Monthly Market Perspectives

'What You Need to Know'

August 9.2026

Equity markets entered the summer on a volatile note, as renewed tensions in the Middle East coincided with a sharp reversal in AI-related stocks.

While the conflict in the Middle East remains an important risk to monitor, our base case has not changed. We continue to believe the situation is likely to remain contained rather than escalate into a broader regional conflict, although periodic flare-ups will likely continue to influence oil prices and market sentiment. Energy prices remain a key variable, as higher oil prices can place upward pressure on inflation and make it more challenging for central banks to begin lowering interest rates.

At the same time, the recent weakness in technology stocks appears to be a healthy reset rather than a sign that the AI investment theme has run its course. Following an extended period of exceptional returns, particularly among semiconductor companies, a period of consolidation is both natural and expected. Long-term fundamentals surrounding AI innovation remain intact, even if short-term expectations have become more measured.

Bottom Line

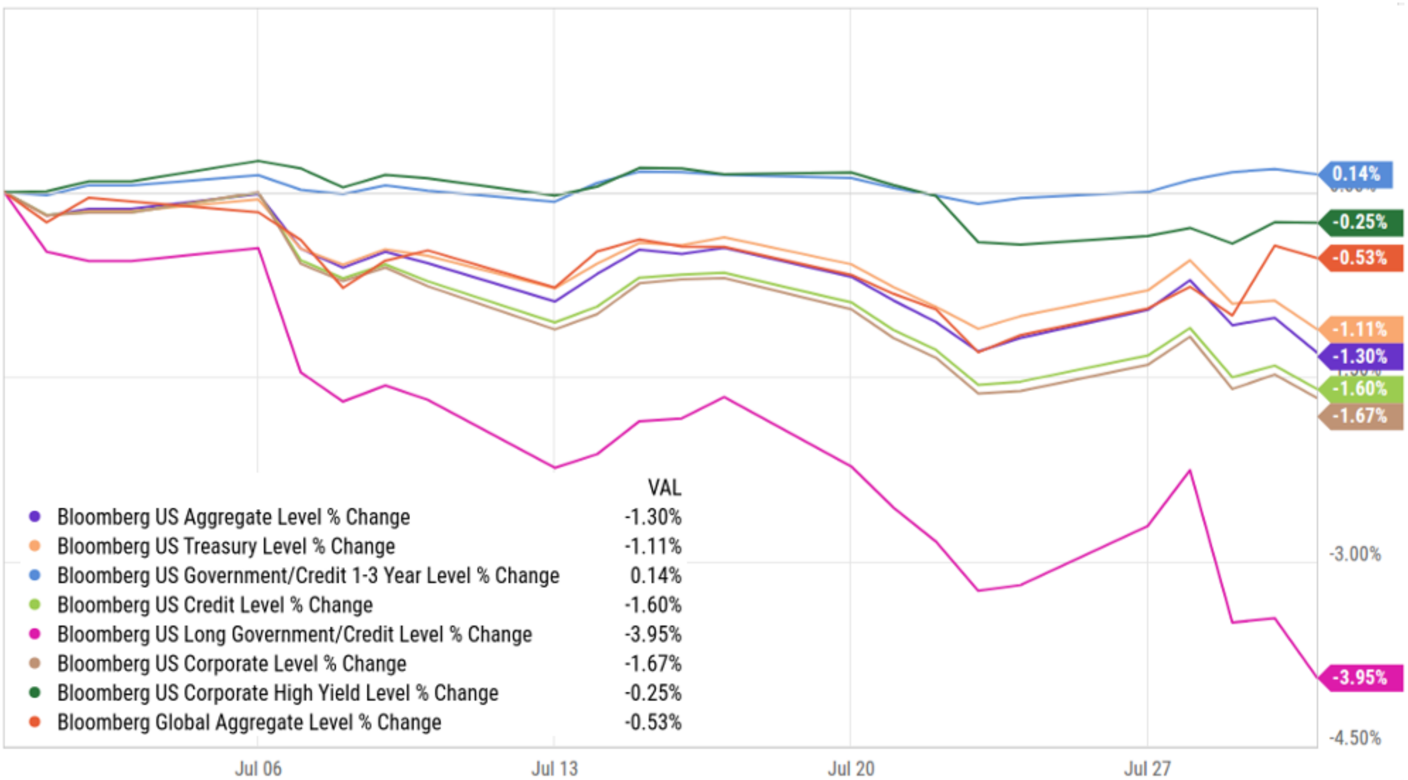
Looking ahead, I believe the outlook remains constructive, but it would be pollyannaish to expect a smooth ride through the remainder of 2026. History tells us we are entering one of the more seasonally challenging periods of the year, while a growing list of geopolitical and economic risks continues to linger in the background. It's also worth remembering that 2026 is a U.S. midterm election year—a period that has historically brought heightened uncertainty and market volatility. More on that later.

On the other hand, the fundamental case for equities remains compelling. Resilient corporate earnings, continued revenue growth, and market participation that is beginning to broaden beyond a handful of mega-cap technology companies all support the view that equities can continue to trend higher over the next 6–12 months.

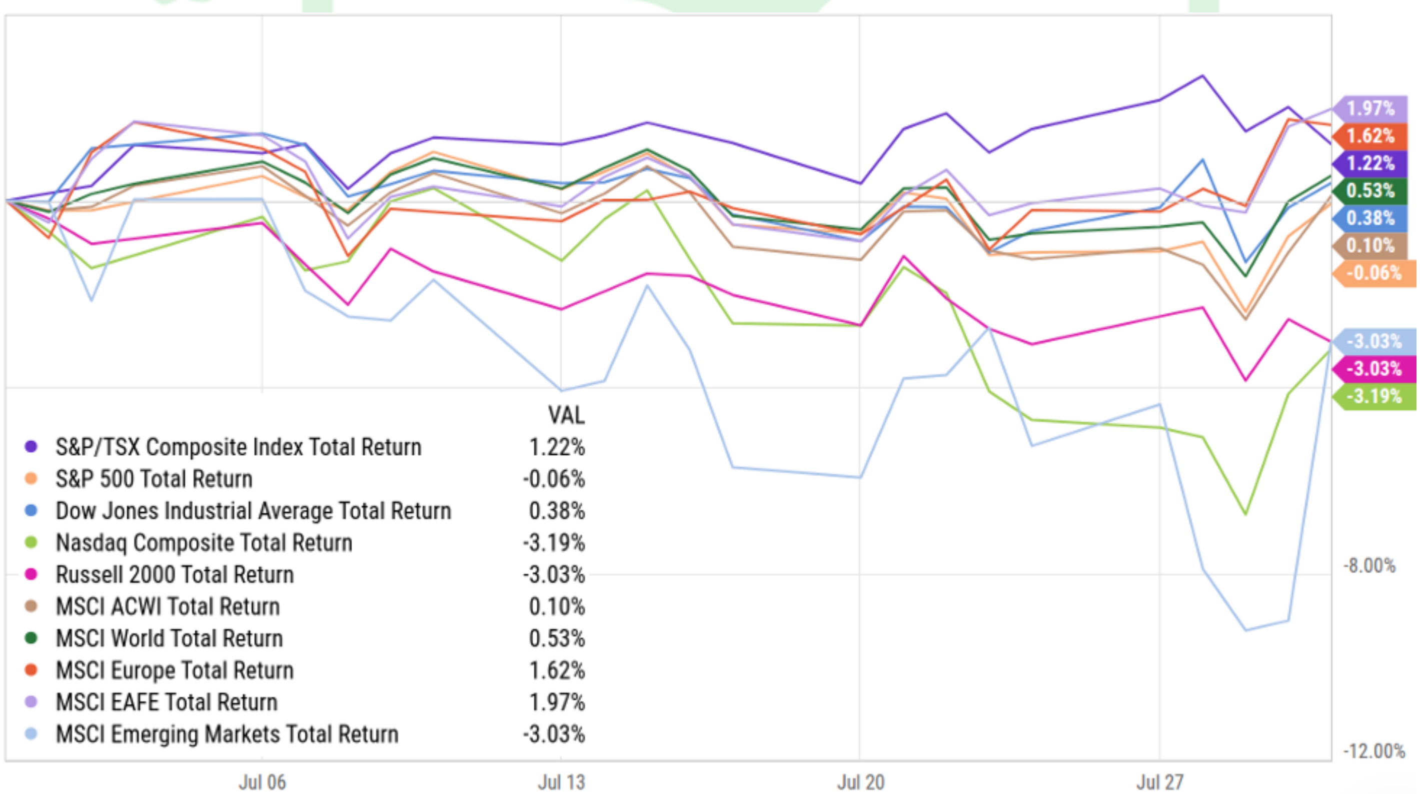
With that said, the current environment reinforces the importance of maintaining a disciplined, diversified investment approach. Investor sentiment continues to swing from one extreme to the other, creating bouts of volatility that are never comfortable but are a normal part of long-term investing. Staying patient, maintaining perspective, and focusing on long-term goals remain some of the most valuable tools investors have.

"Good investing requires a weird combination of patience and aggression. And not many people have it."
- Charlie Munger

Fixed Income Indices – July 2026



Equity Indices – July 2026



July Market Review

Fixed Income

- The Canadian fixed-income universe posted its worst monthly performance since March, declining 1.6%. Bond yields, particularly at the long end of the curve, climbed higher amid rising energy prices and growing concerns about U.S. inflation.

Equities

- Global equities were little changed in July, weighed down by a sharp pullback in semiconductor manufacturers. This led to a significant underperformance of Emerging Markets, where semiconductor stocks account for a relatively large share of the market, while the EAFE region was largely insulated due to it limited exposure.
- Within the S&P 500, Information Technology was negatively affected by the reversal in the AI theme. Energy was the month's standout performer, benefiting from higher oil and gasoline prices.

FX & Commodities

- Oil prices rose in July following the renewed hostilities between the United States and Iran, although the situation continues to evolve from day to day.
- The U.S. dollar depreciated over the month. Among other factors, the Greenback came under pressure after the Federal Reserve decided to leave it policy rate unchanged at its July 29th meeting.

Market Total Returns

Asset Classes	July	YTD	12M
Cash (S&P Canada T-bill)	**0.2%**	**1.3%**	**2.5%**
Bonds (ICE Canada Universe)	**-1.6%**	**0.6%**	**2.4%**
Short Term	-0.4%	1.0%	2.7%
Mid Term	-1.4%	0.8%	3.1%
Long Term	-3.8%	-0.5%	1.1%
Federal Government	-1.3%	0.5%	2.1%
Corporate	-1.2%	1.0%	3.0%
U.S. Treasuries (US$)	-1.2%	-0.8%	1.9%
U.S. Corporate (US$)	-1.5%	-0.6%	2.7%
U.S. High Yield (US$)	-0.3%	1.6%	5.0%
Canadian Equities (S&P/TSX)	**1.2%**	**12.5%**	**32.3%**
Communication Services	-3.3%	-7.9%	-7.2%
Consumer Discretionary	1.2%	5.8%	19.2%
Consumer Staples	1.5%	10.7%	17.5%
Energy	6.9%	32.2%	47.6%
Financials	1.0%	24.4%	49.8%
Health Care	2.4%	11.5%	27.2%
Industrials	0.6%	10.9%	8.4%
Information Technology	1.0%	-16.7%	-7.2%
Materials	-3.1%	-5.1%	46.4%
Real Estate	0.4%	4.1%	0.4%
Utilities	0.9%	18.8%	26.2%
S&P/TSX Small Caps	-2.4%	15.2%	51.2%
U.S. Equities (S&P 500 US$)	**-0.1%**	**10.1%**	**19.6%**
Communication Services	0.6%	1.4%	19.0%
Consumer Discretionary	0.8%	0.0%	7.5%
Consumer Staples	2.1%	10.3%	10.3%
Energy	12.6%	34.7%	41.2%
Financials	6.2%	4.9%	10.5%
Health Care	2.4%	6.0%	26.9%
Industrials	-3.0%	16.5%	19.9%
Information Technology	-3.4%	15.7%	26.2%
Materials	-1.7%	10.1%	15.3%
Real Estate	2.5%	14.3%	14.0%
Utilities	-2.2%	5.3%	6.4%
Russell 2000 (US$)	-3.0%	18.9%	34.2%
World Equities (MSCI ACWI US$)	**0.1%**	**11.6%**	**22.6%**
MSCI EAFE (US$)	2.0%	12.0%	24.9%
MSCI Emerging Markets (US$)	-3.0%	20.3%	37.1%
Commodities (GSCI US$)	**12.6%**	**39.7%**	**41.6%**
WTI Oil (US$/barrel)	22.1%	50.5%	22.5%
Gold (US$/oz)	0.3%	-6.4%	22.8%
Copper (US$/tonne)	3.6%	11.1%	44.7%
Forex (US$ Index DXY)	**-1.3%**	**1.6%**	**-0.1%**
USD per EUR	0.6%	-2.0%	0.5%
CAD per USD	-1.2%	2.1%	1.2%

CIO Office (data via Refinitiv, as of 2026-07-31)

A Flat July for the S&P 500 Reveals Possible Futures in the Details

July was an interesting month for markets. The S&P 500 was nearly flat, falling only 0.06% (including dividends). At the same time, the volatility around AI names was enough to blow up the AI-leveraged hedge fund Situational Awareness. Google the story if you dare, but it's just another reminder that successful investing isn't about making the boldest bets—it's about managing risk so you can stay invested long enough to benefit from long-term trends.

Despite the ever so slight S&P 500 decline and the near-term correction for AI stocks, there were plenty of positive areas that could act as a diversifier (although bonds were certainly not among them in July). My opinion heading into the year was that AI would have an impact across multiple areas of the economy and markets, making getting "AI exposure" somewhat unpredictable and defying traditional categories. The simplest approach if you had conviction in AI, or the AI infrastructure buildout, was simply to be overweight equities.

While I think that opinion or thesis has generally held true, few people likely expected that AI would appear in value stocks or that emerging markets would suddenly be about South Korea and Taiwan, not China and India, or that the mega cap tech stocks that were among the early AI darlings would come to be viewed, at least near term, as an inefficient way to get AI exposure. I don't think the surprises are over from AI.

Remember, Amazon didn't enter the S&P 500 until 2005, more than eight years after its IPO and well after the tech bubble burst. Google only went public in 2004; Meta (Facebook) in 2012. These were the companies that fulfilled the promise of the tech bubble and were among its real winners. And they weren't even part of the tech bubble itself. So, if someone asked me who the AI winners were going to be over the next 10 years, I would say that it's better than even odds it's a company no one is talking about now, or possibly one that doesn't exist.

That's a lot to take away from an up-and-down July so let me help you unpack it.

Broad Markets

- The S&P 500 was down a total return of 0.06% in July for its second straight monthly decline, following a 0.95% decline in June. But that's following gains of 10.5% and 5.3% in April and May, respectively. After such strong gains, taking a breather is perfectly normal.
- Despite the decline, stocks were still better than bonds. The Bloomberg US Aggregate Bonds Index was down 1.3% in July.
- At the end of July, the S&P 500 is still up 10.1% year to date including dividends.
- Outside the S&P 500, there were plenty of indexes that saw gains in July, including here in Canada (+1.2%), the Russell 1000 Value Index (+3.8%), the MSCI EAFE Index of international developed market stocks (+2.0%), and the S&P 500 Low Volatility Index (+1.9%).
- The source of underperformance was not the well-known "Magnificent Seven." The Mag 7 saw an equal-weighted return of 2.8% in July. Nevertheless, their year-to-date equal-weighted average of 0.5% still trails the overall S&P 500 by a wide margin.
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Equity Sectors

Outside AI, Energy Ups and Downs Have Defined the Year

Sector ranking and 3-month returns also highlight a rebound in Financial and Health Care Sectors

Sector rankings by Month

	Materials	Energy	Industrials	Financial	Staples	Technology	Utiltities	Health Care	Discretionary	Real Estate
Janurary	2	1	4	11	3	10	8	9	7	5
February	3	2	5	11	4	10	1	7	9	6
March	6	1	11	3	10	4	2	9	8	7
April	7	11	4	5	8	1	9	10	3	2
May	4	11	6	8	9	1	10	2	3	7
June	8	10	1	3	6	7	4	2	9	5
July	7	1	10	2	4	11	9	3	8	5
YTD Return	12.1%	35.0%	16.5%	4.9%	10.9%	22.1%	5.3%	6.0%	-2.4%	13.4%
Last 3 Months	-1.7%	0.6%	3.2%	9.6%	1.6%	10.1%	-4.7%	11.9%	-1.7%	2.3%

Sector returns are the S&P Select Sector Indexes, Source: FactSet 8/1//2026

- Six of 11 sectors saw gains in July, the same as in June. All 11 sectors are higher one year trailing, and nine of 11 are higher year to date. Financials, staples, healthcare, and real estate were repeat gainers while materials, technology, and consumer discretionary were down both months.
- The longest current monthly win streak is healthcare at three. Materials have the longest losing streak, also at three months.
- Energy has been up and down this year, finishing in the top two or bottom two of the 11 sectors every single month. With the renewed tensions in the Middle East, energy was back to the top performer in July. Despite the ups and downs, energy is the best-performing sector this year (+35.0%). Technology stands second year to date at +22.1% .
- Healthcare finished in the top three for the third month in a row and is the top performing sector over the last three months at +11.9%. However, it's still middle of the road for the year at +6.0%.
- After starting the year as the worst performing sector in January, financials were in the top three for three of the next five months, including both June (#2) and July (#3). That was good enough for third place over the last three months (after healthcare and technology), but year-to-date it's still third worst, ahead of only consumer discretionary and communication services.
- Industrials went from the best-performing sector in June to second-to-last in July.

Equity Style

- The Russell 1000 Value Index outperformed the Russell 1000 Growth Index by 8.6 percentage points (+3.8% to -4.8%). That's the fifth best performance for value of all time over the 571 months (or almost 48 years) of data we have.
- Seven of the eight best months for value versus growth (outside of last month) all took place around the 1990s tech bubble bursting.

Russell 1000 Value v Russell 1000 Growth Largest One-Month Spread				
Rank	Date	Russell 1000 Value	Russell 1000 Growth	Spread
1	February 2001	-2.8%	-17.0%	14.2%
2	November 2000	-3.7%	-14.7%	11.0%
3	September 2000	0.9%	-9.5%	10.4%
4	April 1999	9.3%	0.1%	9.2%
5	July 2026	3.8%	-4.8%	8.6%
6	December 2000	5.0%	-3.2%	8.2%
7	March 2001	-3.5%	-10.9%	7.3%
8	October 2000	2.5%	-4.7%	7.2%

- The S&P 500 Low Volatility Index outperformed the S&P 500 High Beta Index by 13.0 percentage points (+1.9% to -10.3%). That's good for the 12th best month over 428 months of available data, or a little less than 26 years. What's extraordinary about it is it was not a month of sharp equity declines, with the S&P 500 nearly flat.
- The difference between value versus growth and high beta versus low vol? Value was already much better than growth and padded its lead. Year to date, the Russell 1000 Value Index is up 20.7% to the Russell 1000 Growth Index's 0.3%. But high beta has dominated low volatility, and July just helped narrow the spread a little. As of the end of July, the High Beta Index is +20.2% to Low Volatility's 8.2%.

Fixed Income

- After three consecutive months of very modest gains, the Bloomberg US Aggregate Bond Index ("Agg") fell over 1% in July, its second decline of over 1% this year, joining March. Prior to that, there hadn't been a month with a more than 1% decline since December 2024.
- The Agg has a 0.34 correlation with the S&P 500 (monthly data) over the last year, a 0.54 correlation over the last three years, and a 0.61 correlation over the last five years. I tell you this because bonds are more valuable as a diversifier when their correlation with stocks is near 0 or negative.
- The Agg is down 0.7% year to date as of the end of July. If interest rates don't move over the rest of the year, it would still be expected to finish with a positive return because of its coupon (interest payments).
- Very short maturity Treasury bills (Bloomberg US 1-3 Month Treasury Bill Index) are up 2.1% year to date and don't really carry any volatility.

Commodities

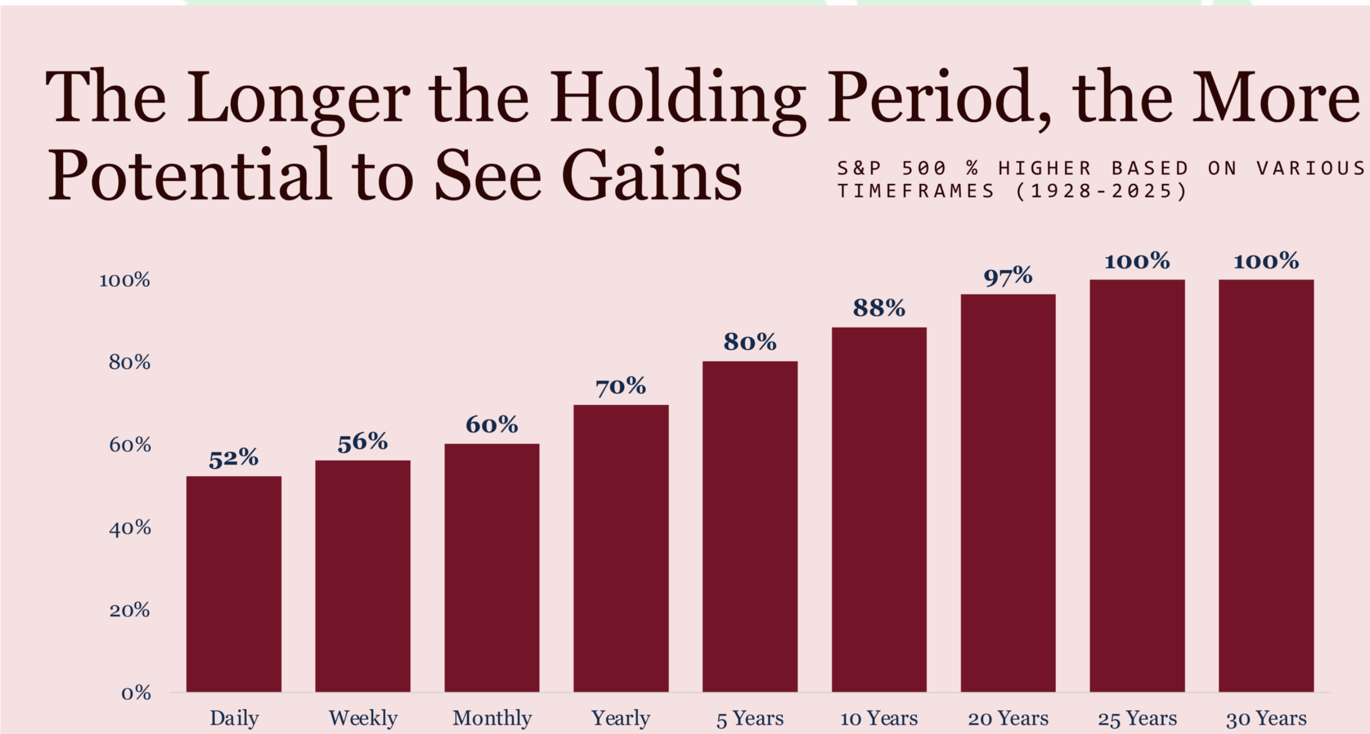
- Gold ended its four-month losing streak in July, picking up 0.6%.
- The broad Bloomberg Commodity Index was stronger due to energy commodities, rising 23.0% in July.

As we head into August, my general view remains that the wave of inflationary growth and extraordinary AI spending has not yet run its course. For investors, that continues to argue for an overweight to equities paired with diversification, since the AI trade keeps showing up in unexpected places. But July reminded us that there's a lot of volatility beneath the surface of the AI wave.

Chart of the Month – *Strategy, not Tactics, Is Often the Key to Meeting Investing Goals*

Historically, Time in the Market Beats Timing the Market.

This is the one that provides the groundwork for a strategic approach to investing. Long-term research consistently demonstrates that an investor's time in the market outperforms guessing the best time(s) to invest. This is especially true because markets often work backward: the actual best time to invest is when people feel least inclined to (and vice versa). Analytically, this is a basic driver of mistiming markets, and one that many investors are familiar with. A strategic approach can often lead to a better outcome.



In theory, successfully timing the market requires two outstanding decisions: knowing exactly when to exit and when to re-enter. But the market's best days frequently occur after the worst ones, making these time frames difficult to gauge. That can make a mistimed decision so harmful that multiple years of "time in the market" can be lost. Generally, the longer one has to invest without the risk that a mistimed decision will delay value accumulation, the better an investor's chance of achieving their long-term goals.

Beware the Ideas of August

Let's put things in perspective here. Yes, July was a mixed bag in terms of returns and when all the dust settled the S&P 500 finished the month down by the slightest of margins, 0.6%, despite its recent historical data of being a strong month and with that, snapped an 11-year winning streak. This, of course, follows June, when the S&P 500 fell close to 1% as well, so we are looking at two lower months in a row. Here's the catch or reminder, the S&P 500 soared 16% between April and May, so maybe some slight give back isn't the worst thing. In fact, it's perfectly normal and I say that because when I look at the technicals of the S&P 500, what I see is quite encouraging in that we are simply correcting via time, and allowing the bull to catch its breath for the next assault higher.

So, as we move into August, I want to be completely transparent that, for whatever reason, this is the one months of the year that simply seems to have totally out-of-the-blue events happen that rock markets. As recent as 2024, no one was talking about the yen carry trade, yet by that first Sunday night in August, global markets were all crashing, and suddenly everyone became currency experts overnight. I remember this all too well as I was on my honeymoon. Fun times.

While I believe we continue to remain firmly in a bull market, we just received confirmation this past Friday with new all-time highs, the bottom line is August (and September) can be trouble or, at the very least, volatile. Also it's a midterm year, so history tells us that only adds to the fun.

Don't Worry - It Isn't All Bad… In fact, there are many reasons to still expect the S&P 500 to finish the year higher from here and reinforce to me that this bull market is still alive, well and has room to run.

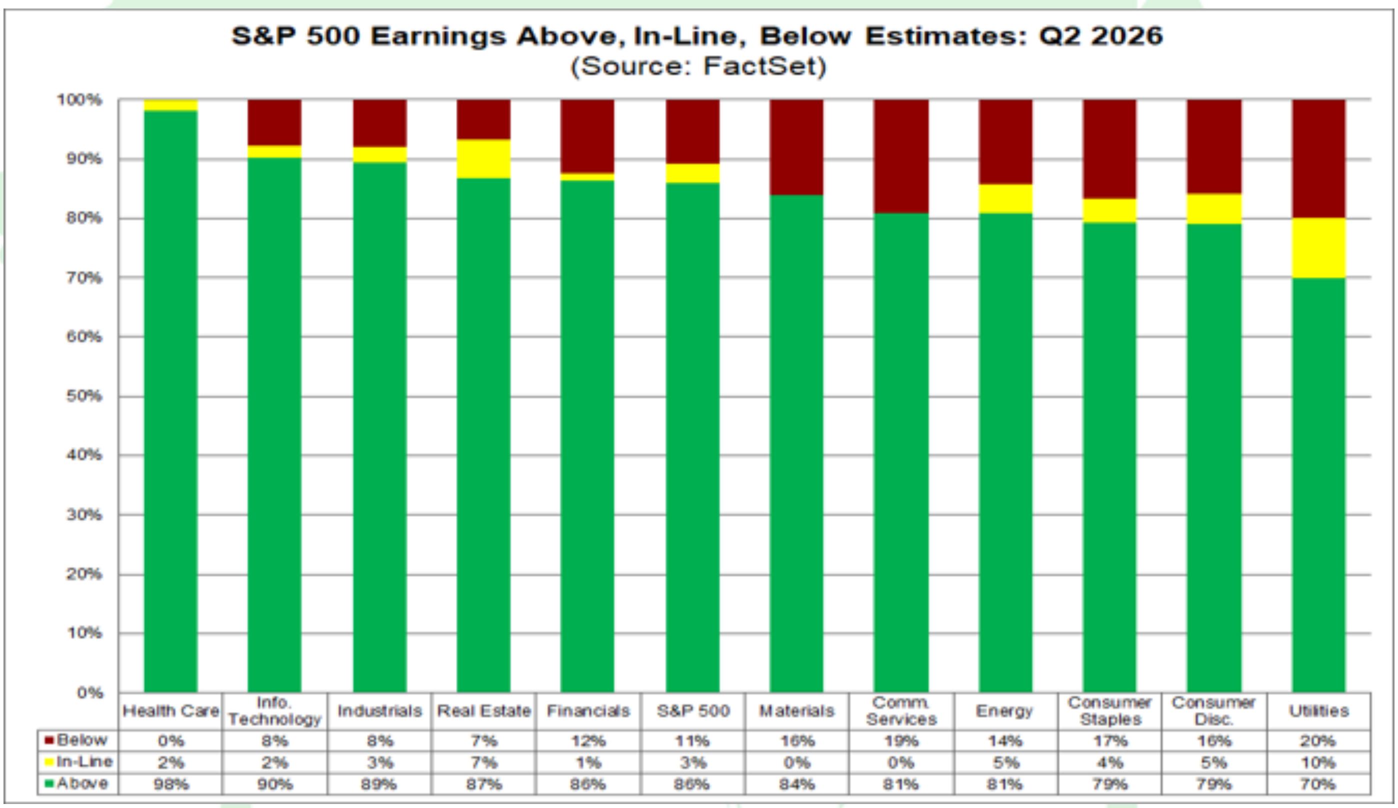
1) **Market Breadth**: If many stocks are participating in the rally, then it is a sign the bull is on firm footing. As we wrapped up July, we saw the NYSE common stock only advance/decline (A/D) line hit an all-time high. This is simply a cumulative tally of how many stocks go up versus down. Market breadth leads price, and to see this very broad-based index hit a new high in breadth, it likely means price will follow.

2) **Banks Earnings Don't Lie**: corporate earnings are the only thing that is trustworthy at a bank. And for me, it is hard to think the end is near when bank stocks are breaking out to new highs after trading sideways for many years.

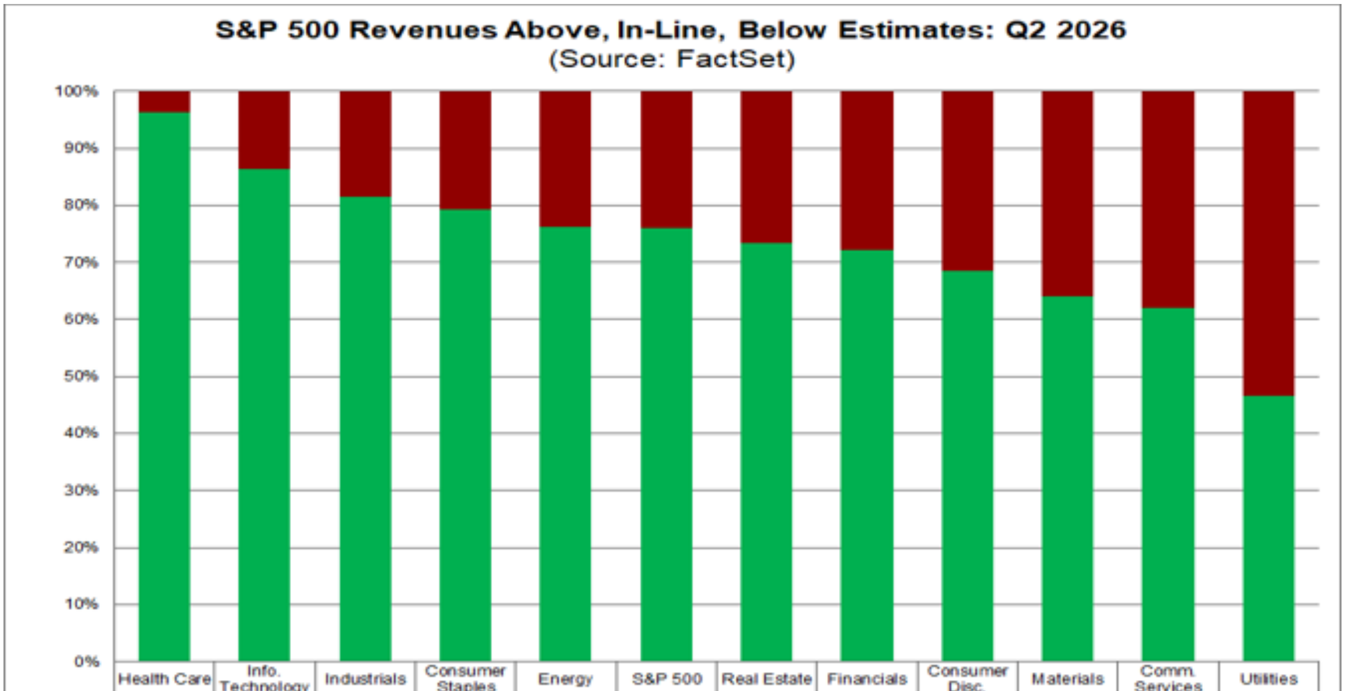
Remember 2007? Yes, stocks peaked in October, and they were cut in half over the next two-plus years as the Great Financial Crisis took hold. Well, back then banks peaked in January and were in some cases crashing well before the overall market peaked; in other words, banks were the warning sign. That isn't at all what we are seeing now, and I think banks are now the warning sign that things are really good, and this bull is alive and well.

3) **Earnings Continue to Support the Market**: As another earnings season winds down, one thing has become increasingly clear: corporate America continues to deliver results.

With approximately 88% of S&P 500 companies having now reported second-quarter earnings, the majority have exceeded Wall Street's expectations. According to FactSet, 86% of companies have reported earnings above analysts' estimates, well above both the five-year average (78%) and ten-year average (76%).

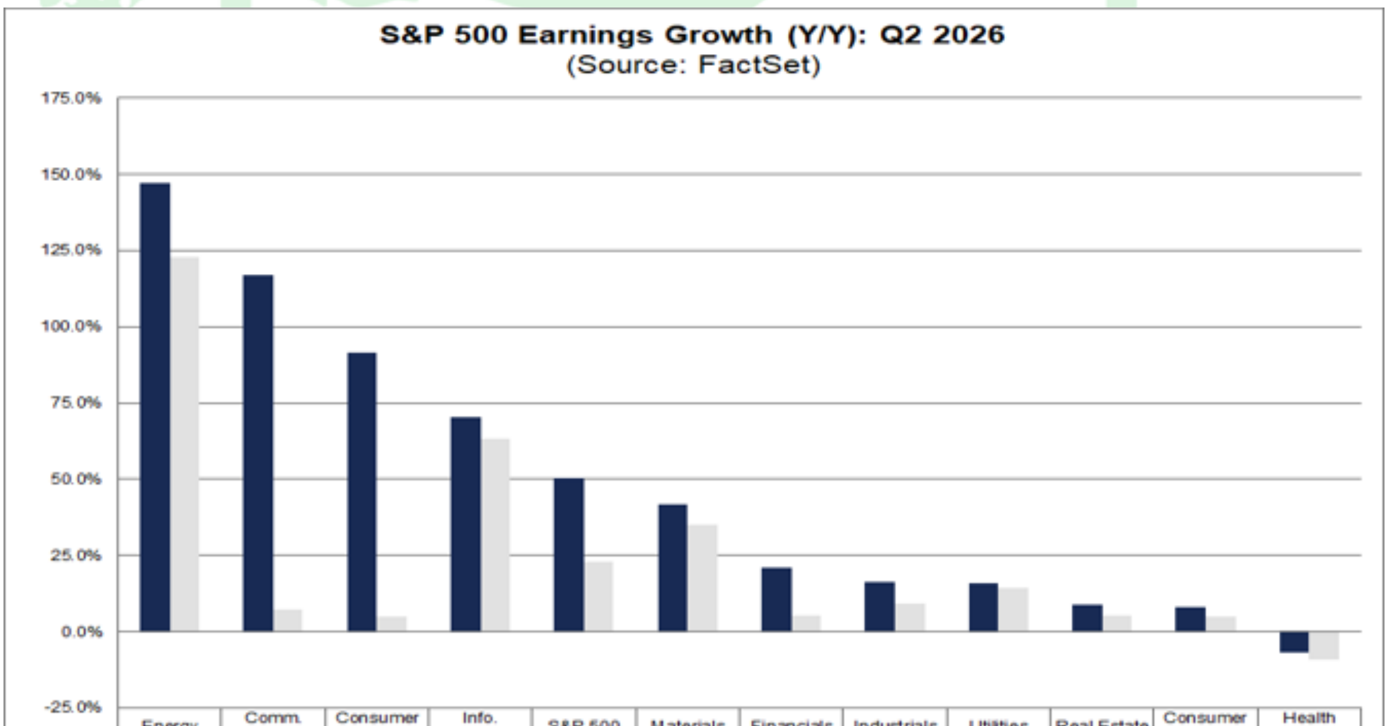


Revenue results have also been encouraging, with 76% of companies exceeding sales expectations.



	Health Care	Info. Technology	Industrials	Consumer Staples	Energy	S&P 500	Real Estate	Financials	Consumer Disc.	Materials	Comm. Services	Utilities
Below	4%	14%	18%	21%	24%	24%	27%	28%	32%	36%	38%	53%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	96%	86%	82%	79%	76%	76%	73%	72%	68%	64%	62%	47%

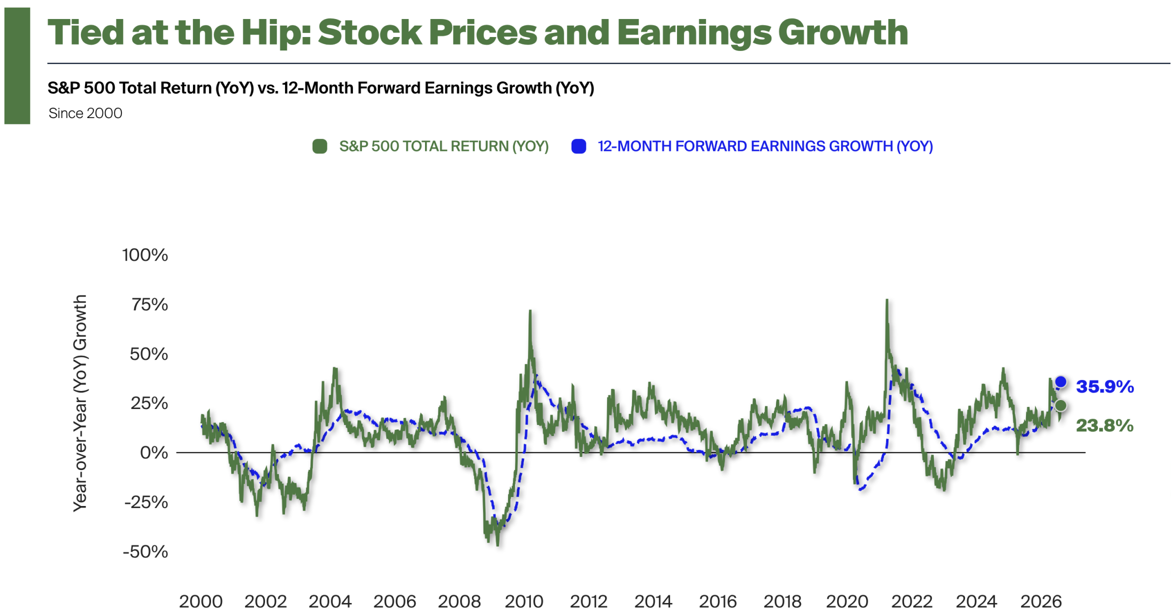
The strength of these reports has pushed the S&P 500's blended earnings growth rate for the quarter to 50.4%, the strongest pace since the post-pandemic rebound in 2021. While unusually large earnings surprises from Alphabet and Amazon contributed meaningfully to this figure, earnings growth remains very healthy even after excluding those companies.



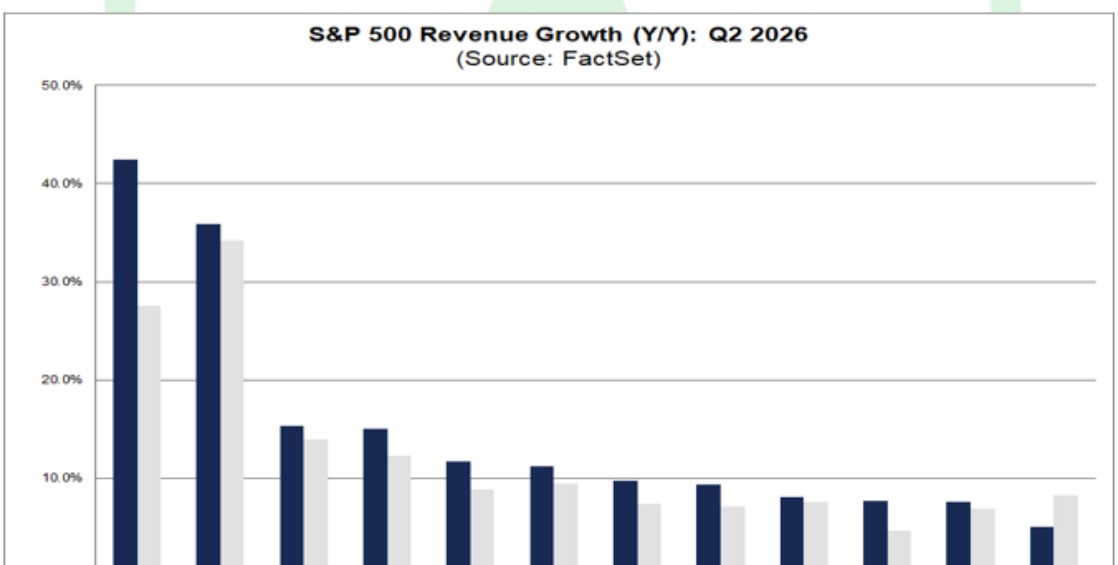
	Energy	Comm. Services	Consumer Disc.	Info. Technology	S&P 500	Materials	Financials	Industrials	Utilities	Real Estate	Consumer Staples	Health Care
Today	147.0%	117.0%	91.6%	70.4%	50.4%	41.7%	21.0%	16.5%	15.9%	8.7%	8.0%	-6.7%
30-Jun	122.8%	7.2%	5.0%	63.3%	23.1%	35.1%	5.4%	9.3%	14.4%	5.4%	4.8%	-9.0%

Why does this matter? Because over the long term, stock prices and corporate earnings tend to move together. Markets may react to headlines, interest rates, elections, or geopolitical events in the short run, but a company's ability to consistently grow its profits is what ultimately drives shareholder value.

The chart below tells you everything you need to know about the relationship that corporate earnings and stock prices have with one another. Going back all the way to the year 2000, periods of improving forward earnings expectations have generally coincided with stronger stock market performance.



This earnings season also serves as a reminder that markets often climb despite uncertainty. Throughout the quarter, investors navigated ongoing geopolitical tensions, trade discussions, inflation concerns, and interest rate speculation. Yet many businesses continued to execute, innovate, and deliver stronger-than-expected financial results.



	Energy	Info. Technology	Comm. Services	S&P 500	Financials	Real Estate	Industrials	Consumer Disc.	Consumer Staples	Health Care	Materials	Utilities
Today	42.5%	35.9%	15.3%	15.0%	11.7%	11.2%	9.7%	9.3%	8.1%	7.7%	7.6%	5.0%
30-Jun	27.6%	34.2%	13.9%	12.2%	8.9%	9.4%	7.4%	7.1%	7.6%	4.6%	6.9%	8.3%

For long-term investors, that's an important lesson. Successful investing isn't about predicting the next headline—it's about owning quality businesses that continue to grow over time.

As you can expect, I'll continue monitoring economic developments and corporate earnings closely, but the fundamental picture remains constructive: healthy corporate profits continue to provide a solid foundation for long-term investors.

Thank you for the confidence you continue to place in me. It is a privilege to be your trusted advisor, and I never take that 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.

In closing, thank you for your partnership. We value our relationship. Together, we'll continue to navigate whatever lies ahead—with patience, perspective, and confidence.

Warmly,

Aaron Pedlar, HBA, CHS, PFA™