



Presentation to Global Investment Conference
FIXED INCOME 2022:
A WORLD UPENDED

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April 6, 2022

Key Takeaways

As of 24 March 2022

Near-term movements in fixed income markets are driven by:

1. Diverging monetary policy led by a more hawkish Federal Reserve, European Central Bank and Bank of Canada, while People's Bank of China starts to ease
2. Higher and potentially longer lasting inflation due to energy and commodity price shocks, particularly concerning is global food inflation
3. Russia-Ukraine conflict leading to flight-to-quality and unknown impacts of sanctions

Conclusions

- Past peak growth + high inflation + tightening central banks = curve flatteners
- Higher volatility + tighter liquidity = favor shorter duration exposures and active duration management
 - Investment grade—Linkers, Asset-Backed Securities
 - High yield—Floating-rate Bank Loans
 - Wider duration bands, incorporating global rates exposure

Russia-Ukraine No Clear Path to Peace

As of 1 March 2022

Potential Outcomes of the Russian Invasion of Ukraine



Source: T. Rowe Price.

Financial Conditions are Tightening

As of 1 January 2015 Through 10 March 2022



- Financial Conditions Index is a composite of interest rates, equity valuations, credit spreads, and currencies
- Much of the past easing was a result of more accommodative (dovish) moves by the Fed to cut rates
- Higher interest rates, lower equity levels, and wider credit spreads have contributed to tighter financial conditions in 2022

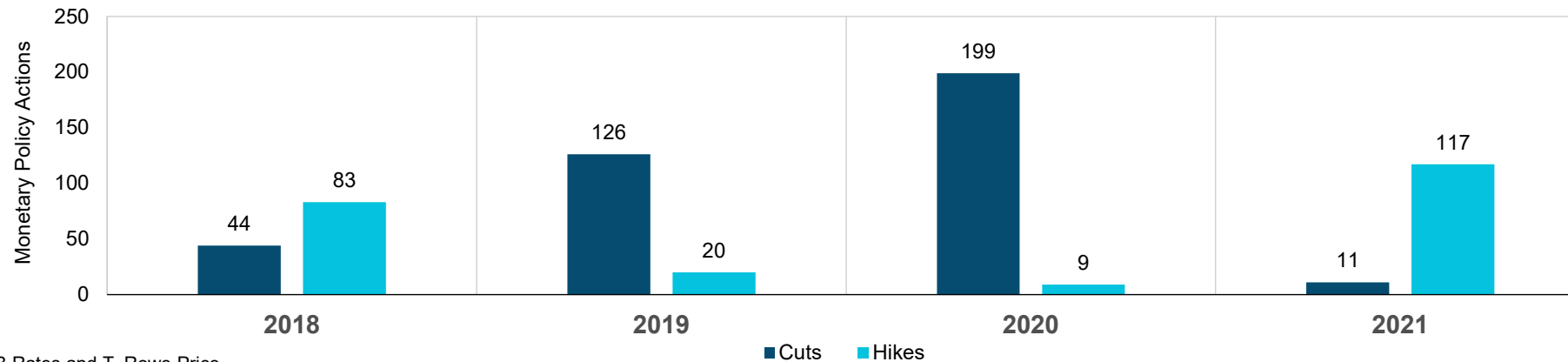
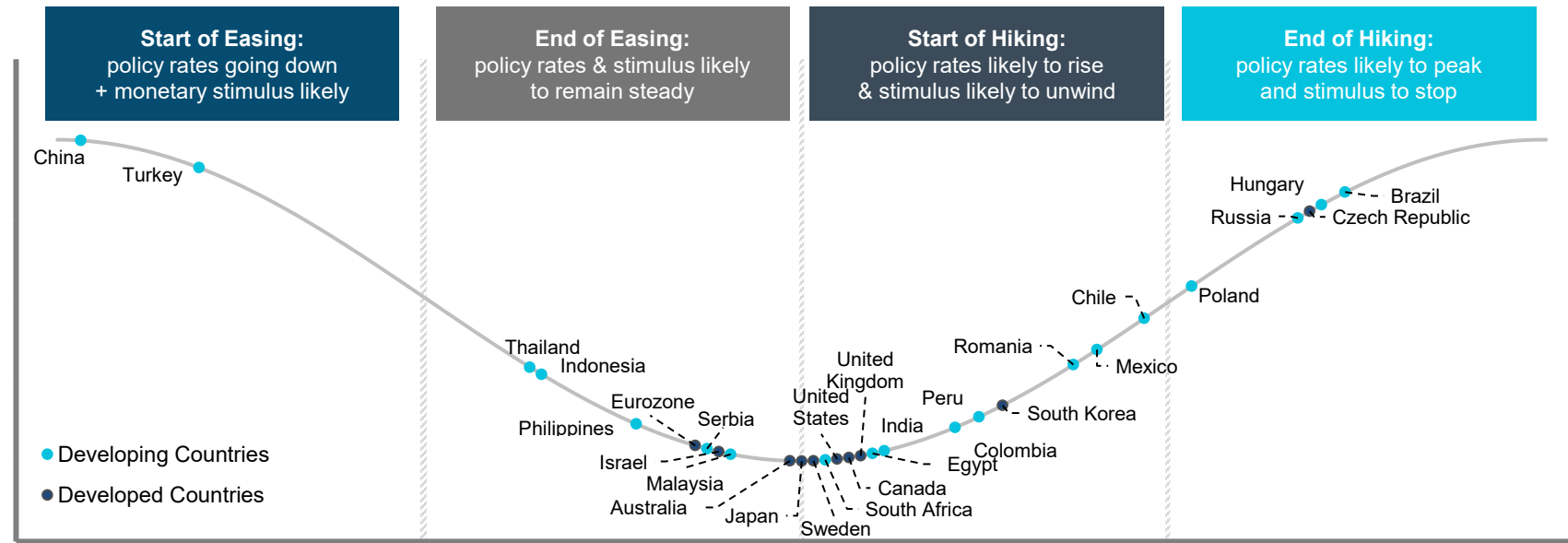
Sources: Bloomberg Finance L.P. and Goldman Sachs.

U.S. Financial Conditions Index (FCI) is defined as a weighted average of riskless interest rates, the exchange rate, equity valuations, and credit spreads, with weights that correspond to the direct impact of each variable on GDP.

The Hiking Cycle in Full Swing

As of 31 December 2021

Illustrative Interest Rate Cycle

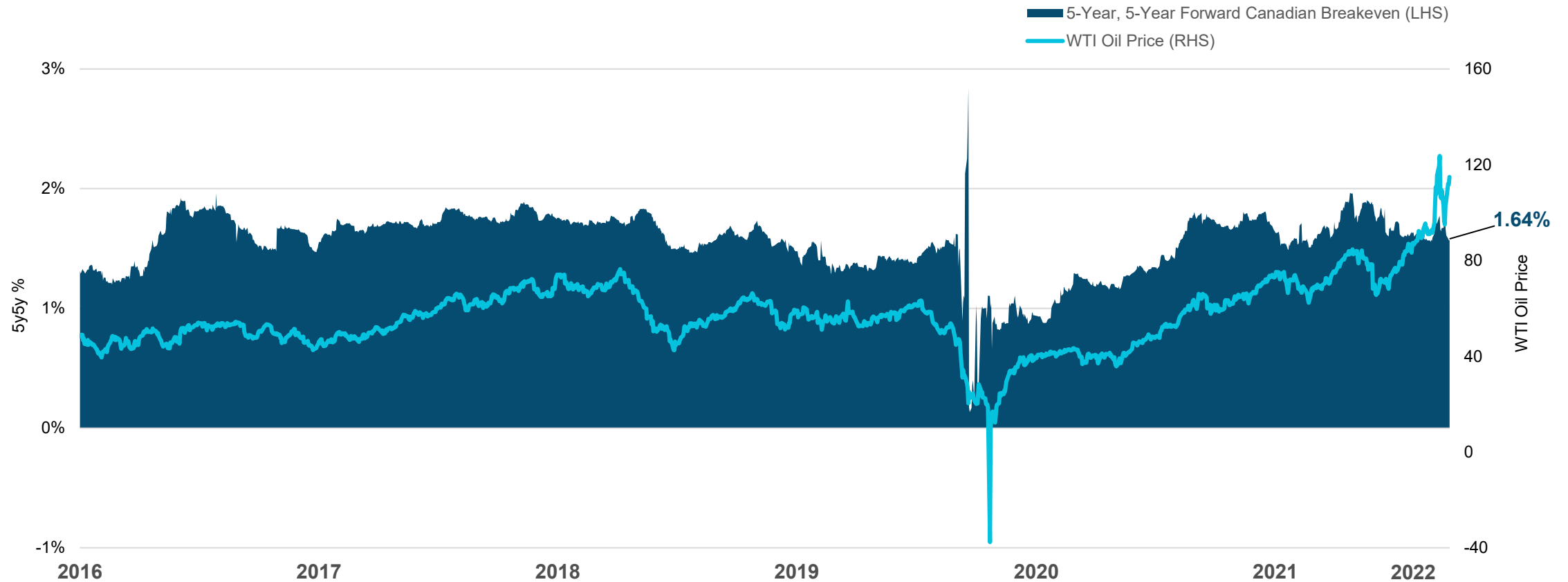


Sources: IMF, CB Rates and T. Rowe Price.

The 'Monetary Policy Actions' charts show the number of rate cuts and rate hikes made by all central banks globally. Country classifications in the chart are in line with IMF groupings as of reporting date.

Oil Prices Have Not Caused Longer-Term Inflation Expectations to Break Higher Yet

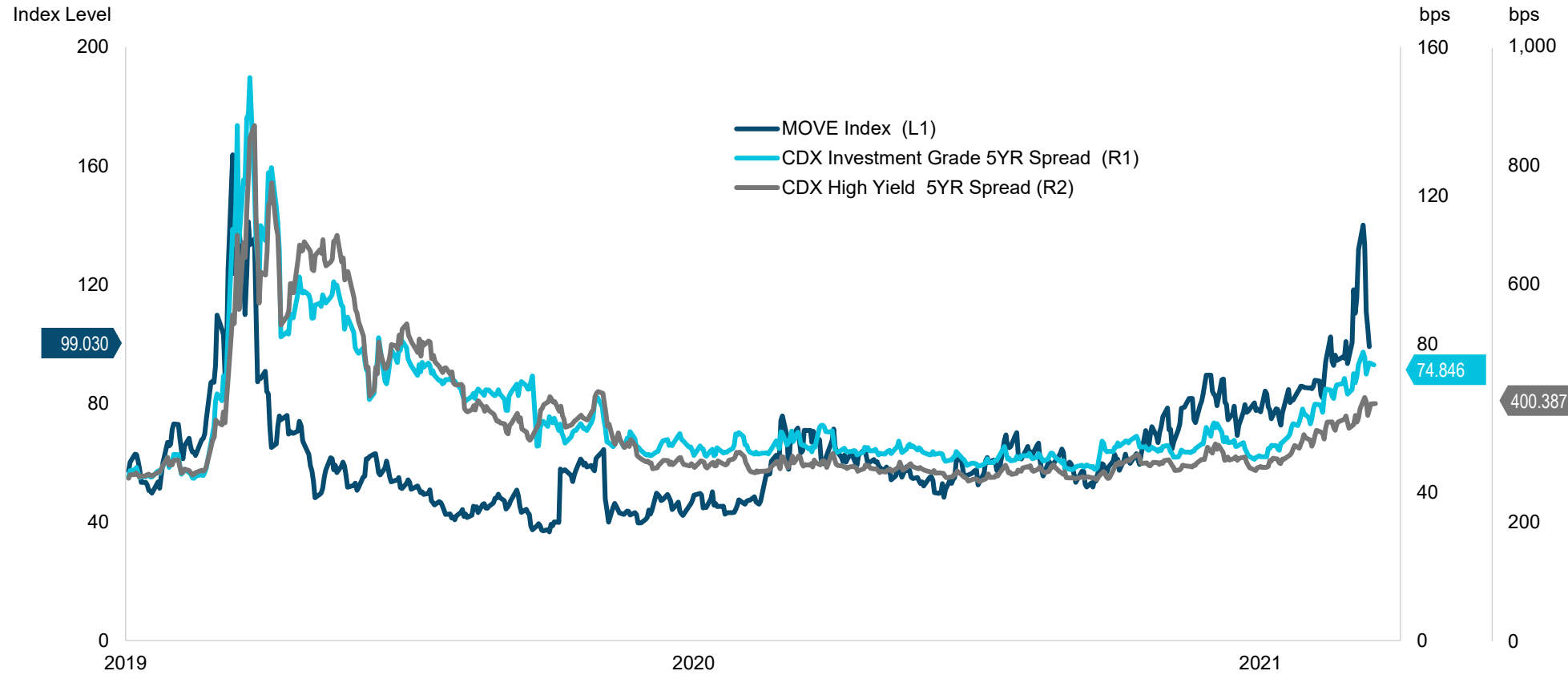
30 June 2016 Through 23 March 2022



Source: Bloomberg Finance L.P.
Analysis by T. Rowe Price.

Credit Markets: An Orderly Widening

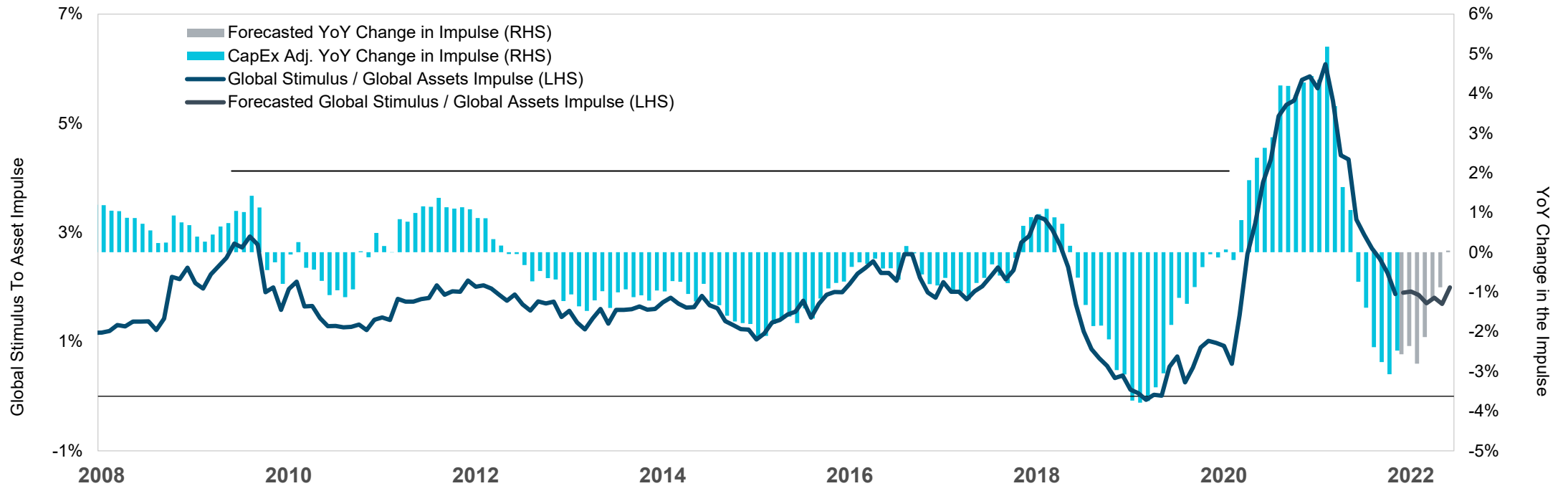
31 December 2019 Through 11 March 2022



Source: Bloomberg Finance L.P.

Global Fiscal Policy is Also Tightening

As of 31 December 2021

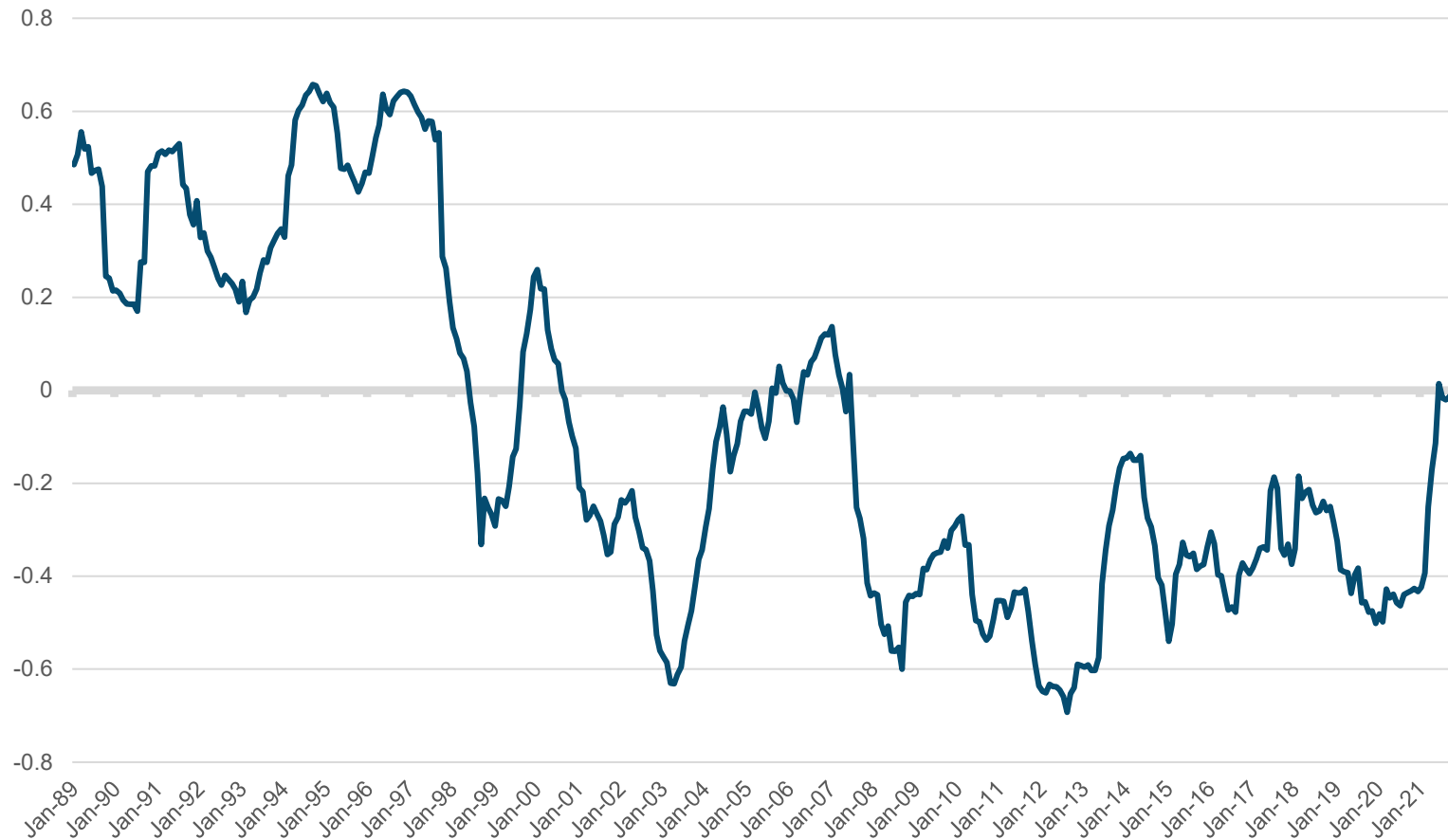


Source: Bloomberg Finance L.P.
Analysis done by T. Rowe Price.

Stock-Bond Correlation is Changing

As of 31 December 2021

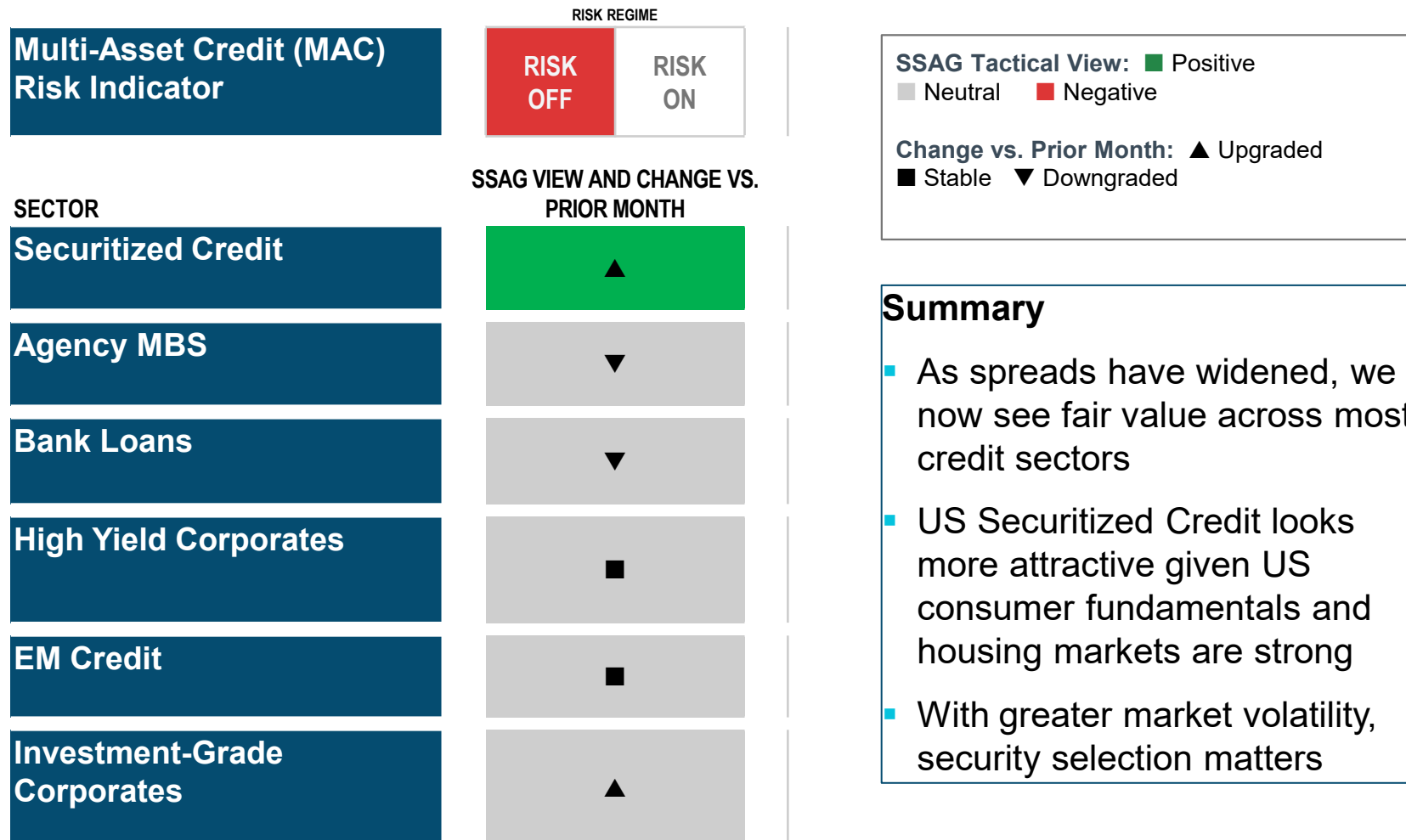
CORRELATION ROLLING 252-DAY CORRELATION OF THE S&P 500 TO 10-YEAR U.S. TREASURY RETURN



Source: Bloomberg.
Please see the Additional Disclosures page for more information about this Bloomberg information.

T. Rowe Price Fixed Income Credit Sector Views

Sector Strategy Advisory Group (SSAG)¹ Insights – March 2022



¹The T. Rowe Price Sector Strategy Advisory Group (SSAG) is comprised of select Fixed Income investment professionals, specializing in a range of disciplines, who collaboratively generate investment ideas for use in portfolios across our platform. Views are based on SSAG research and discussions, combining fundamental analysis from sector specialists with insights from our quantitative research experts and proprietary tools. Views are as of the latest SSAG discussions and are subject to change.

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