

Monthly Market Perspectives

'What You Need to Know'

July 8, 2026

The first half of 2026 served as another reminder that markets rarely move in a straight line. Investors navigated shifting expectations around interest rates, persistent geopolitical tensions, ongoing tariff uncertainty, and sharp swings in energy prices. Yet despite the steady stream of headlines, the market once again demonstrated an important truth: it often looks beyond today's uncertainty and begins pricing in tomorrow's opportunities long before the news improves.

That resilience has been on full display. As tensions in the Strait of Hormuz eased and energy prices retreated from their highs, investors became increasingly confident that some of the year's biggest risks would prove temporary rather than permanent. While volatility never feels comfortable in the moment, it is often the price investors pay for participating in long-term wealth creation.

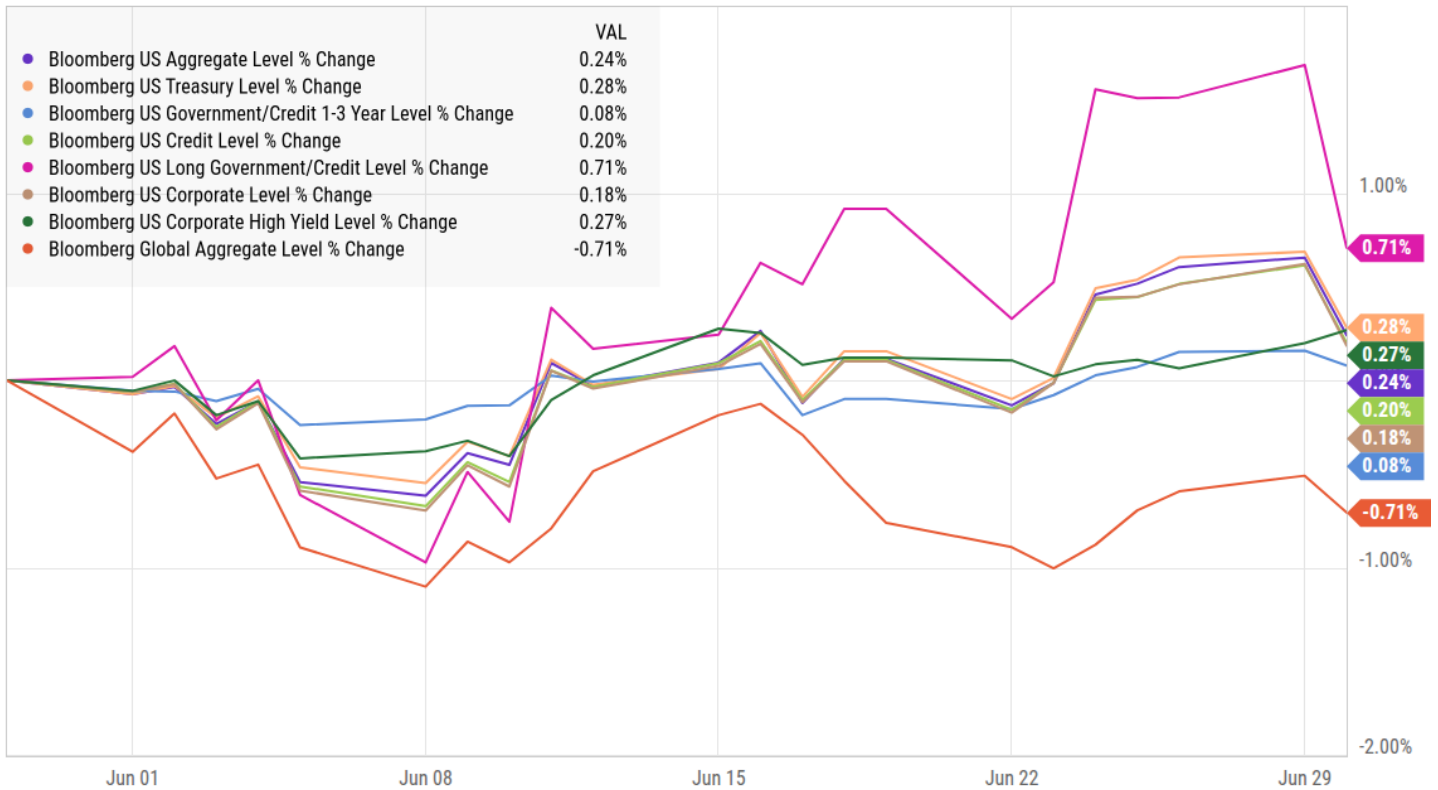
Looking ahead, several key themes will shape the second half of the year. Inflation continues to move in the right direction, and if lower energy costs persist, tariffs remain relatively stable, and labour markets stay healthy, the economic backdrop could become increasingly supportive for both consumers and businesses. Markets continue to anticipate that the U.S. Federal Reserve will have flexibility to adjust monetary policy as inflation moderates, although—as always—the path forward is unlikely to be perfectly smooth.

Perhaps the most important story, however, remains artificial intelligence. Rather than asking whether AI is transforming the economy, investors are now asking how much runway remains. History suggests that truly transformative technologies unfold over many years, not just a few quarters. Strong corporate investment, improving productivity, and a healthy IPO market all point to an innovation cycle that still appears to be in its early innings.

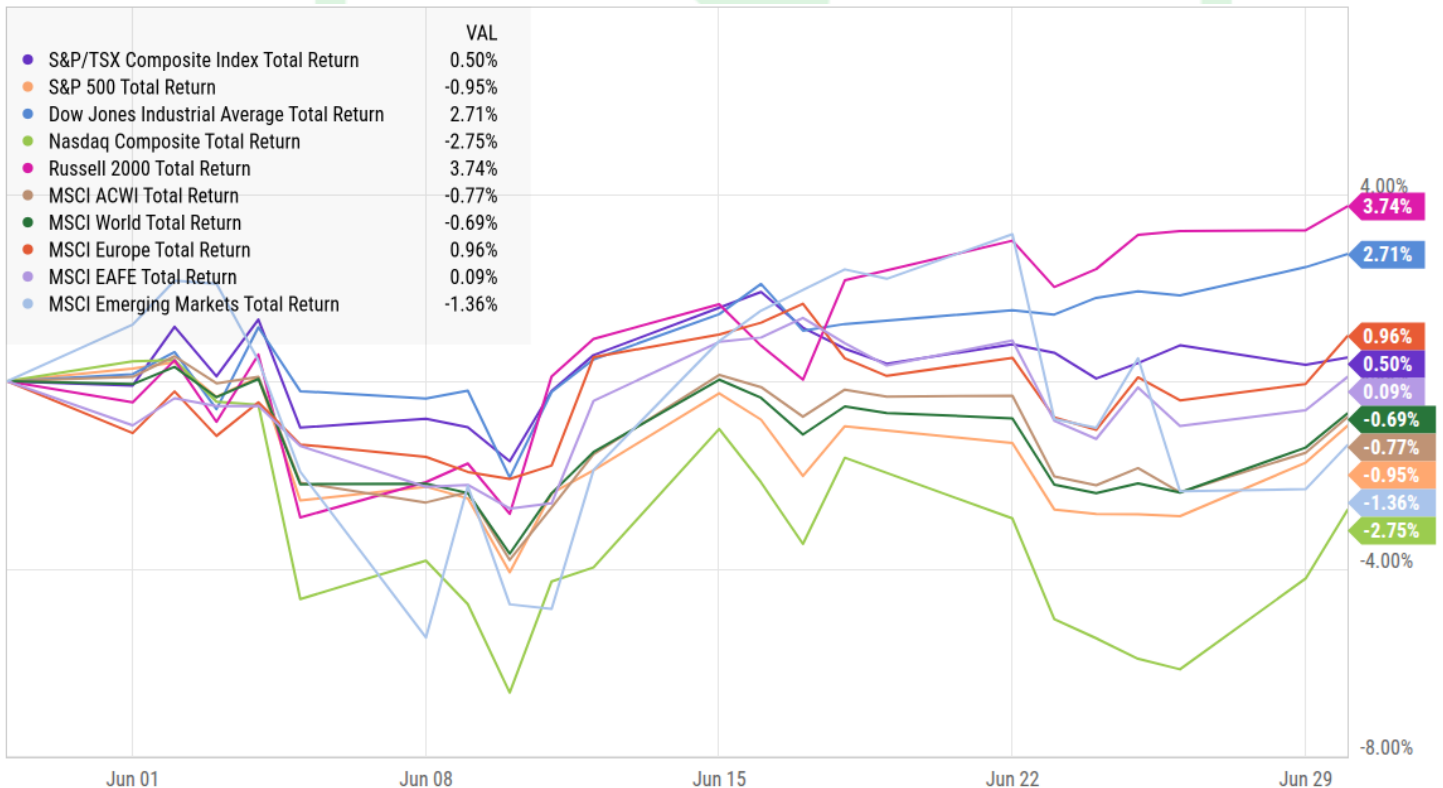
While surprises are inevitable, I continue to believe the fundamental backdrop remains constructive. Corporate earnings have been resilient, economic growth has held up better than many expected, and opportunities continue to emerge across sectors and regions.

With that said, maintaining a disciplined, diversified, long-term investment approach remains the most effective way to navigate whatever headlines the market delivers next.

Fixed Income Indices - June 2026



Equity Indices - June 2026



June Market Review

Fixed Income

- The Canadian fixed-income universe posted gains in June, as the normalization of energy prices pushed down inflation expectations and caused bond yields to decline.

Equities

- Equity volatility picked up a notch in June, with particularly sharp daily swings in the market segments that have been the hottest performers this year. This trend resulted in monthly underperformance by Emerging Markets and U.S. stocks, particularly in the technology sectors. Nevertheless, global equities ended the second quarter with substantial gains over the period, with EM leading the way.
- In Canada, gold miners, energy, and technology stocks posted losses, but the S&P/TSX managed to remain in positive territory thanks to the spectacular performance of the financial sector, which rose by 25.6% over the quarter.

FX & Commodities

- Oil prices fell in June following the signing of an agreement between the United States and Iran allowing maritime traffic to gradually resume in Persian Gulf.
- The U.S. dollar appreciated sharply in June amid a significant upward recalibration of expectations regarding the Federal Reserve's rate path this year. The Greenback's appreciation was particularly strong against the Canadian dollar, rising nearly 3% over the month.

Market Total Returns

Asset Classes	June	Q2	YTD
Cash (S&P Canada T-bill)	0.2%	0.6%	1.2%
Bonds (ICE Canada Universe)	0.5%	1.9%	2.2%
Short Term	0.3%	1.1%	1.4%
Mid Term	0.6%	1.8%	2.3%
Long Term	0.4%	3.3%	3.4%
Federal Government	0.5%	1.4%	1.8%
Corporate	0.3%	2.0%	2.2%
U.S. Treasuries (US\$)	0.3%	0.3%	0.4%
U.S. Corporate (US\$)	0.2%	1.4%	1.0%
U.S. High Yield (US\$)	0.3%	2.5%	1.9%
Canadian Equities (S&P/TSX)	0.5%	7.0%	11.2%
Communication Services	-9.9%	-10.0%	-4.8%
Consumer Discretionary	2.3%	8.9%	4.6%
Consumer Staples	8.0%	5.7%	9.0%
Energy	-4.1%	-5.0%	23.6%
Financials	8.8%	25.6%	23.2%
Health Care	6.0%	14.0%	8.9%
Industrials	3.1%	10.6%	10.3%
Information Technology	-1.6%	6.4%	-17.6%
Materials	-12.1%	-11.5%	-2.1%
Real Estate	3.1%	8.4%	3.8%
Utilities	2.1%	5.9%	17.8%
S&P/TSX Small Caps	-4.0%	5.9%	18.0%
U.S. Equities (S&P 500 US\$)	-1.0%	15.2%	10.2%
Communication Services	-7.8%	8.3%	0.8%
Consumer Discretionary	-4.7%	9.3%	-0.8%
Consumer Staples	0.5%	0.3%	8.0%
Energy	-5.1%	-13.4%	19.7%
Financials	4.4%	9.0%	-1.2%
Health Care	6.6%	8.8%	3.5%
Industrials	7.3%	14.9%	20.2%
Information Technology	-3.3%	31.8%	19.8%
Materials	0.0%	2.0%	12.0%
Real Estate	0.8%	8.5%	11.5%
Utilities	2.7%	-0.5%	7.7%
Russell 2000 (US\$)	3.7%	21.5%	22.6%
World Equities (MSCI ACWI US\$)	-0.8%	15.1%	11.5%
MSCI EAFE (US\$)	0.1%	11.1%	9.8%
MSCI Emerging Markets (US\$)	-1.4%	24.1%	24.0%
Commodities (GSCI US\$)	-9.9%	-11.4%	24.1%
WTI Oil (US\$/barrel)	-22.6%	-31.4%	23.2%
Gold (US\$/oz)	-12.1%	-12.7%	-6.7%
Copper (US\$/tonne)	-1.1%	8.9%	7.2%
Forex (US\$ Index DXY)	2.3%	1.2%	2.9%
USD per EUR	-2.0%	-0.8%	-2.7%
CAD per USD	2.9%	2.0%	3.4%

CIO Office (data via Refinitiv, as of 2026-06-30)

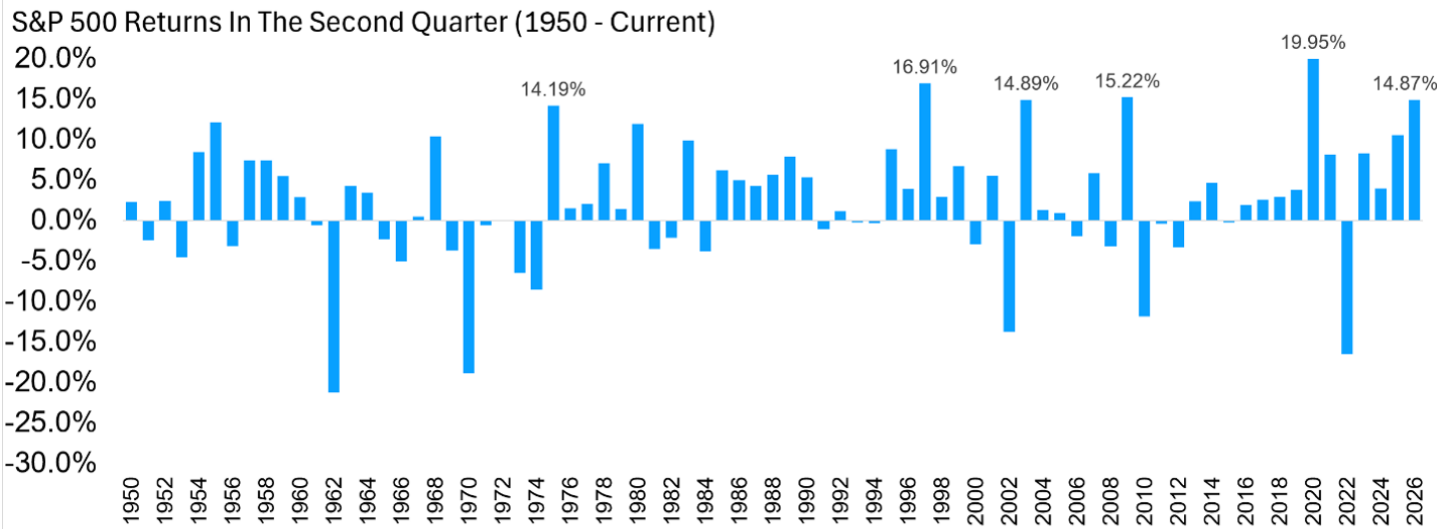
More Reasons to be Bullish the Rest of 2026

**“Someone will always be getting richer faster than you.
This is not a tragedy.” – Charlie Munger**

I know they say ‘time flies’, but how the heck is the first half of 2026 already in the rearview mirror!?!?

After all the hand wringing this spring over the Middle East, oil prices, and the Fed, the S&P 500 closed the first six months up a very solid 9.6% (excluding dividends). The index’s second quarter gain of 14.9% (excluding dividends) was the best Q2 in a midterm year we’ve ever seen and the fifth-best Q2 of any year since 1950.

One Of The Best Q2 Returns Ever And Best Midterm Year Q2 Ever



So Much for the Worst Quarter of the Cycle

If you break the four-year presidential cycle into 16 quarters, Q2 of the midterm year has historically been the single worst of the bunch for the S&P 500, down 2.8% on average and higher less than half the time. This makes the nearly 15% gain this year even more impressive.



A Big Q2 Should Have Investors Smiling

A monster quarter like this often begets more strength historically, not less. Proof is looking at the nine other times the S&P 500 gained double digits in Q2 - the forward numbers are about as good as it gets: Q3 was lower only once, and Q4 was never lower. Even better, the final six months of the year averaged a gain of 11.7%, more than double the 4.9% you get in an average year. Big up quarters aren't something to fear. Historically, they've been a sign the trend has legs.

A Big Q2 Quarter Should Have Bulls Smiling

S&P 500 Performance After A >10% Q2 Quarter (1950 - Current)

Date of Quarter End	Q2 Return	S&P 500 Forward Returns		
		Q3 Return	Q4 Return	Final Six Months Of Year
6/30/1955	12.2%	6.4%	4.1%	10.8%
6/28/1968	10.4%	3.1%	1.2%	4.3%
6/30/1975	14.2%	-11.9%	7.5%	-5.3%
6/30/1980	11.9%	9.8%	8.2%	18.8%
6/30/1997	16.9%	7.0%	2.4%	9.6%
6/30/2003	14.9%	2.2%	11.6%	14.1%
6/30/2009	15.2%	15.0%	5.5%	21.3%
6/30/2020	20.0%	8.5%	11.7%	21.2%
6/30/2025	10.6%	7.8%	2.3%	10.3%
6/30/2026	14.9%	?	?	?
Average		5.3%	6.1%	11.7%
Median		7.0%	5.5%	10.8%
% Higher		88.9%	100.0%	88.9%
All Years Since 1950				
Average		0.8%	4.2%	4.9%
Median		2.6%	5.2%	6.3%
% Positive		61.8%	80.3%	72.4%

To add to the good news, there have been 41 other times the S&P 500 has been up 10% or more in a quarter since 1950. Momentum is the word of the day, as the next quarter and next two quarters the index was up more than 85% of the time with a median return a year later of 13.4%. Not bad!

Bulls Play with Slingshots

Adding to the concepts above, in Q1 the S&P 500 was down close to 5%. That might feel like years ago at this point, but it is true—2026 actually had a rough start. Follow me here because I think investors are going to like this one...

There has been 17 times there was a greater than 10% quarter that followed a negative quarter and what happened next? The next quarter was higher 16 times and two quarters later gained 15 times, with some very big returns mixed in there.

The Stock Market Slingshot? Bulls Are Smiling

S&P 500 Performance After a Negative Quarter Followed By A >10% Quarter (1950 - Current)

Date of Quarter End	Quarterly Return	Previous Quarter Return	S&P 500 Forward Returns	
			Next Quarter	Two Quarters
9/28/1951	11.0%	-2.4%	2.2%	4.8%
6/28/1968	10.4%	-6.5%	3.1%	4.3%
9/30/1970	15.8%	-18.9%	9.3%	19.1%
6/30/1980	11.9%	-5.4%	9.8%	18.8%
12/31/1985	16.0%	-5.1%	13.1%	18.7%
12/31/1998	20.9%	-10.3%	4.6%	11.7%
12/31/1999	14.5%	-6.6%	2.0%	-1.0%
12/31/2001	10.3%	-15.0%	-0.1%	-13.8%
6/30/2003	14.9%	-3.6%	2.2%	14.1%
6/30/2009	15.2%	-11.7%	15.0%	21.3%
9/30/2010	10.7%	-11.9%	10.2%	16.2%
12/30/2011	11.2%	-14.3%	12.0%	8.3%
3/28/2013	10.0%	-1.0%	2.4%	7.2%
3/29/2019	13.1%	-14.0%	3.8%	5.0%
6/30/2020	20.0%	-20.0%	8.5%	21.2%
12/29/2023	11.2%	-3.6%	10.2%	14.5%
6/30/2025	10.6%	-4.6%	7.8%	10.3%
6/30/2026	14.9%	-4.6%	?	?
Average			6.8%	10.6%
Median			7.8%	11.7%
Higher			16	15
Count			17	17
% Higher			94.1%	88.2%

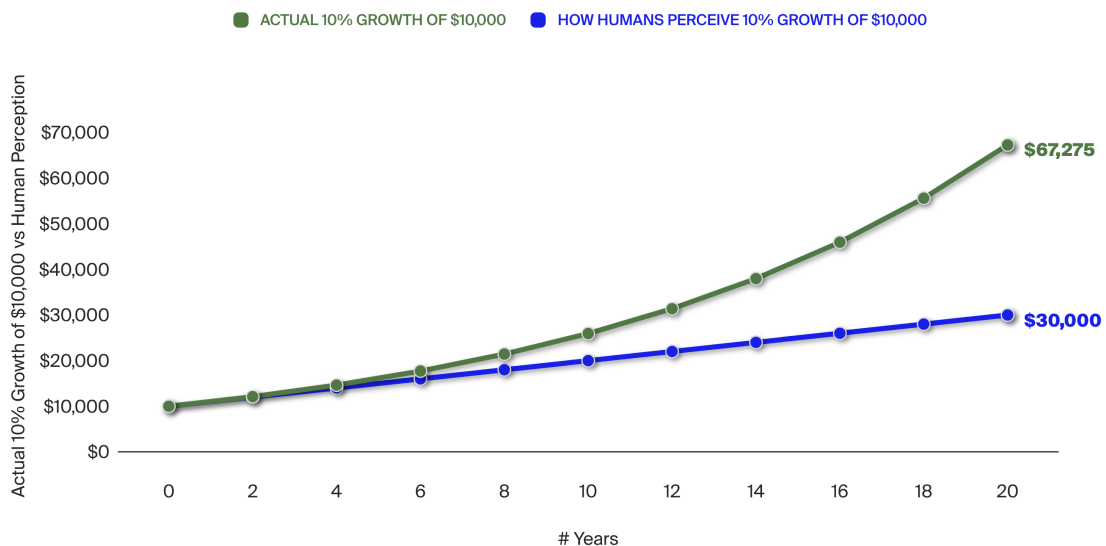
The bottom line, I believe this is yet another reason to expect investors may have some fun the rest of 2026.

Chart of the Month

Compound Interest, Visualized

How Humans Perceive 10% Annual Growth of \$10,000 vs What 10% Annual Growth Actually Looks Like

Over a Hypothetical 20-Year Period



Compound Interest, Visualized: Humans tend to think linear, making it challenging to fully appreciate the power of compound interest.

Perception vs. Reality of 10% Annual Growth: At first glance, a 10% return on a \$10,000 investment might appear to follow a simple, straight-line pattern. However, this chart demonstrates the exponential growth that happens over 20 years, showing that the impact of compounding is far greater than linear growth would suggest.

The Power of Patience and Consistency: Understanding that growth happens exponentially helps investors stay focused during market fluctuations and better yet - avoid emotional decisions. Patience and a steady approach are essential to realizing the full potential of compound interest.

July is Here, and it's Been on a Heater

More good news for the bulls: July has become one of the best months on the calendar. The S&P 500 has been higher in July an incredible 11 years in a row and 13 out of 14 years, and thanks to that streak, no month has a better average return over the past 20 years. Pick your reason, but July has been especially kind under President Trump, higher all five times (five for five) for an average gain of 2.9%.

July Has Been On An Incredible Run

S&P 500 Up In July The Past 11 Years

Year	S&P 500 Return During July
2015	2.0%
2016	3.6%
2017	1.9%
2018	3.6%
2019	1.3%
2020	5.5%
2021	2.3%
2022	9.1%
2023	3.1%
2024	1.1%
2025	2.2%
Average	3.2%
Median	2.3%
% Higher	100.0%

The Sweet Spot for the Rest of the Year?

I pointed this one out last year, and it worked, so might as well run it back. When the S&P 500 is up between 5% and 10% year to date at the midpoint of the year (right about where we sit now), the second half tends to do quite well, higher nearly 88% of the time.

It's not the strongest setup in the world, but it's far from weak: the worst full-year outcome from here was exactly flat (2011), so a large decline from these levels would be historically rare. Not too hot, not too cold. Just another reason I would encourage investors to be comfortable continuing to ride the wave in 2026, while staying diversified for whatever the second half decides to throw at us.

The Sweet Spot For The Rest Of The Year?

S&P 500 Performance Up YTD Between 5-10% At The Midpoint Of The Year

Year	YTD End of June	S&P 500 Forward Returns		
		Q3 Return	Final Six Months Return	Full Year Return
1950	5.4%	9.9%	15.5%	21.7%
1952	5.0%	-1.7%	6.5%	11.8%
1959	5.9%	-2.7%	2.4%	8.5%
1963	9.9%	3.4%	8.1%	18.9%
1964	8.9%	3.0%	3.7%	13.0%
1971	8.4%	-1.4%	2.3%	10.8%
1972	5.1%	3.2%	10.2%	15.8%
1979	7.1%	6.2%	4.9%	12.3%
1980	5.8%	9.8%	18.8%	25.8%
1996	8.9%	2.5%	10.5%	20.3%
2007	6.0%	1.6%	-2.3%	3.5%
2011	5.0%	-14.3%	-4.8%	0.0%
2012	8.3%	5.8%	4.7%	13.4%
2014	6.1%	0.6%	5.0%	11.4%
2017	8.2%	4.0%	10.3%	19.4%
2025	5.5%	7.8%	10.3%	16.4%
2026	9.6%	?	?	?
Average		2.4%	6.6%	13.9%
Median		3.1%	5.7%	13.2%
% Higher		75.0%	87.5%	93.8%
All Years Since 1950				
Average		0.8%	4.9%	9.6%
Median		2.6%	6.3%	12.4%
% Positive		61.8%	72.4%	72.4%

If the first half of 2026 taught us anything, it's that uncertainty never takes a vacation. Investors were bombarded with concerns over geopolitical conflict, oil prices, inflation concerns, interest rates, tariffs, and market volatility. Yet despite all of that, markets delivered a remarkably resilient first half—a reminder that some of the strongest returns often occur when confidence feels hardest to find. Let that serve as another reminder for the future.

Headlines will continue to move markets from day to day, but successful investing has never been about predicting the next headline. It's about having the discipline to stay focused on the bigger picture. Volatility isn't a flaw in investing—it's the admission price for long-term wealth creation. Those who remain patient, diversified, and committed to their financial plan have historically been rewarded over time.

While no one can predict exactly what the second half of the year will bring, I remain optimistic about the road ahead and confident in the investment process we follow. At Pedlar Financial, together with the resources and investment expertise available through Sterling Mutuals, our commitment remains unchanged: to provide thoughtful personalized advice, objective guidance, and disciplined portfolio management designed to help you achieve your long-term goals.

Thank you for the confidence you continue to place in me. It is a privilege to be your advisor, and I never take your trust for granted. If you ever have questions about your investments, your financial plan, or simply want to talk through what's happening in the markets, please don't hesitate to reach out. Always here to help and be a resource to you.

As always, thank you for your partnership. Together, we'll continue to navigate whatever lies ahead—with patience, perspective, and confidence.

Warmly,



Aaron Pedlar, HBA, CHS, PFA

