Quarterly Commentary

June 30, 2026

As we move through the second half of 2026, investors continue to navigate a market environment shaped by geopolitical developments, evolving central bank policy, trade uncertainty, and rapid technological innovation. While headlines have often suggested heightened risk, financial markets have once again demonstrated their ability to adapt and look forward.

During the second quarter, investor attention shifted from geopolitical concerns toward the outlook for interest rates and the implications of new leadership at the U.S. Federal Reserve. At the same time, easing tensions in the Middle East helped alleviate concerns surrounding global energy supplies, resulting in lower oil prices and reduced pressure on inflation expectations. Oil prices declined significantly during the quarter as optimism grew around a potential agreement between the United States and Iran, while gold prices fell approximately 15% as investors moved away from safe-haven assets.

Equity Markets

Despite a backdrop of geopolitical uncertainty, changing expectations for interest rates, and ongoing trade concerns, global equity markets delivered strong results during the second quarter. Much of the strength was driven by continued enthusiasm surrounding technology infrastructure spending, particularly in the United States and parts of Asia. Canadian markets also moved higher, although gains were more modest given Canada's larger exposure to energy and materials, both of which faced headwinds as oil and gold prices declined during the quarter.

Technology-related investments remained a key driver of market performance. Japan was among the strongest-performing developed markets during the quarter, benefiting from its significant exposure to companies that manufacture equipment used in semiconductor production. Technology-focused markets across Asia, including Taiwan and South Korea, also performed well as global investment in computing infrastructure continued to accelerate.

The United States delivered robust returns as well, supported by its significant technology exposure while maintaining diversification across industries. By contrast, developed markets with less exposure to technology and semiconductor-related businesses, including France and the United Kingdom, generally lagged their peers during the quarter.

Within Canada, lower oil prices weighed on the energy sector after its strong first-quarter performance, while declining gold prices created headwinds for materials stocks. As a result, the Canadian market underperformed several global peers despite producing positive returns overall.

While innovation continues to create attractive opportunities, market leadership has become increasingly concentrated in certain sectors and regions. We believe diversification remains as important as ever, ensuring portfolios are not overly reliant on a single investment theme or economic outcome.

Bond Markets

Fixed income markets continued to provide stability within diversified portfolios during the quarter. Global government bonds were generally range-bound and produced modest positive returns as investors balanced inflation concerns against expectations for future economic growth.

In the United States, bond yields moved higher through much of the quarter as investors reassessed expectations for Federal Reserve policy. The U.S. 10-year Treasury yield briefly reached 4.67% during May before retreating later in the quarter. Meanwhile, Canadian government bond yields generally moved lower as domestic growth expectations softened and the outlook for interest rates remained relatively stable.

Credit markets also remained constructive. Strong investor demand and attractive yields supported corporate bonds, while credit spreads narrowed in both Canada and the United States. For investors, today's fixed income environment continues to offer significantly more attractive income opportunities than were available only a few years ago, while providing an important source of diversification during periods of equity market volatility.

Economic Outlook

The economic backdrop remains mixed across North America.

In the United States, the Federal Reserve maintained its policy rate at 3.75% while balancing persistent inflation pressures against signs of moderating economic growth. Investors closely watched the arrival of new Federal Reserve Chair Kevin Warsh, whose comments suggested a willingness to maintain a disciplined approach toward inflation, even if that means keeping interest rates higher for longer than markets had anticipated.

One of the key developments during the quarter was the proposed U.S.–Iran agreement. The prospect of reduced tensions in the region helped ease concerns over global energy markets and contributed to lower oil prices. Markets have generally welcomed this development, although uncertainty remains regarding the ultimate outcome and the longer-term implications for energy markets and global trade. While lower oil prices have supported consumer spending and improved inflation expectations, geopolitical risks remain an important factor to monitor.

In Canada, economic growth remained challenged during the quarter. The economy experienced a technical recession, while households continue to face pressures from elevated debt levels, mortgage renewals, and housing market weakness. National benchmark home prices remain approximately 20% below their 2022 highs, and many Canadians continue to adjust to a higher interest rate environment.

There have been encouraging developments as well. Inflation has moderated significantly from peak levels, and recent economic data suggest early signs of stabilization. Notably, only 39% of Canada's core inflation basket now sits above the Bank of Canada's 2% target, compared to nearly 80% at the peak of the inflation cycle. The Bank of Canada has maintained its overnight rate at 2.25% and is expected to remain cautious as it balances growth and inflation risks.

While challenges remain, the Canadian economy continues to show resilience. Employment conditions have improved from earlier in the year, inflation has moderated substantially, and recent GDP data suggest the potential for a gradual recovery as consumers and businesses adapt to the current environment.

Trade policy also remains an important area to monitor. The upcoming review of the CUSMA trade agreement introduces uncertainty for businesses and investors across North America. While the agreement remains in force, negotiations surrounding its future will likely remain a focus over the coming years. We continue to believe a renegotiated extension remains the most likely outcome, although periods of uncertainty may create short-term market volatility along the way.

Market Outlook

Looking ahead, investors will continue to monitor several key themes, including inflation, interest rates, trade negotiations, energy prices, and economic growth. While easing geopolitical tensions and lower oil prices have supported markets in recent months, questions remain regarding the pace of future interest rate cuts and the ability of policymakers to guide economies through slower growth while maintaining price stability.

For Canadian investors, housing affordability, mortgage renewals, consumer spending trends, and the outcome of trade negotiations with the United States will remain particularly important. Although these challenges may contribute to periods of volatility, they are not unusual within a market cycle. Businesses, consumers, and economies have consistently demonstrated an ability to adapt to changing conditions over time.

Despite the uncertainties that inevitably arise, our investment philosophy remains unchanged.

Successful investing is not built on predicting the next headline, election result, or economic data release. Instead, it comes from maintaining a disciplined approach, remaining diversified, and staying focused on long-term goals. While markets will undoubtedly continue to experience periods of optimism and concern, history has consistently demonstrated that patient investors who remain committed to a well-constructed plan are better positioned to achieve their long-term objectives.

As always, we appreciate the trust you place in our team and welcome any questions you may have about your portfolio or financial plan.

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