T. ROWE PRICE EXPERTS SHARE 2027 OUTLOOK FOR GLOBAL FINANCIAL MARKETS

November 17, 2026

Though elevated valuations, higher interest rates, and an energy price shock pose risk, strong earnings growth, resilient U.S. economic activity, and a sweeping AI-driven investment cycle support a constructive but more selective outlook for 2027

BALTIMORE, Nov. 17, 2026 /PRNewswire/ -- T. Rowe Price held its 44th annual global market outlook press briefing virtually today featuring a panel of the firm's investment experts sharing their forecasts for the 2027 global financial markets. Speakers included Sébastien Page, co-head of Global Investments and chief investment officer; Arif Husain, head of Global Fixed Income and chief investment officer; Tim Murray, capital markets strategist; Jodi Love, global equity portfolio manager; and Shinwoo Kim, global natural resources portfolio manager. The event was hosted and moderated by Jennifer Martin, global equity portfolio specialist.

KEY OBSERVATIONS AND QUOTES

Sébastien Page, Co-Head of Global Investments and Chief Investment Officer

Key Observations

- Nominal growth remains healthy. Oil price shocks have historically lifted core inflation with a lag, so inflation remains a key risk.
- Equity valuations are in the eye of the beholder. Traditional measures such as the CAPE* ratio, which is near levels last seen at the peak of the dot-com bubble, point to a bubble. But the S&P 500 is now a tech-heavy index with much higher margins and sustainable earnings growth. On a growth-adjusted basis (the PEG ratio**), the market looks inexpensive. This shifts the focus to how much record earnings growth analysts expect companies to deliver.
- T. Rowe Price's Asset Allocation Committee is modestly overweight equities and underweight bonds, including a moderate overweight to large-cap growth stocks, while favoring diversification into emerging markets, small- and mid-cap stocks, and international value. The team also favors inflation-sensitive assets and is underweight U.S. investment grade bonds.

**Cyclically Adjusted Price-to-Earnings Ratio*
***Price/Earnings-to-Growth Ratio*

Quote
"Looking to 2027, now is not the time to be a hero. Our Asset Allocation Committee is not taking large overweights and underweights to specific asset classes. We remain constructive, with a modest lean toward stocks over bonds and no significant favor toward U.S. versus global equities. Strong equity and credit research are essential to give investors the best chance to capitalize on attractive AI opportunities while managing downside risk."

Arif Husain, Head of Global Fixed Income and Chief Investment Officer, Fixed Income

Key Observations

- Growth should remain resilient in 2027, but with less policy support. Central banks have shifted decisively from easing towards renewed tightening, while fiscal support is becoming increasingly uneven across economies. AI investment will remain a major growth driver, but rising financing costs and questions over returns could see spending fall short of ambitious expectations.
- Inflation risk can skew higher as companies pass through rising input costs, and markets are likely underestimating how many rate hikes the U.S. and euro area will need. Higher rates also bite less than usual, since most U.S. mortgages are fixed-rate and many big AI spenders earn returns well above their borrowing costs.
- Global yields have not yet peaked. Large deficits and little political will for austerity are the main drivers, with the U.S. most exposed. Yields are now potentially high enough to meet most investors' income needs, still, investors need to be wary of the weakest credits if they want to edge gradually into bonds.

Quote
"The outlook for 2027 looks very solid, though not as strong as 2026, and I think the market is underestimating how many rate rises will be required. We have not hit the peak yet in global yields, but in this environment, investors can consider constructing a bond portfolio that may meet most income needs. Income-oriented investors can edge gradually into the bond market to seek attractive yields."

Tim Murray, Capital Markets Strategist, Multi-Asset Division

Key Observations

- U.S. economic growth should remain resilient in 2027 despite higher energy costs, rising interest rates, and a fading fiscal impulse. Overall, this growth should put upward pressure on interest rates.
- We expect the economy to remain bifurcated. AI-related investment accounts for a disproportionate share of growth, while housing and construction remain in contraction. Consumer spending is also split, with higher-income households supported by stock market gains while lower-income households face pressure, and households are drawing down savings to sustain spending.
- The labor market has stabilized, with no clear evidence yet of an AI-driven rise in layoffs or signs of it on the horizon. Inflation was already above target before the recent energy price shock tied to the Strait of Hormuz. While oil futures contracts project a resolution in 2027, sustained higher energy prices could reignite goods inflation.

Quote
"The economy's strength is concentrated in AI-related investment and higher-income consumers. Unlike services inflation, goods inflation – comprising food, energy, and core goods – can move sharply in either direction, meaning these pressures could emerge quickly, but also reverse rapidly. Looking to 2027, growth should continue, but how long it lasts depends on whether AI investment and higher-income spending hold up and on the path of energy prices."

Jodi Love, Global Equity Portfolio Manager

Key Observations

- Equity markets climbed a wall of worry in 2026—an AI-related selloff, the collapse of the U.S.–Iran memorandum, a summer spike in energy prices, 10-year Treasury yields above 5%, and the start of Federal Reserve rate hikes—because earnings did the work. Earnings grew, profit margins expanded, and forward valuation multiples compressed rather than expanded. Beneath the headline numbers, leadership has already shifted: the Russell 1000 value index has outperformed the Russell 1000 growth index by roughly 30 percentage points year to date through November 10, 2026, the S&P 500 Equal Weight Index leads the cap-weighted S&P 500 index, and earnings growth is broadening beyond the U.S., most notably in Japan and emerging markets.
- Several capital spending cycles are under way at once—AI infrastructure, electrification, power, energy security, supply chain reorientation, and defense—with different demand drivers and funding sources, creating opportunities well beyond the most visible AI beneficiaries. The AI build-out itself is entering a new phase: an estimated USD$5.5 trillion in funding needs through 2030, of which less than a fifth is expected to come from the hyperscalers' own cash flow[1], with the remainder likely dependent on debt and equity markets. Capital expenditure is a cost to the spender and revenue to the supplier; spending does not guarantee value creation, and the burden of proof has shifted to those doing the spending.
- As expectations rise, selectivity matters. For much of the past two years, market leadership was narrow and favored higher risk stocks while higher quality stocks lagged; that trade began to unwind in October, and the top ten stocks still account for roughly 39% of the S&P 500—above the peak of the dot-com era[2]. The task now is to distinguish durable earnings growth from speculative leadership, prioritizing sustainable earnings, cash generation, disciplined capital allocation, and balance-sheet strength as the cost of capital rises.

Quote:
"*The global economy is resilient, but not stable. The world is becoming more fragmented and capital intensive. Security of energy, supply, data, and industrial capacity is reshaping country and sector leadership, creating opportunities in infrastructure, defense, electrification, and manufacturing. The AI investment cycle is real, but it now has to be financed and then has to earn a return. Looking toward 2027, the focus shifts from rising expectations to earnings and cash-flow delivery, which should reward stock selection.*"

Rick de los Reyes, Head of Commodities and Global Natural Resources Portfolio Manager*

Key Observations

- Crude oil exports from key Middle East producers collapsed following the disruption in the Strait of Hormuz but have been recovering.
- The real constraint is refining rather than crude supply, with refining margins and U.S. retail diesel prices climbing sharply.
- Demand destruction from China's rapid adoption of electric vehicles is reshaping global oil demand, and Europe is heading into winter with natural gas storage near historic lows.

Quote
"With some degree of stabilization in oil prices, the market's attention is likely to shift toward commodities leveraged to AI, including data center construction and broader infrastructure investment. In that environment, copper, critical minerals such as rare earths, tungsten, antimony, and uranium, and construction materials like lumber will look more attractive. And AI-driven power demand will remain a key theme in 2027 and beyond."

**Shinwoo Kim presented in his place at the live event.*

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.

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[1] Source: T. Rowe Price calculations using data from the U.S. Bureau of Labor Statistics, accessed via FRED, Federal Reserve Bank of St. Louis.

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