



# GLOBAL INVESTING IN VOLATILE TIMES

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T. Rowe Price

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# 2022: A new world...

As at 31 July 2022



## Russia invades Ukraine

Shortages drove commodities higher



## China's lockdowns continue

Further stress to supply chains



## Fed pivot and higher rates

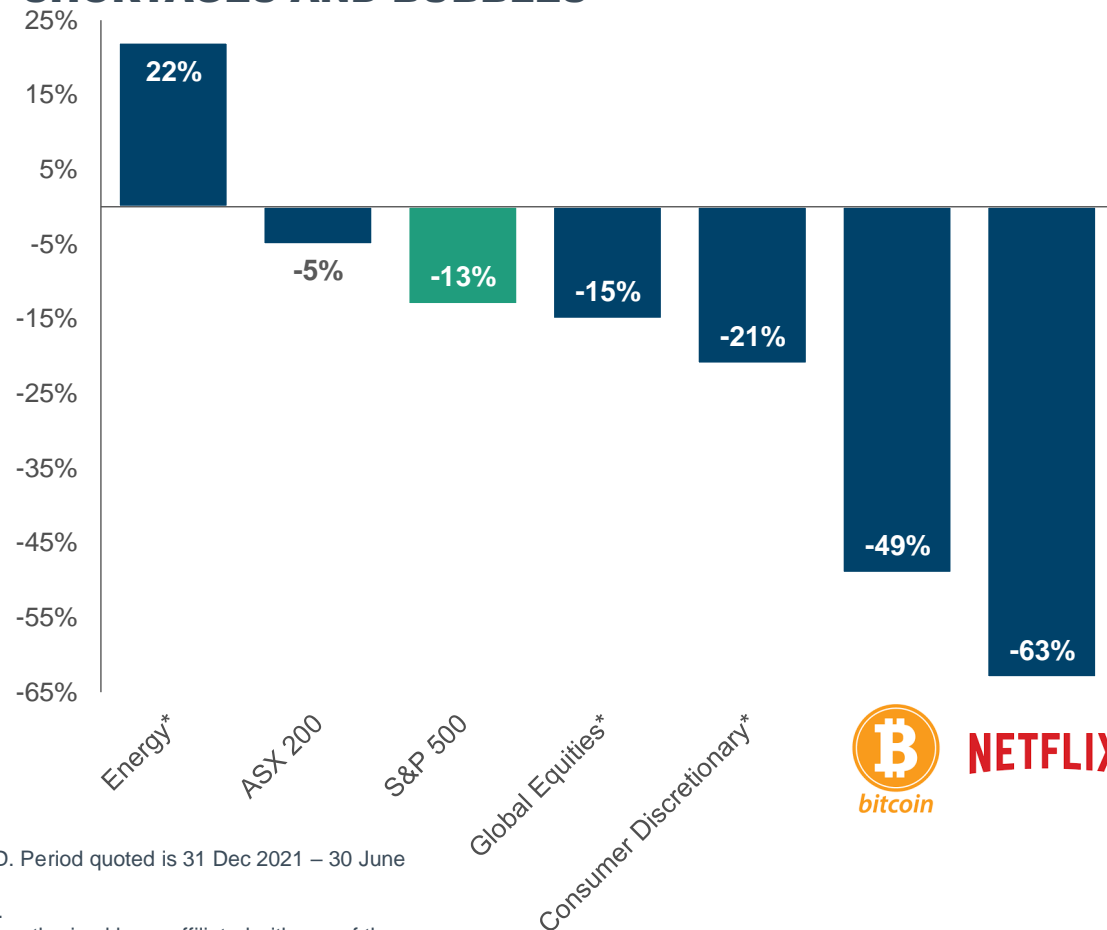
Bubble popped and "gravity" returns



## Recession approaching

Urgency to halt runaway inflation

### 2022 CALENDAR YEAR TO DATE PERFORMANCE - SHORTAGES AND BUBBLES



Past performance is not a reliable indicator of future performance.

Source: T. Rowe Price calculations using data from Bloomberg Research Systems Inc. All rights reserved. All prices in USD. Period quoted is 31 Dec 2021 – 30 June 2022. All rights reserved. \*Represented by MSCI All Country World Index in USD.

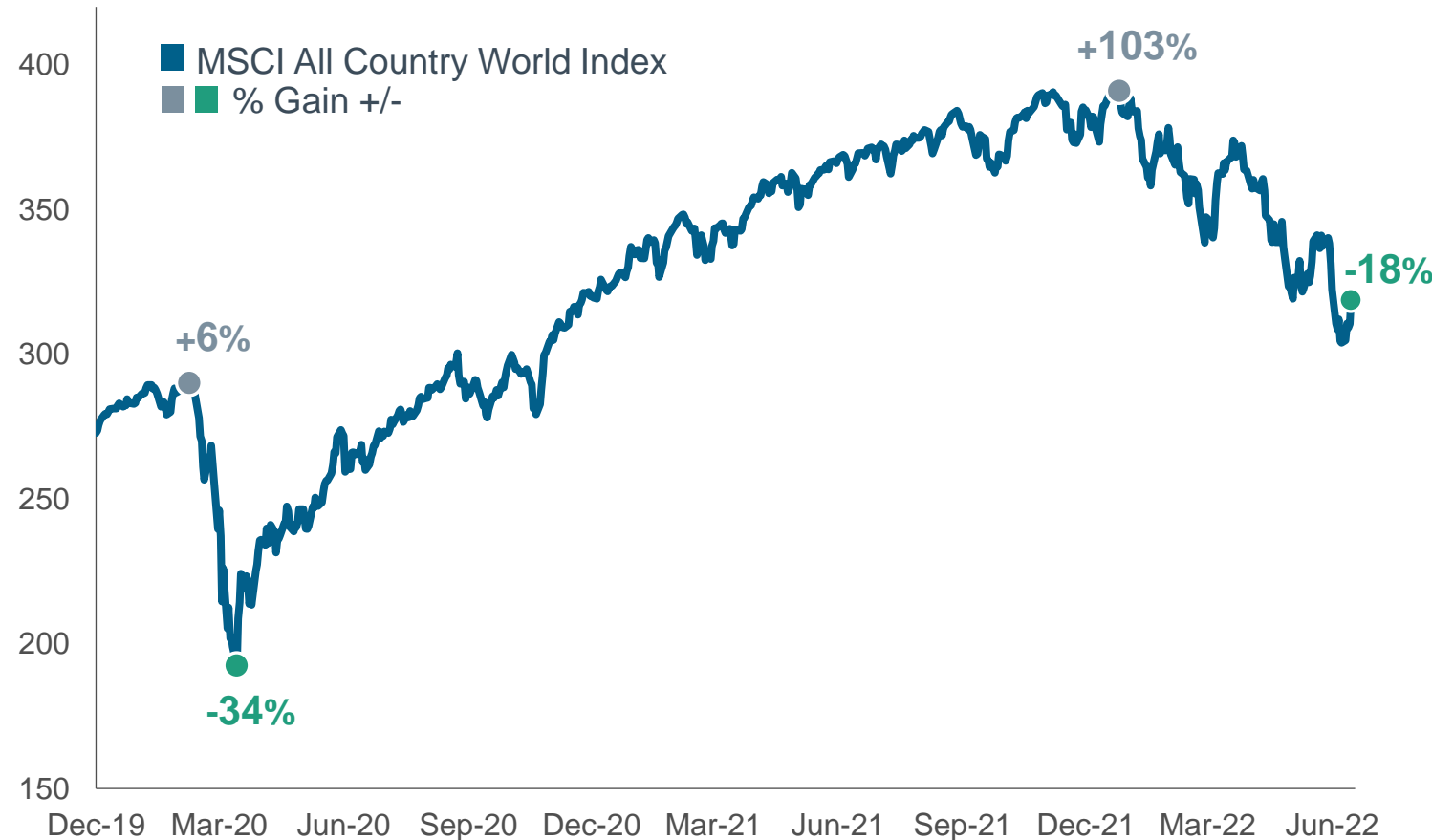
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# ...with “Big Issues” remaining

- 1 Pandemic (especially China)
- 2 War in Europe
- 3 Inflation at 40-year highs
- 4 The Fed / rates
- 5 Recession risk

### MSCI All Country World Index



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Source: T. Rowe Price, Bloomberg Financial L.P.

MSCI All Country World Index is shown in USD and is for the period 31 Dec 19 – 27 June 2022.

The views contained herein are those of Scott Berg as of 27 June 2022 and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.



# Inflation dynamics changed markedly late 2021

## 5-Year U.S. Inflation Expectations (TIPS Breakeven Yields)

1 January 2020 to 4 April 2022



Source: Bloomberg, data analysis by T. Rowe Price.

Source for Bloomberg Data: Bloomberg Financial L.P.

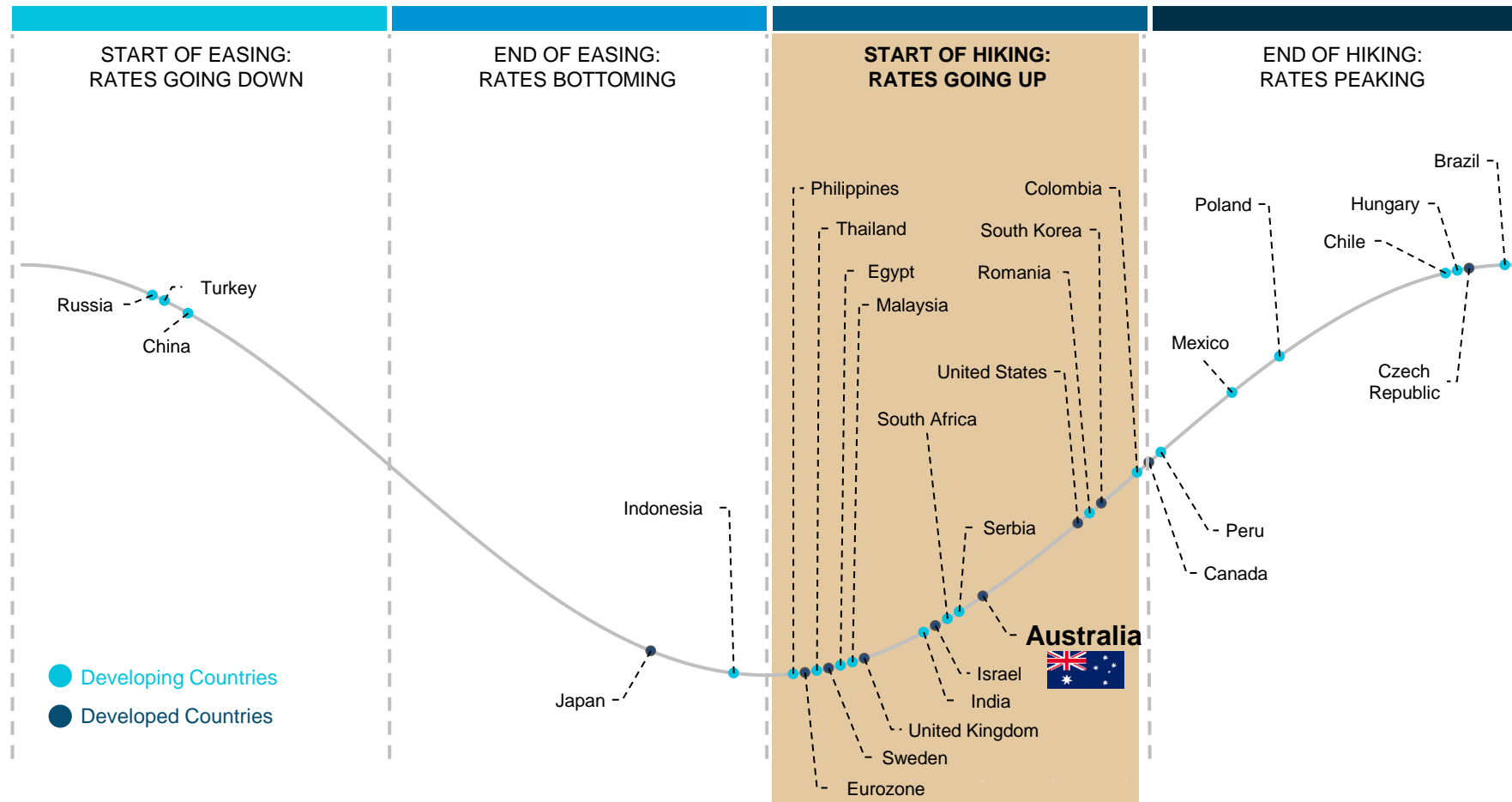
There is no guarantee that any forecasts made will come to pass.

TIPS = Treasury inflation-protected securities.

# Inflation ends an era of low rates

As of 30 June 2022

## Global Interest Rate Cycle



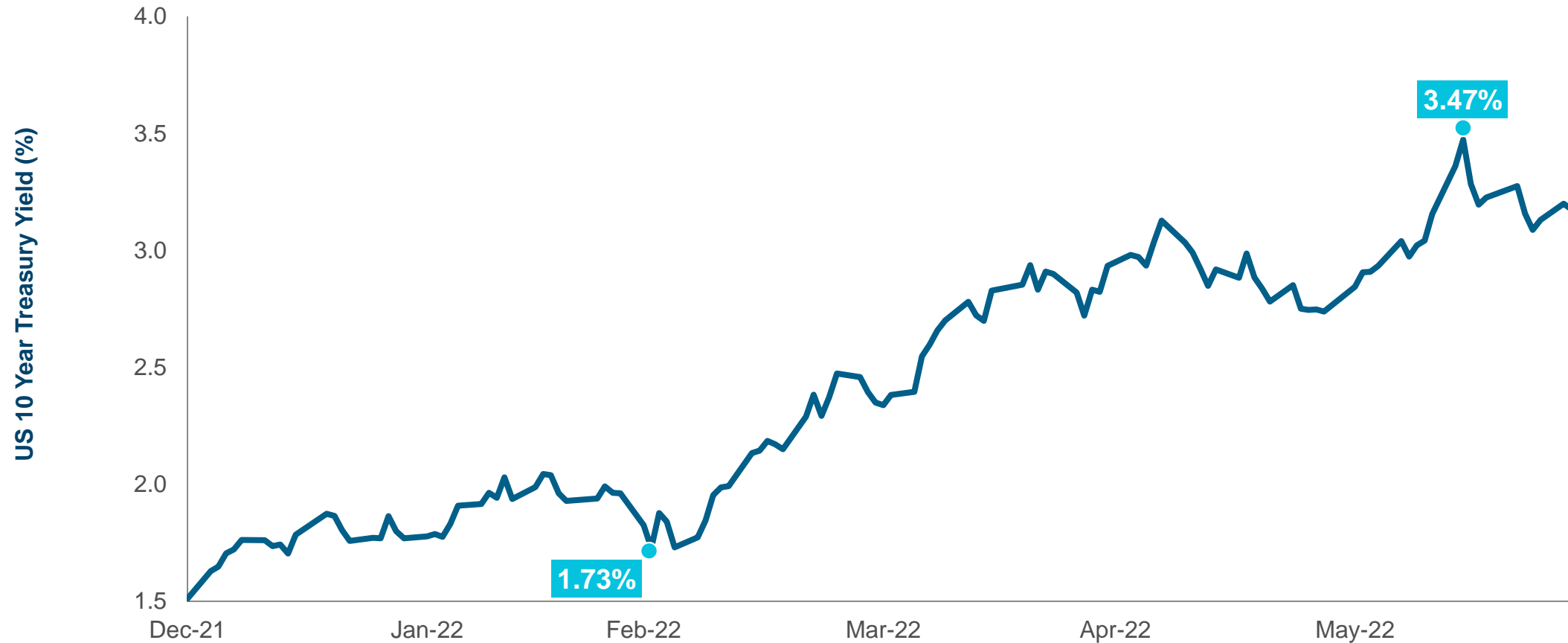
Sources: IMF with T. Rowe Price analysis.

Country classifications in the chart are in line with IMF groupings as of reporting date.

# The “cost of money” is the gravity of asset values

As of 28 June 2022

## US 10 Year Treasury Yield in 2022



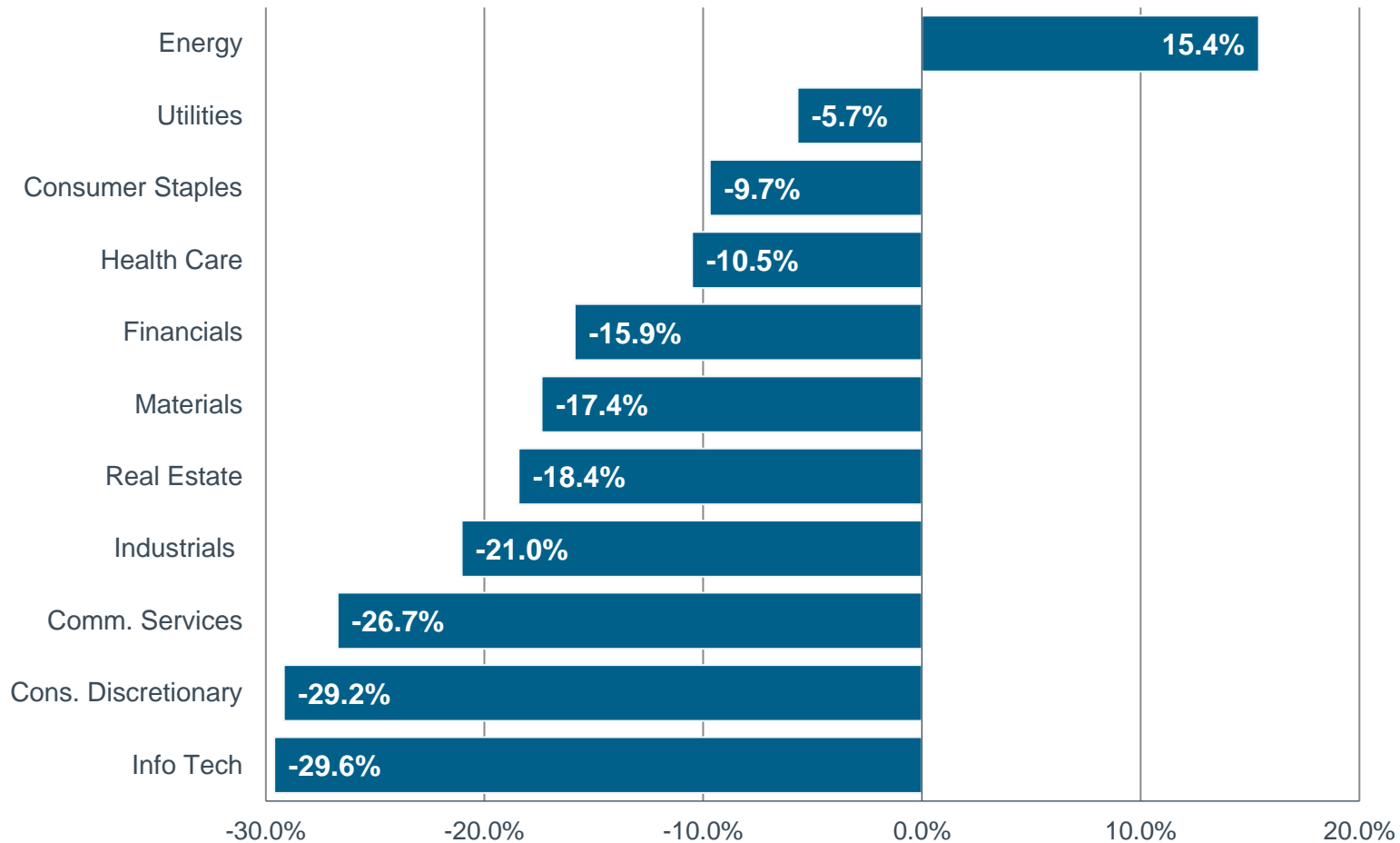
Past performance is not a reliable indicator of future performance.

Sources: Bloomberg Finance L.P., T. Rowe Price analysis.

# 2022 sector performance diverged strongly

USD Price Returns through 30 June 2022

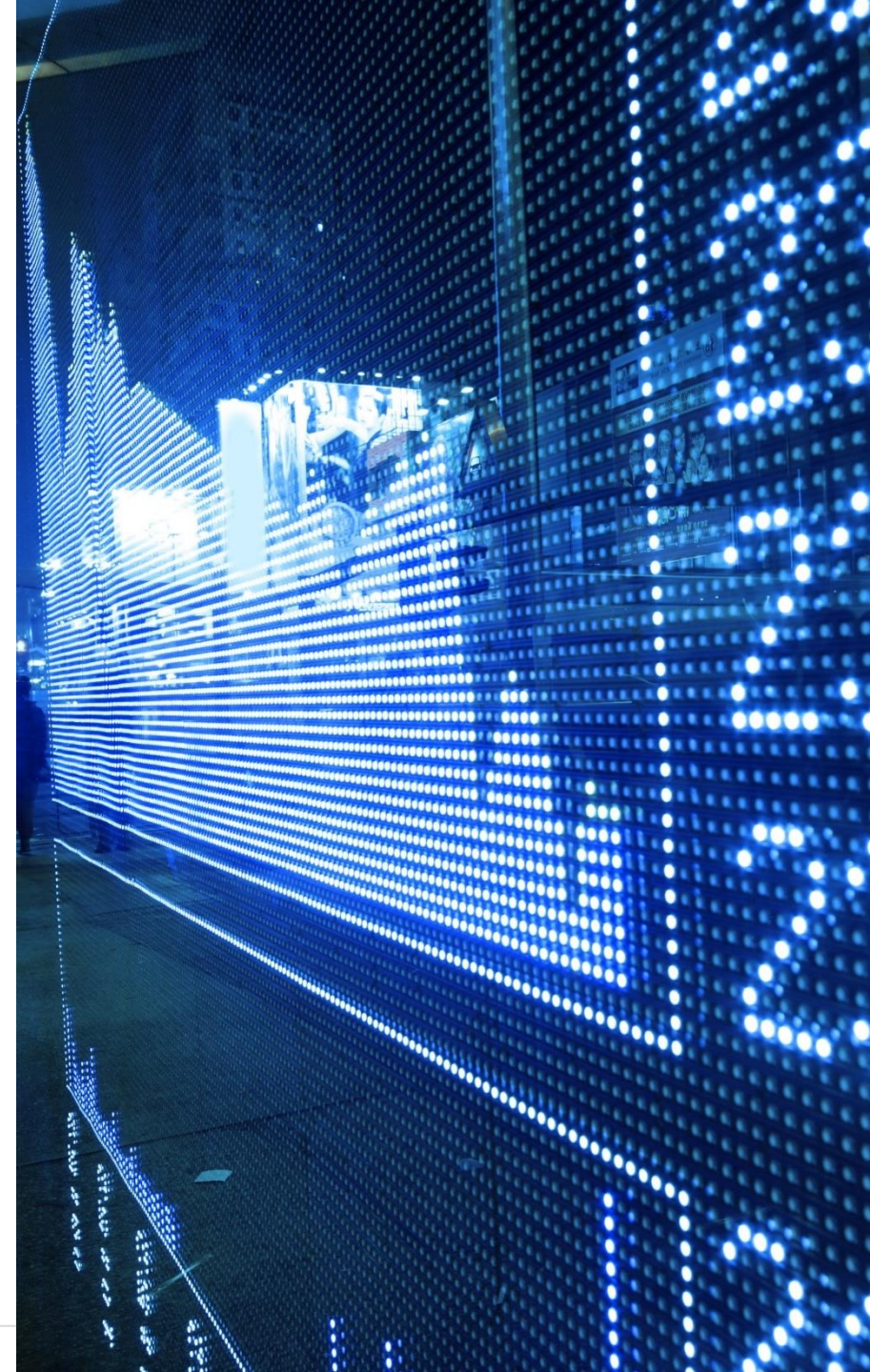
## Year to Date Return\*



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\*Sector performance within MSCI All Country World Index.

Source: T. Rowe Price analysis using data from Bloomberg Research Systems Inc. All rights reserved.





# Re-opening and rotation

As of 31 May 2022

## Shopify, Zoom, Hilton & Tesla Price Performance (USD)

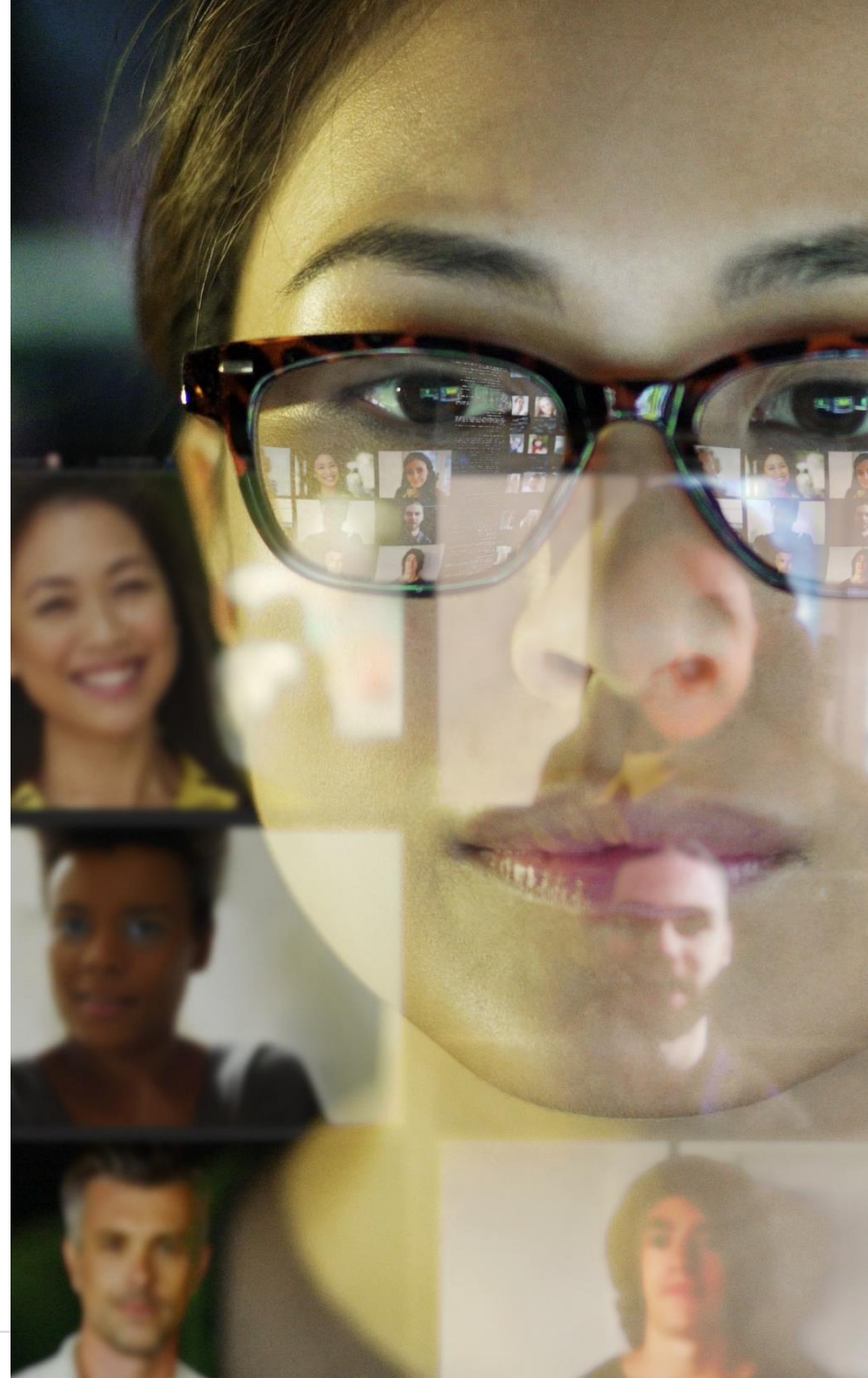


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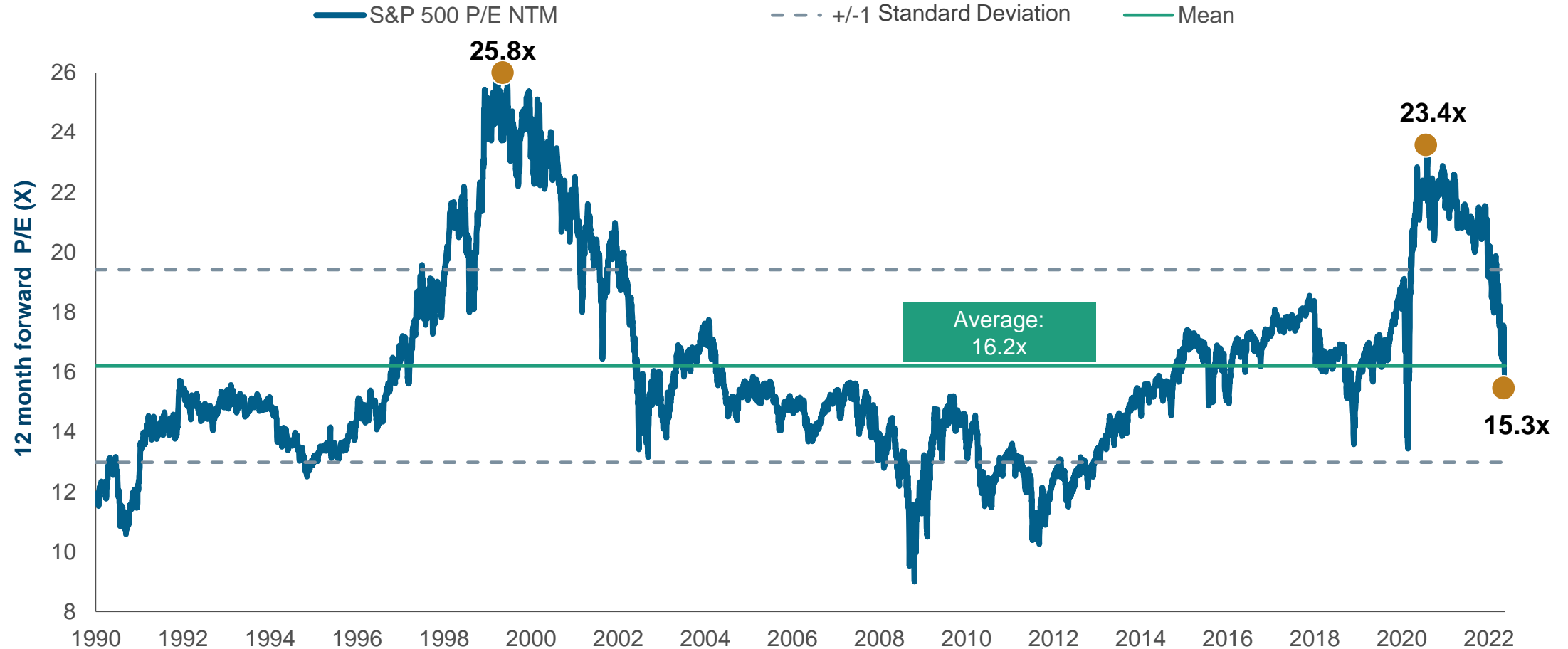




# Valuations low enough?

As of 17 June 2022

## S&P 500 NTM P/E



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NTM P/E = Next Twelve Months Price-to-Earning Ratio.

# Normalising is painful, but not fatal

- **Inflation:** expecting inflation to peak as demand softens in response to higher rates and prices.
- **Interest rates:** moving higher, but expecting short-lived rate hike cycle as demand weakens.
- **Valuations:** higher rates are forcing stronger focus on valuation. Speculation and excess have been flushed out of the market.
- **Recession:** a recession is possible but not guaranteed. Doomsday narratives provide opportunity.
- **Financial system healthy...**

Source: T. Rowe Price. The views contained herein are those of the Investment Professionals as of the 27 June 2022 and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

# The current corporate backdrop is decent

As of 31 March 2022

Decent  
Economic  
Growth

Healthy Balance  
Sheets

Limited  
Leverage

Valuations More  
Reasonable



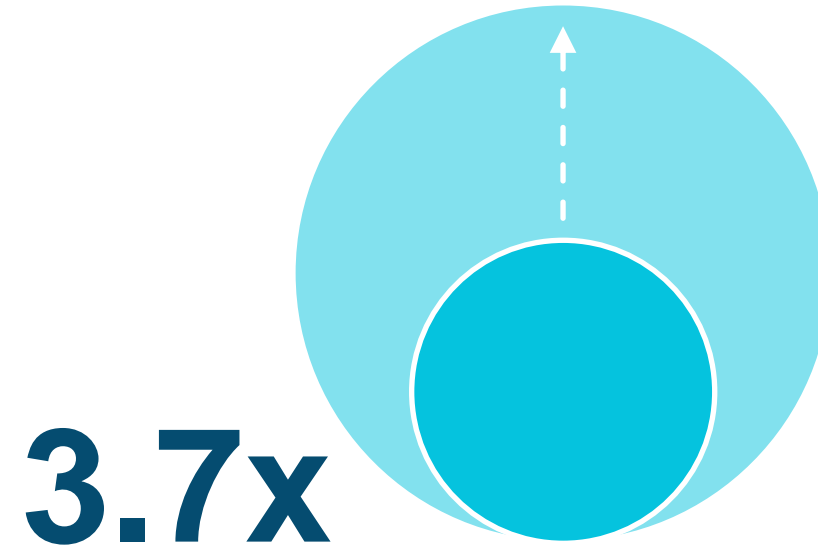
# Consumer balance sheets are strong

As of 31 March 2022



**savings increase**

from March 2020–March 2021 than  
the average from 2009–2019



**more U.S. household cash**

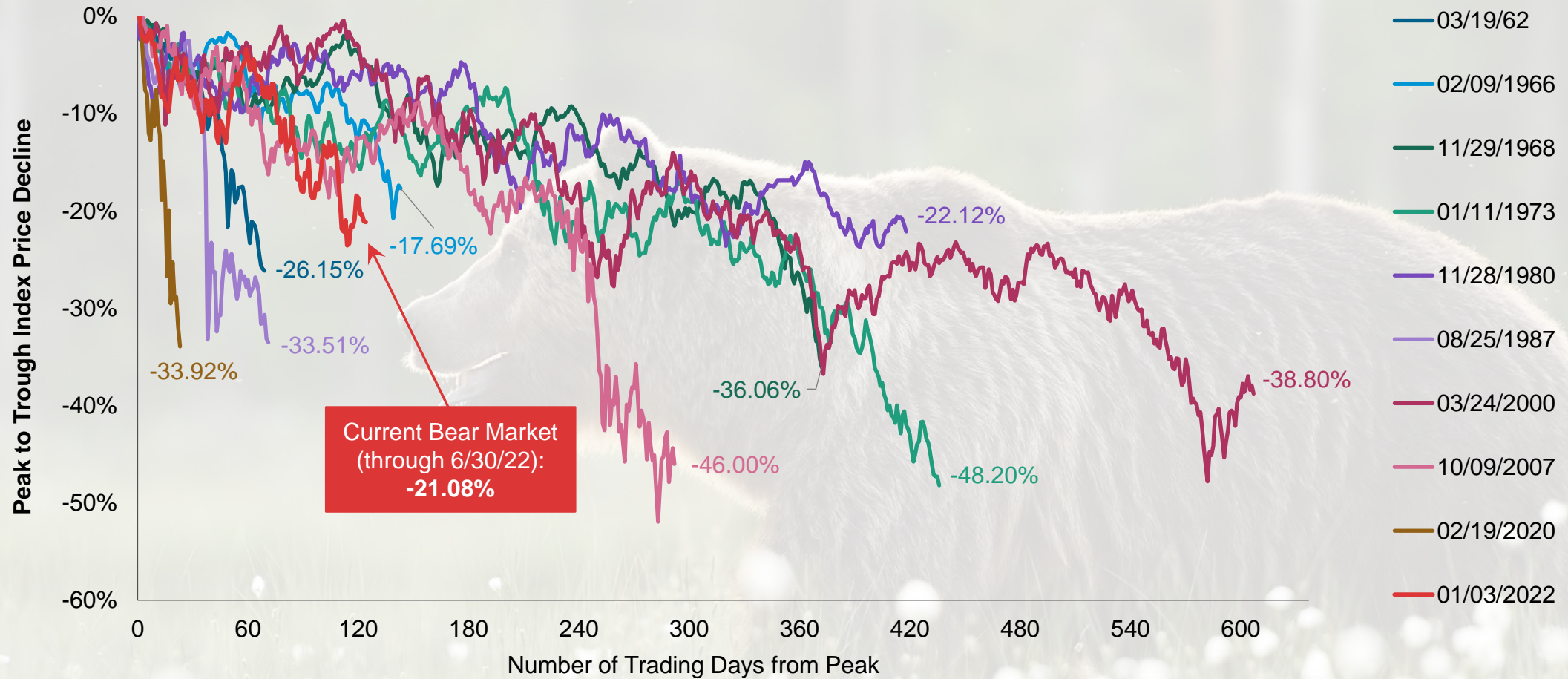
ending Q1 2022 than Q4 2019

For illustrative purposes only.

Sources: U.S. Department Bureau of Economic Analysis, U.S. Federal Reserve Board/Haver Analytics.

# Bears come in many different shapes and sizes

## S&P 500 Bear Markets, 1960 to Present



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Sources: T. Rowe Price calculations using data from FactSet Research Systems Inc. All rights reserved.

# The world rarely ends...

## Forward-looking views

- Normalisation is a process, but the world is not “broken”
- Inflation is pressuring households and companies, but the starting point is strong
- “Popping the bubble” is the best option
- The recession we all know is coming may be swift and shallow
- The world rarely ends and share markets are forward-looking
- Prospective returns from these levels are likely more attractive for investors

Source: T. Rowe Price. The views contained herein are those of the Investment Professionals as of 9<sup>th</sup> August 2022 and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.





# APPENDIX



# Stock story: Nutrien

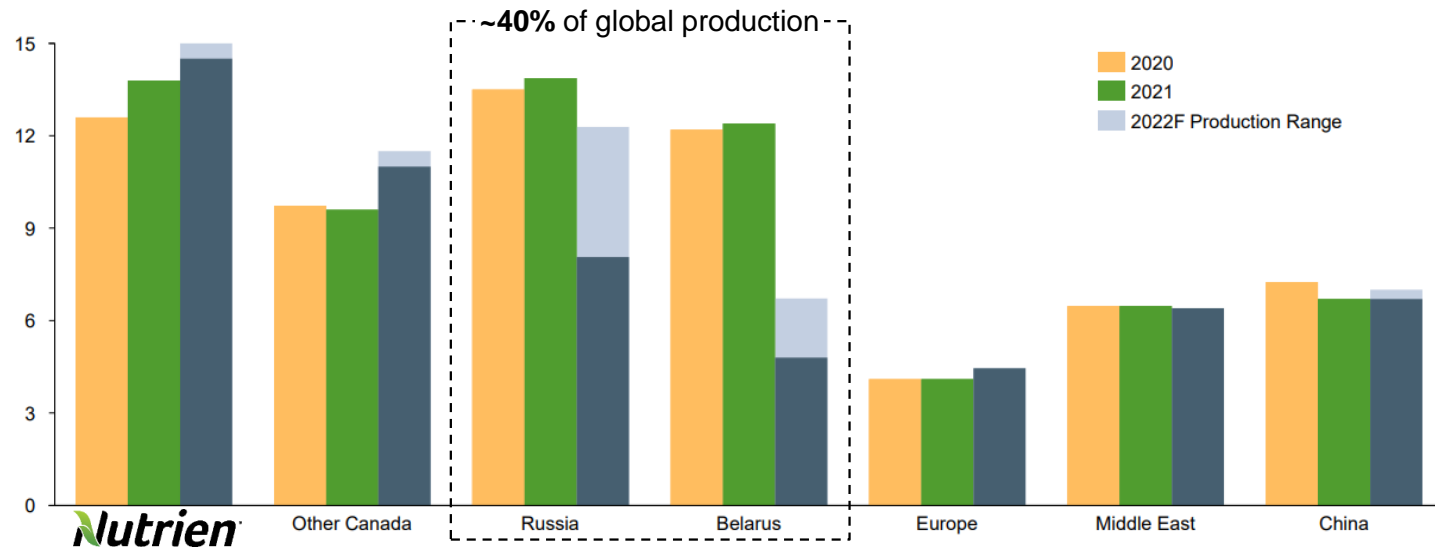
As of 31 March 2022

## A leading producer of agricultural fertilisers

- One of the world's largest potash producers with ability to ramp capacity
- Russia & Belarus represent ~40% of global potash supply
- Higher prices to drive stronger free cash flow cycle over next 1-2 years

## Potash production in selected regions<sup>1</sup>

Million of Tonnes of Potash (Fertiliser)



Source: Company reports. <sup>1</sup>Production changes differ from company expectations in operational capability. The specific securities identified and described are for informational purposes only and do not represent recommendations. The trademarks shown above are the property of the respective owners. T. Rowe Price is not endorsed, sponsored, or otherwise affiliated with any of the trademark owners represented by the trademarks shown above.



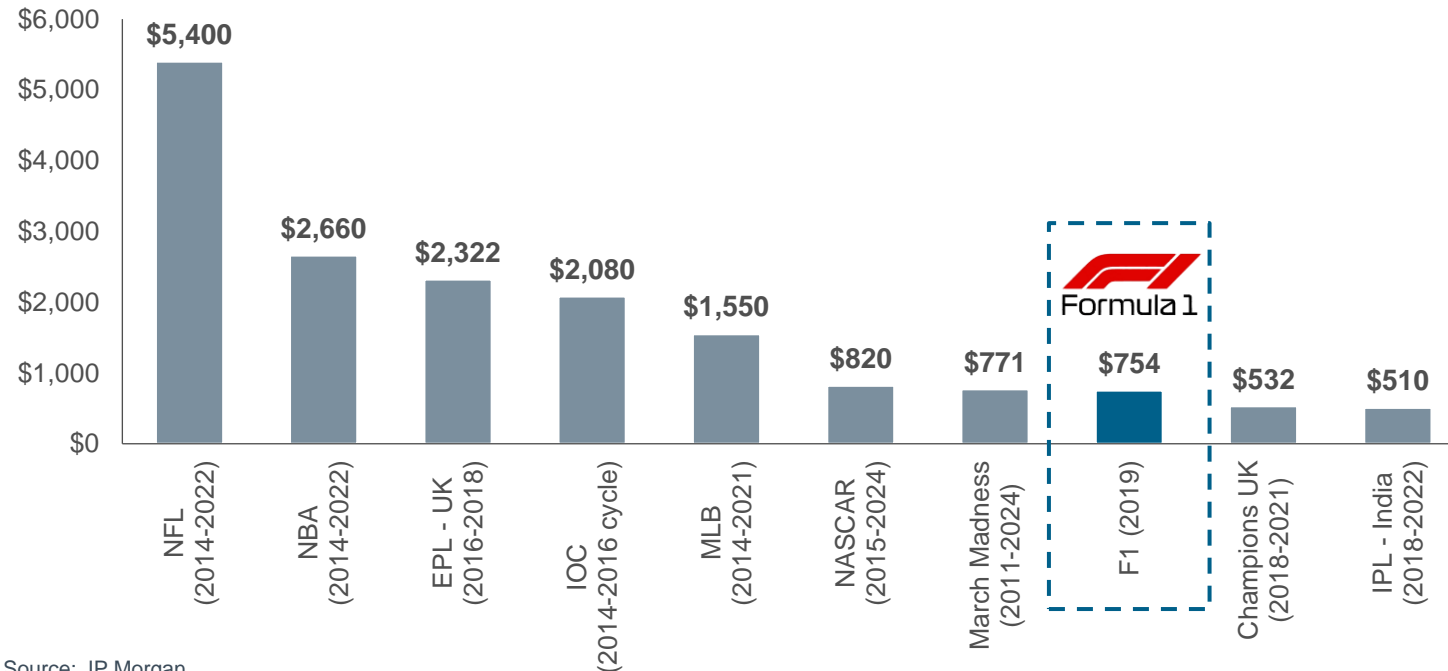
# Stock story: Liberty Media (Formula 1)

As of 31 March 2022

## Exclusive commercialisation of Formula 1

- Revenues: promotion fees, broadcasting & sponsorships
- Asset light model with multi-year contracts and price escalators
- Under-monetised franchise under new ownership, plus reopening

## Average Annual Broadcast Revenue by Sport (US\$MM)



Source: JP Morgan.

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