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T. Rowe Price Investment Professionals Share Global Market Outlook For 2016

Challenging environment for corporate profits, driven by falling oil prices and strong U.S. dollar, should begin to fade; global credit markets diverge as muted economic growth prevails around the world

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NEWS
As the drag from weaker oil prices and the stronger U.S. dollar seen in 2015 begins to fade, U.S. corporate profits should turn upward in 2016. But with muted growth continuing across most of the world's advanced economies and in many emerging economies, investors should expect more subdued returns going forward.

This observation and several others were made today during T. Rowe Price's annual Global Market Outlook press briefing, which was held in New York City. Speakers at the press briefing included **Alan Levenson**, chief U.S. economist; **Rob Sharps**, portfolio manager and member of the company's Equity Steering Committee; **Ted Wiese**, head of Fixed Income; and **Anh Lu**, portfolio manager, New Asia Fund and Asia ex-Japan Equity strategy.

KEY OUTLOOK OBSERVATIONS

- Growth has steadied in advanced economies, anchored by the U.S. and Europe. Peripheral European countries, including Ireland and Spain, have more economic momentum than their larger counterparts. Emerging market economies are generally slowing, driven by China and large commodity producers.
- Inflation is likely to remain benign - rising, but still low in advanced economies, and generally lower in emerging market economies. Core inflation is broadly below central banks' targets in advanced economies and is more mixed in the emerging world.
- Monetary policies among global central banks will continue to diverge, creating selected interest rate and currency opportunities across world bond markets.
- Moderately rising short-term interest rates in the U.S. should not derail stocks in 2016, though robust global growth is required for more broadly favorable equity markets. Global growth will be led by consumption and services, and by companies that are disruptive innovators.
- Stock returns in emerging markets will continue to vary by country. Latin American economies that are tied to commodities may continue to struggle. Stock valuations in Asia-ex Japan are generally compelling and corporate earnings in many markets should improve after several years of poor growth. Though China's economic challenges are well known, opportunities do exist, especially in sectors such as technology, consumption, and services, as well as in some state-owned companies that are undergoing structural reforms.
- Corporate governance is improving in Japan, leading to more shareholder-friendly policies and interesting investment opportunities.
- More information from the T. Rowe Price 2016 Global Market Outlook press briefing, including speaker biographies and presentations, can be found **here**.

QUOTES

Alan Levenson, chief U.S. economist:
"Monetary policy crosscurrents will intensify as the Federal Reserve begins to normalize interest rates after nearly seven years of rates at 0%-0.25%. Still, we expect central bank policies in advanced economies to remain highly accommodative. Policies in emerging economies will likely lean more accommodative, but with significant dispersion."

Rob Sharps, portfolio manager and member, Equity Steering Committee
"In the U.S., stocks have come a long way since the global financial crisis, but they stalled in 2015 as corporate earnings slowed. Current conditions are ripe for further gains, but moderately high valuations and already-high corporate profit margins will limit the longer-term upside. In Europe and Japan, stocks are cheaper than in the U.S. and there is potential for positive earnings surprises. Stocks in emerging markets are cheap, but attractive opportunities are country- and company-specific. Fundamental analysis and stockpicking will be more important than ever."

Ted Wiese, head of Fixed Income
"Bond yields in developed markets remain low almost everywhere, although divergent policy responses have created opportunities. There are also opportunities in emerging and credit markets where the economic slowdown in China has led to underperformance of bonds in commodity-producing sectors and countries. Although debt levels have been on the rise among emerging-markets corporations and governments, stronger economic growth and healthier balance sheets provide room for countries to work through structural reforms."

Anh Lu, portfolio manager, Asia ex-Japan Equity strategy:
"The turbulence we have seen recently in Asian markets is not a crisis in the making. Reforms are happening, albeit slowly, valuations are supportive of future potential gains, and the corporate earnings outlook is generally improving. In addition, much of Asia benefits from falling commodity prices. But challenges remain in the form of weak export demand, high debt levels, especially in China, and corporate return-on-equity rates that need to improve. We see neither boom nor doom in Asia next year and believe that markets in the region provide plenty of opportunities with reasonable valuations."

ABOUT T. ROWE PRICE

Founded in 1937, Baltimore-based T. Rowe Price Group, Inc. is a global investment management organization with $725.5 billion in assets under management as of September 30, 2015. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research. For more information, visit **troweprice.com**, **Twitter**, **YouTube**, **LinkedIn**, or **Facebook**.

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