, and portfolio manager, International Discovery Fund and its related institutional strategy; Mark Vaselkiv, chief investment officer, Fixed Income, and portfolio manager, High Yield Fund and Global High Income Bond Fund and their related institutional strategies; and Ken Allen, portfolio manager, Science & Technology Fund and related accounts.

KEY OBSERVATIONS

Global Economy, Alan Levenson

- Global growth accelerated last year, with a notable broadening of the expansion.
- Inflation is low but rising in advanced economies and among commodity importers; monetary policy in these countries is generally turning toward less accommodation.
- Inflation is higher but falling among major commodity exporters, giving their central banks latitude to ease policy.
- U.S. fiscal policy, G3 central bank balance sheet adjustments, and China deleveraging will be key developments to watch.

U.S. Equities, Ann Holcomb

- Stocks have overcome short-term pullbacks in their more than eight-year climb, and volatility and correlations are at historic lows.
- Earnings growth should continue in 2018, but estimates are high. Upside surprises will be hard to achieve.
- The current view is cautious; valuations are elevated, but there are no significant catalysts in sight to warrant a risk-off stance.
- Moderately rising short-term interest rates should not impede U.S. equity returns.
- Information technology and health care stocks outperformed other sectors through the first three quarters of 2017, but their valuations remain attractive.

International Equities, Justin Thomson

- Synchronous upturn in global economies has underpinned good earnings momentum in international equities. This, combined with stable foreign exchange and a weak dollar, means that international has outperformed U.S. domestic for first time since 2012.
- A key surprise this year has been China; growth and inflation have accelerated while leverage in the corporate sector has simultaneously been reduced.



- The Bank of Japan is resolutely committed to its current form of quantitative easing, and although the European Central Bank will begin to taper purchases, monetary policy will remain supportive.
- Corporate sector reforms in Japan and China are long-term bullish.
- Valuations are above long-term averages, but are relatively attractive versus valuations in U.S. equities.

Global Fixed Income, Mark Vaselkiv

- Developed market sovereign bond yields remain at very low levels, driven by aggressive quantitative easing measures taken by central banks.
- Emerging market and high yield credit sectors offer more attractive yield and lower duration risk. However, credit spreads are tight relative to history as yield-hungry investors have bid up prices in these sectors.
- Barbell credit strategies, which include high yield bonds and bank loans on one end and asset-backed securities on the other, could be effective moving forward.
- Meaningful risks will continue to hang over the market. These include the removal of central bank stimulus, global trade uncertainty, and geopolitical issues.

Technology Innovation and Disruption, Ken Allen

- Technology innovation is driving a rapid rate of change that has fueled unprecedented value creation, particularly for tech's biggest winners, while disrupting incumbents in many industries.
- Major trends that will continue to strengthen in 2018 include e-commerce, cloud computing, digitization, online advertising, big data analytics, and the sharing economy.
- Key emerging trends include augmented reality, the "Internet of things," autonomous vehicles, 5G wireless, and the proliferation of artificial intelligence.

More information from the T. Rowe Price 2018 Global Market Outlook press briefing, including speaker biographies can be found [here](#), and speakers' presentations can be found [here](#).

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QUOTES

Alan Levenson, chief U.S. economist

"We're seeing that both advanced and emerging markets are growing above potential. Though inflation is below central bank targets in most advanced economies, labor markets are tightening in these countries and monetary policy is generally turning toward less accommodation. In emerging markets, there has been a substantial recovery among commodity importers, and exporters are in the early stages of recovery."

Ann Holcomb, portfolio manager, Capital Opportunity Fund and its related institutional strategy

"In the U.S, we saw pronounced outperformance by growth stocks through the first three quarters of 2017. As a result, overall valuations for large-cap growth stocks, although not significantly above longer-term averages, look less attractive as we move toward 2018. Still, recession risks remain minimal, creating a constructive environment for stocks generally. Increased corporate confidence could reenergize investment spending, which would also be positive. The aging bull market in U.S. equities could set the stage for more volatility and wider dispersion among stock returns moving forward. These conditions would be advantageous for active managers."



Justin Thomson, chief investment officer, Equity, portfolio manager, International Discovery Fund and its related institutional strategy

“Recent earnings trends have fueled rallies in emerging markets and Europe, providing hope for an upside in stock returns outside of the U.S. A weaker dollar and more stable commodity prices bode well for emerging markets. In Europe, earnings are finally rebounding, as weakness in energy, materials, and financials fades. In Asia, corporate governance improvements in Japan continue and China is on target for a soft landing.”

Mark Vaselkiv, chief investment officer, Fixed Income, portfolio manager, High Yield Fund and Global High Income Fund and their related institutional strategies

“In their search for yield, investors will have to cast a wider net and further diversify their global fixed income holdings. This includes focusing on countries undergoing transformative changes, such as Argentina, India, and Indonesia, versus countries that have been laggards. Unprecedented monetary policies and strong global economic growth are broadly supportive, though valuations are stretched, albeit with geographic variations. Fundamental, active security selection and sector rotation will be critical to navigating the year ahead.”

Ken Allen, portfolio manager, Science & Technology Fund and related accounts

“Disruptive change continues to provide opportunity in the technology sector and has produced some massive winners. Being on the right side of change will be even more critical moving forward as it will separate winners from losers. Companies in a variety of industries will feel compelled to adopt emerging technologies to better serve their customers and keep up competitively.”

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