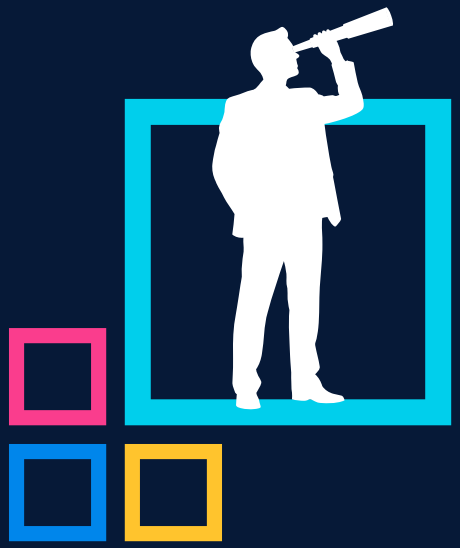
T.RowePrice

Global Asset Allocation Viewpoints: Australia

Inflation, market risks support incremental repositioning

November 2026



How we're positioned

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Equities

Underweight | Neutral | **Overweight** ▼

Modest equity overweight reduction

- Moderate equity weight slightly to rebalance risk, but broadening earnings growth still supports overall overweight.
- Trimming U.S. exposure to manage active risk concentration.
- Shift in exposure to unhedged Japanese equities and hedged European equities reflect evolving currency views.

Bonds

Underweight ▼ | Neutral | Overweight

Fixed income changes balance inflation and growth risks

- Long Australia duration position provides hedge against monetary tightening into a weaker domestic economy.
- Shift to neutral on inflation linkers due to persistent inflation risk.
- Attractive all-in yields underpin high yield credit overweight.

Cash

Underweight ▼ | Neutral | Overweight

Light cash allocation to fund risk exposures

- Cash yields remain attractive but underweight helps fund growth assets and gold positions.
- Other defensive allocations provide liquidity.

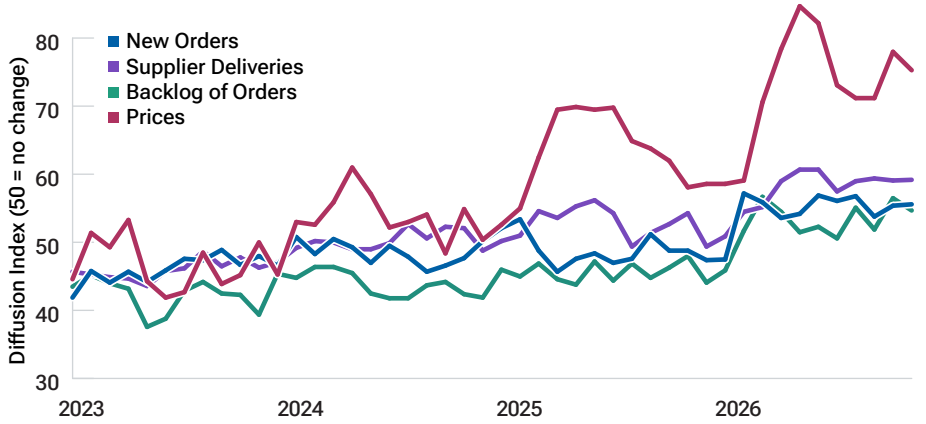
FOR INVESTMENT PROFESSIONALS ONLY. NOT FOR FURTHER DISTRIBUTION.

Key themes

Growth meets scarcity

Resilient growth and broadening earnings continue to favor equities over bonds. However, strong demand for power, infrastructure, and skilled labor is increasingly testing supply constraints, slowing the pace at which investment translates into additional capacity. While these bottlenecks create pricing power for some companies, they also risk sustaining inflation and keeping bond yields elevated. The key question is whether supply can catch up with demand before these pressures become a headwind to growth.

(Fig. 1) Demand outpaces supply, sustaining price pressures

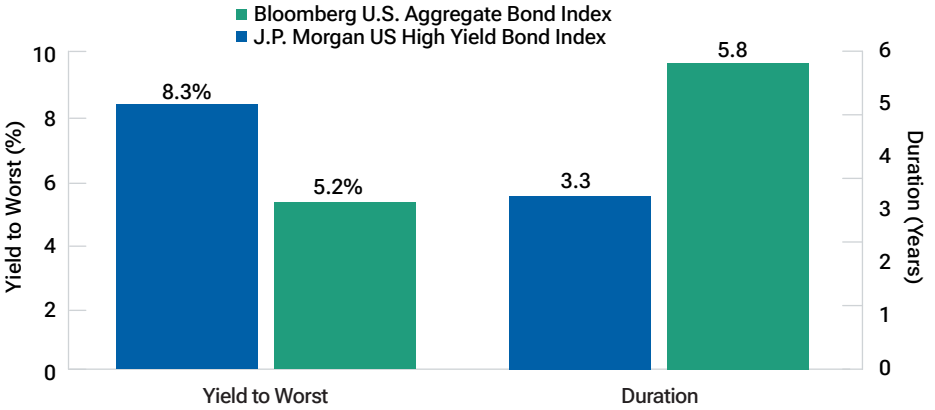


As of October 31, 2026.
Source: ISM Manufacturing PMI® sub-indexes, monthly, via Macrobond. See Additional Disclosures.

Carry without the duration

Isolated stress among some lower-quality borrowers, including those tied to the expanding AI financing ecosystem, does not necessarily signal a broader credit downturn. Resilient growth and stabilizing credit fundamentals continue to support high yield, with attractive income providing a cushion against volatility even without further spread tightening. Shorter duration also reduces sensitivity to upward pressure on Treasury yields, reinforcing our preference for high yield over core bonds.

(Fig. 2) High yield can offer more income with less rate sensitivity



As of October 31, 2026. You cannot invest directly in an index.
Sources: J.P. Morgan and Bloomberg. See Additional Disclosures.

Equities: Regions

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Region	Positioning	Rationale
U.S.	Underweight · Neutral · **Overweight** ▼	Earnings are resilient, supported by a broadening AI-related investment cycle, but higher rates and market concentration underpin a smaller overweight.
Europe	Underweight · Neutral · **Overweight** ▼	Improving earnings, durable German fiscal support, and undemanding valuations are positives, while any easing of energy price headwinds may fuel further upside. We are mindful of French fiscal and political risks.
U.K.	Underweight · **Neutral** ▼ · Overweight	Despite attractive valuations, fiscal constraints, inflation pressures, and weaker earnings revisions diminish the market's appeal relative to European peers.
Japan	Underweight · Neutral · **Overweight** ▼	Corporate reform set to re-accelerate, while the outlook for the yen seems to be brightening. Stretched valuations argue for discipline.
Australia	**Underweight** ▼ · Neutral · Overweight	Stagflation risks persist, with sticky inflation and tighter monetary policy balanced against rising unemployment and softer consumer sentiment. Resources remain a relative bright spot.
Emerging Markets	Underweight · Neutral · **Overweight** ▼	Despite near-term headwinds, resilient economic growth and AI-related supply chains in South Korea and Taiwan lifts the earnings outlook, while valuations are more attractive following recent weakness.
China	Underweight · **Neutral** ▼ · Overweight	Questions about the durability of export-led growth and stricter tax enforcement cloud near-term prospects, though faster fiscal execution could provide near-term support.

Equities: Styles and Market Cap

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Style and Market Cap	Positioning	Rationale
Global Growth vs. Global Value	Underweight · Neutral · **Overweight** ▼	Broadening earnings growth, powered by a strong AI investment cycle, outweighs risks associated with renewed conflict in the Middle East.
Global Small Cap vs. Large Cap	Underweight · Neutral · **Overweight** ▼	Attractive valuations, fiscal support in Germany and Japan, and the prospect of a weaker U.S. dollar are supportive, although higher energy costs pose a risk.
REITs	Underweight · **Neutral** ▼ · Overweight	REITs offer defensive characteristics and supply has been weak, but higher yields continue to pressure valuations and financing costs.

Bonds: Regions and Sectors

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Regions and Sectors	Positioning	Rationale
Australian Bonds	Underweight · Neutral · **Overweight** (▽ → ▼)	Remain long Australian duration as a steep curve and high all-in yields make long-dated government bonds attractive. Also offers diversification against equity overweight.
Global Investment Grade	**Underweight** (▼) · Neutral · Overweight	Solid fundamentals and higher yields are supportive, but tight spreads and heavy AI-related issuance limit relative appeal. Higher-yielding sectors offer more attractive income opportunities.
U.S. Long-Term Treasuries	Underweight · **Neutral** (▽ → ▼) · Overweight	Higher real yields enhance income and diversification potential, although fiscal pressures and persistent inflation could keep long-term yields elevated.
Inflation Linked	Underweight · **Neutral** (▽ → ▼) · Overweight	Price pressures are still elevated and we do not expect inflation expectations to fall, hence justifying a decision to shift back to neutral.
Global High Yield	Underweight · Neutral · **Overweight** (▽ → ▼)	Higher government bond yields and wider spreads have lifted all-in yields, creating an attractive entry point given limited long-term credit concern.
EM Dollar Sovereigns	Underweight · Neutral · **Overweight** (▼)	Attractive income, supportive fundamentals, and reform momentum in Latin America offer diversification from AI-related credit risks, although strong performance has reduced the valuation appeal.
EM Local Currency Bonds	Underweight · Neutral · **Overweight** (▼)	Attractive income and an expected weakening in the U.S. dollar are supportive, while higher-for-longer global rates and elevated commodity prices are risks for EM currencies.

Currencies

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Regions and Sectors	Positioning	Rationale
AUD vs USD	Underweight · Neutral · **Overweight** (▼)	U.S. dollar expected to weaken in medium term given persistent fiscal deficits, whereas attractive carry and further interest rate hikes are supportive of the Australian dollar.

Australia Investment Committee



Thomas Poullaouec (Chair)
Head of Global Investment Solutions, International and Portfolio Manager



Chris Faulkner-MacDonagh
Portfolio Manager, Multi-Asset



David Clewell
Portfolio Manager, Multi-Asset



Tom Shelmerdine
Sector Portfolio Manager, Global Equity



Scott Solomon
Portfolio Manager, International Fixed Income



Nicholas Vidale
Investment Analyst, Global Equity

INVEST WITH CONFIDENCE®

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

Risks

All investments are subject to risk, including possible loss of principal. Stock prices can fall because of weakness in the broad market, a particular industry, or specific holdings. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest rate risk. As interest rates rise, bond prices generally fall. Diversification does not assure a profit or protect against a loss in a declining market.

Additional Disclosures

Any specific securities identified and described are for informational purposes only and do not represent recommendations.

Fig. 1: New Orders >50 = growing orders; Supplier Deliveries >50 = slower deliveries; Backlog >50 = growing backlogs; Prices >50 = rising input prices.

Visit troweprice.com/marketdata for additional legal notices & disclaimers.

Important Information

This material is being furnished for general informational purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice.

Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services.

Past performance is not a guarantee or a reliable indicator of future results. The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date noted on the material and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

Australia - Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. For Wholesale Clients only.

New Zealand - Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. No Interests are offered to the public. Accordingly, the Interests may not, directly or indirectly, be offered, sold or delivered in New Zealand, nor may any offering document or advertisement in relation to any offer of the Interests be distributed in New Zealand, other than in circumstances where there is no contravention of the Financial Markets Conduct Act 2013.

© 2026 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, the Bighorn Sheep design and related indicators (see troweprice.com/ip) are trademarks of T. Rowe Price Group, Inc. All other trademarks are the property of their respective owners. Use does not imply endorsement, sponsorship, or affiliation of T. Rowe Price with any of the trademark owners.

FOR INVESTMENT PROFESSIONALS ONLY. NOT FOR FURTHER DISTRIBUTION.

CON02076750
202611-6111643