



CHARTBOOK Market Comment

Prepared by OceanFront Investment Counsel Inc.

oceanfrontwealth.com



TABLE OF CONTENTS

Chartbook Market Comment: May 2026

1. Market Commentary
2. Magnificent 7 Valuation
3. AI Capabilities
4. Strait of Hormuz Traffic
5. Oil Prices
6. Inflation - USA
7. U.S. Tariff Rate
8. Disclaimer

Market Comment

Markets enter May facing a more complex and less forgiving macro backdrop. The dominant near-term risk is the Middle East conflict and the resulting disruption to energy flows through the Strait of Hormuz. Oil prices have fluctuated near US\$100/barrel, tanker traffic through the strait has fallen dramatically, and the resulting energy risk premium has revived concerns about inflation, consumer purchasing power, corporate margins, and the path of central bank policy.

At the same time, investors are balancing these cyclical risks against powerful structural themes. AI progress remains exceptional, with newer models rapidly extending the length and complexity of tasks they can complete autonomously. This supports the long-term investment case for AI adoption, while also reinforcing the need to distinguish quality of earnings and growth potential from companies priced primarily on enthusiasm.

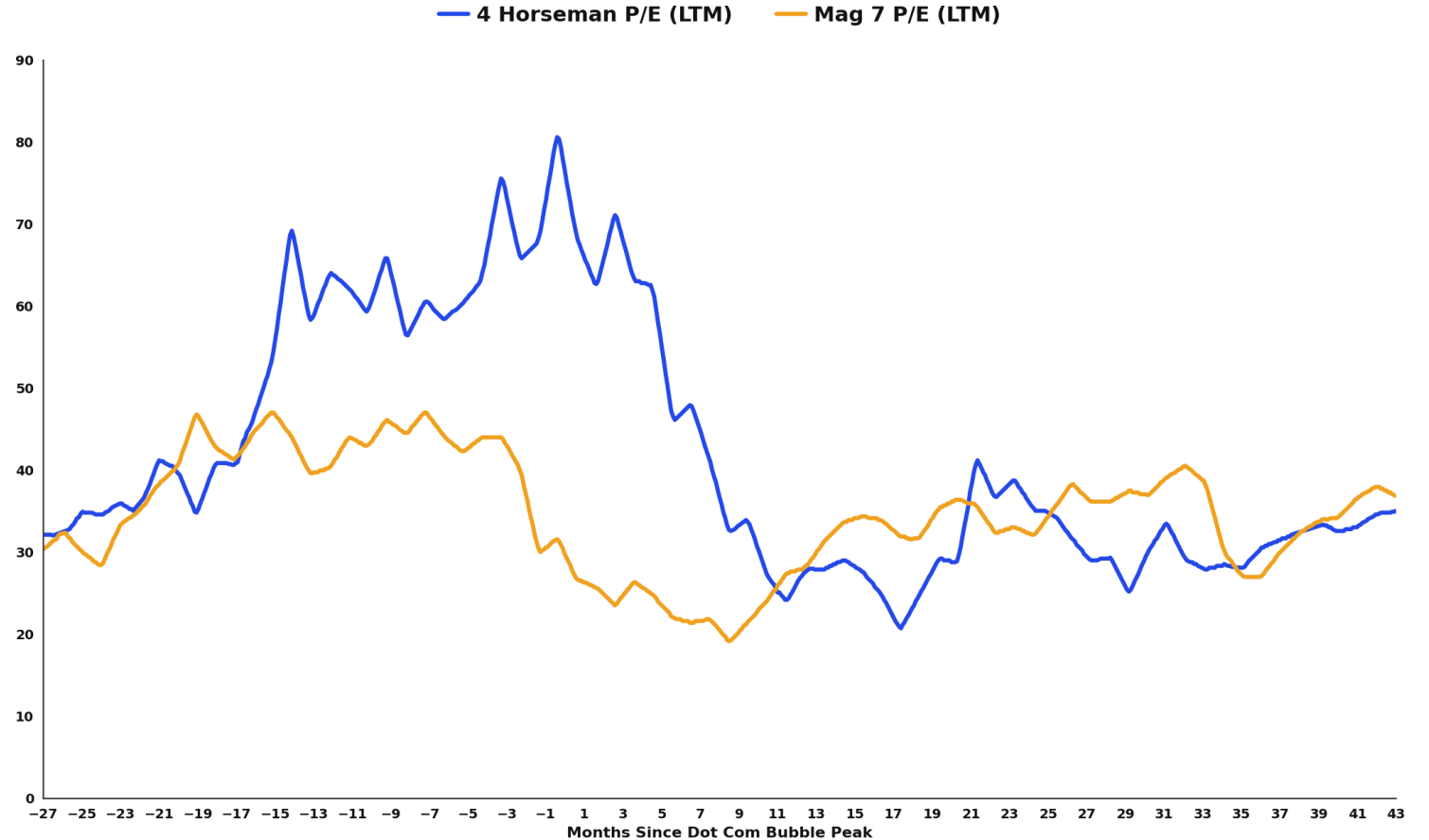
The inflation backdrop also warrants caution. U.S. headline inflation has reaccelerated, and tariff rates remain meaningfully above pre-2025 norms. Higher energy prices and tariffs can both act as supply-side inflation shocks, reducing the room for central banks to ease policy if growth softens. For Canadian investors, resource exposure can offer some offset in a higher oil price environment.

In this environment, discipline matters. We continue to favour diversified portfolios aligned with clients' long-term plans, with an emphasis on quality businesses and assets. Geopolitical shocks can be unsettling, but markets have historically absorbed periods of conflict and policy uncertainty when investors remain patient and well diversified, although actual outcomes can vary.

Magnificent 7 Valuation

Magnificent 7 (Apple, Microsoft, NVIDIA, Amazon, Alphabet, Meta, Tesla) stock valuations remain elevated, but the comparison with the dot-com-era "Four Horsemen" (Microsoft, Intel, Cisco and Dell) suggests the current cycle is not simply a repeat of the 2000 internet bubble.

Peak valuations of the 4 Horsemen stocks far exceeded the levels we have recently seen from the Magnificent 7 stocks.



Source: Bloomberg Intelligence

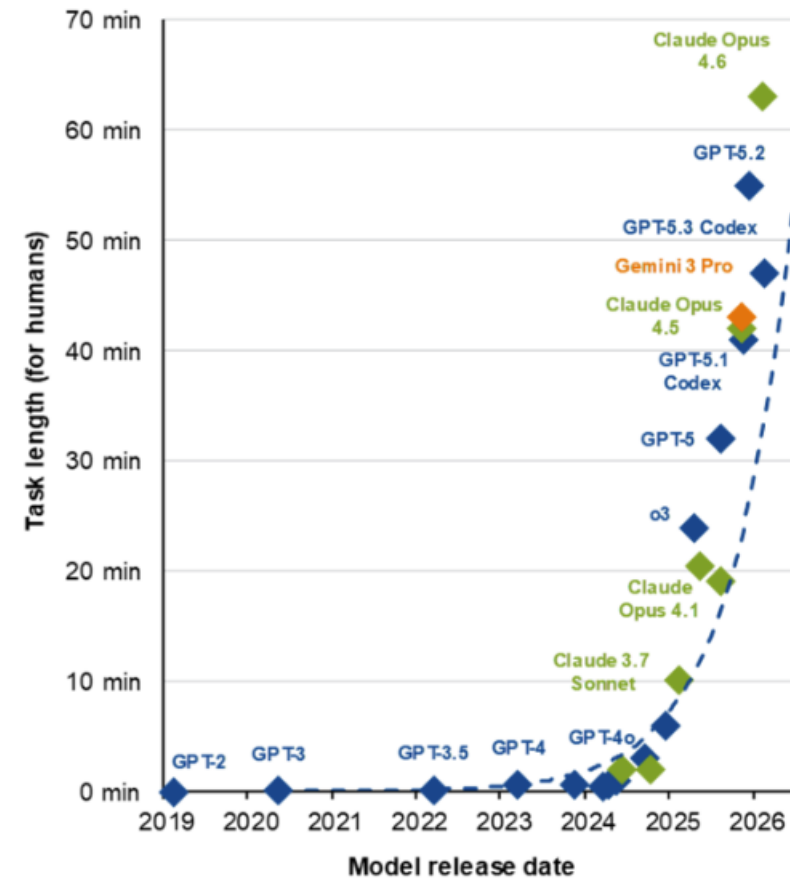
Bloomberg Intelligence 

 OCEANFRONT
INVESTMENT COUNSEL INC.

AI Capabilities

AI model capabilities continue to compound rapidly, with newer models able to complete increasingly longer autonomous tasks at an 80% success rate. This reinforces AI as a powerful structural theme, but investment outcomes will likely depend on which companies convert capability gains into durable revenue, productivity, and margins.

Length of tasks AI agents can autonomously complete
Time to complete tasks at 80% success, by model*

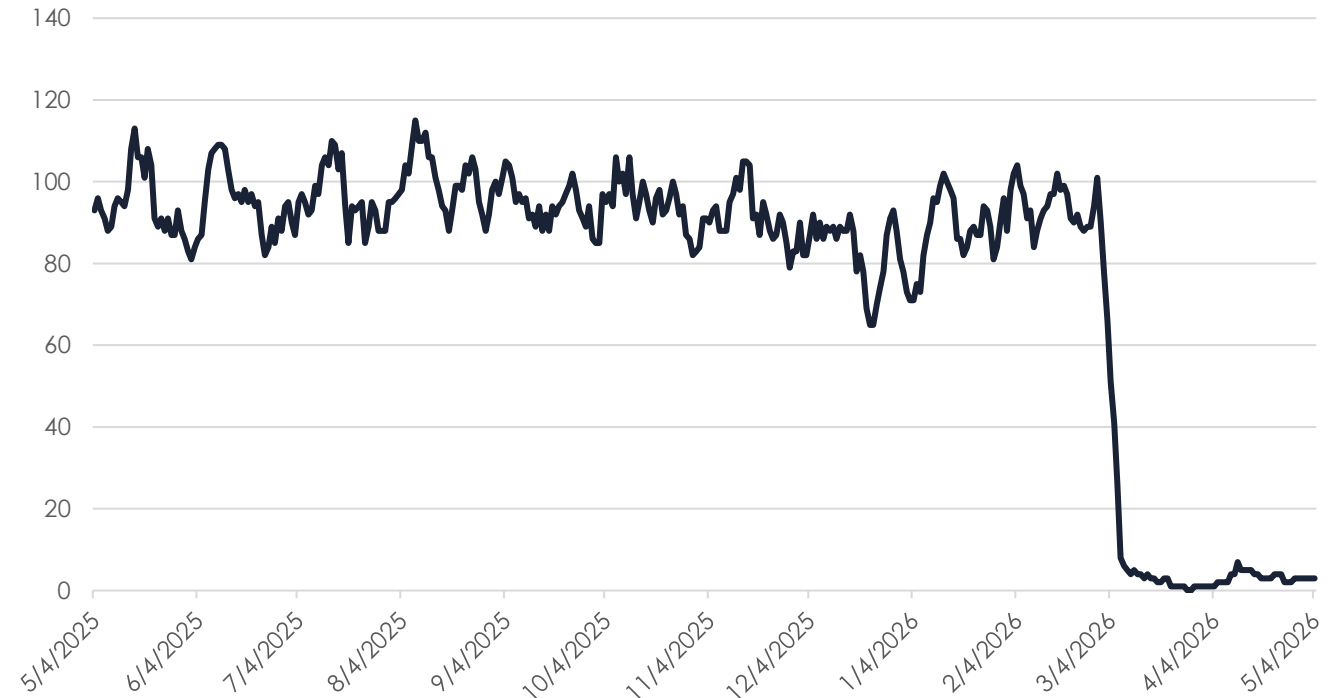


Strait of Hormuz Traffic

Tanker crossings through the Strait of Hormuz have collapsed from normal levels to the low single digits, highlighting the disruption in a critical energy chokepoint. Sustained restrictions would keep pressure on oil prices and inflation expectations, while reopening would likely reduce the energy-risk premium.

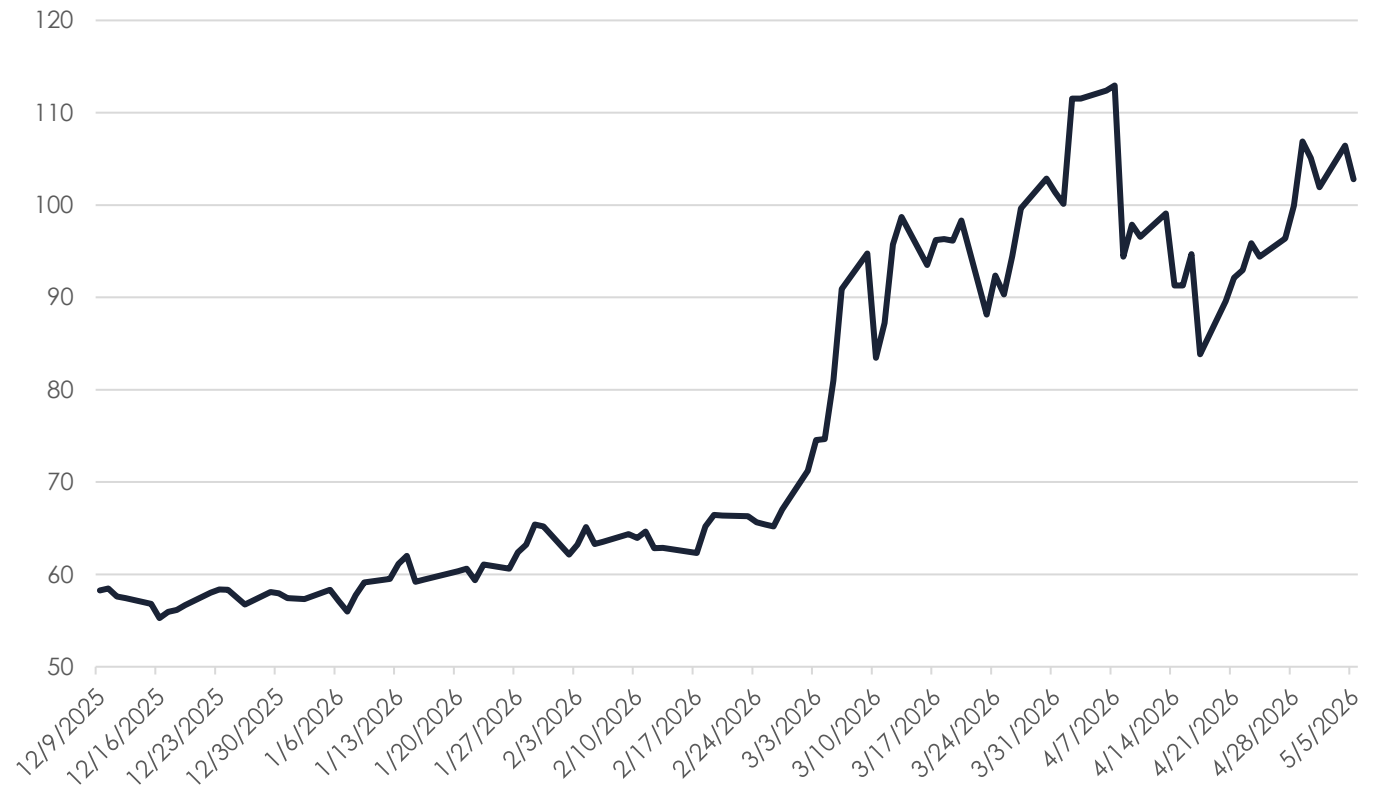
Approximately 20% of the global oil supply travels through the strait. Asian nations that rely on this shipping route for oil imports are particularly vulnerable.

Strait of Hormuz West-East Tanker Crossings (Rolling 7 day total)



Oil Prices

WTI Light Crude Oil US\$/barrel



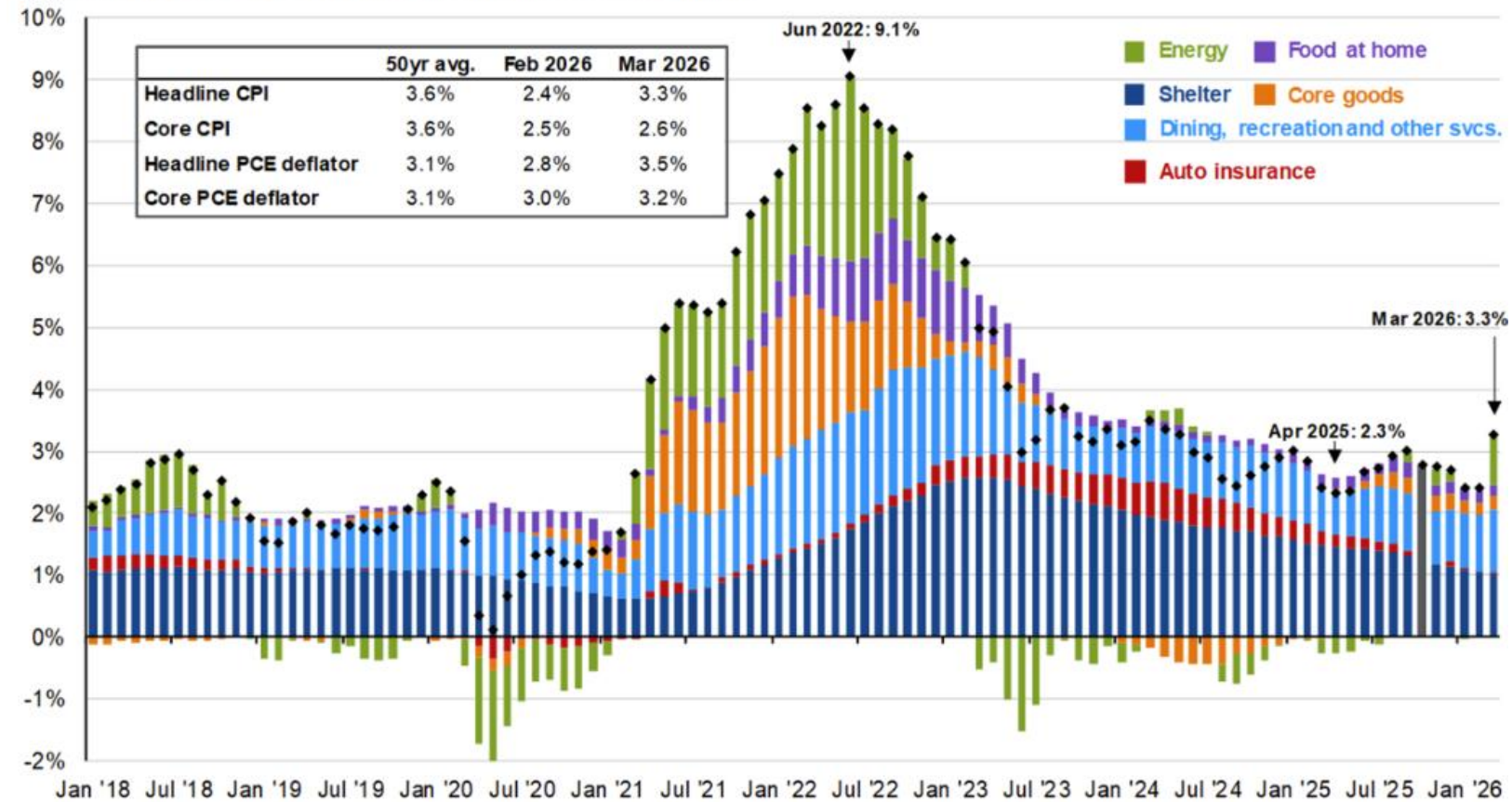
WTI crude surged to over US\$100/barrel by early May, reflecting the market's response to Middle East supply risk. Sustained prices at these levels would pressure consumers and input costs, while complicating the policy path for central banks.

Inflation - USA

U.S. headline CPI reaccelerated in March, driven largely by energy, while core inflation measures remain above the Federal Reserve's target. Inflation is still well below the 2022 peak, but the recent pickup shows the path back to target is uncertain, particularly when energy and tariff shocks are present.

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted

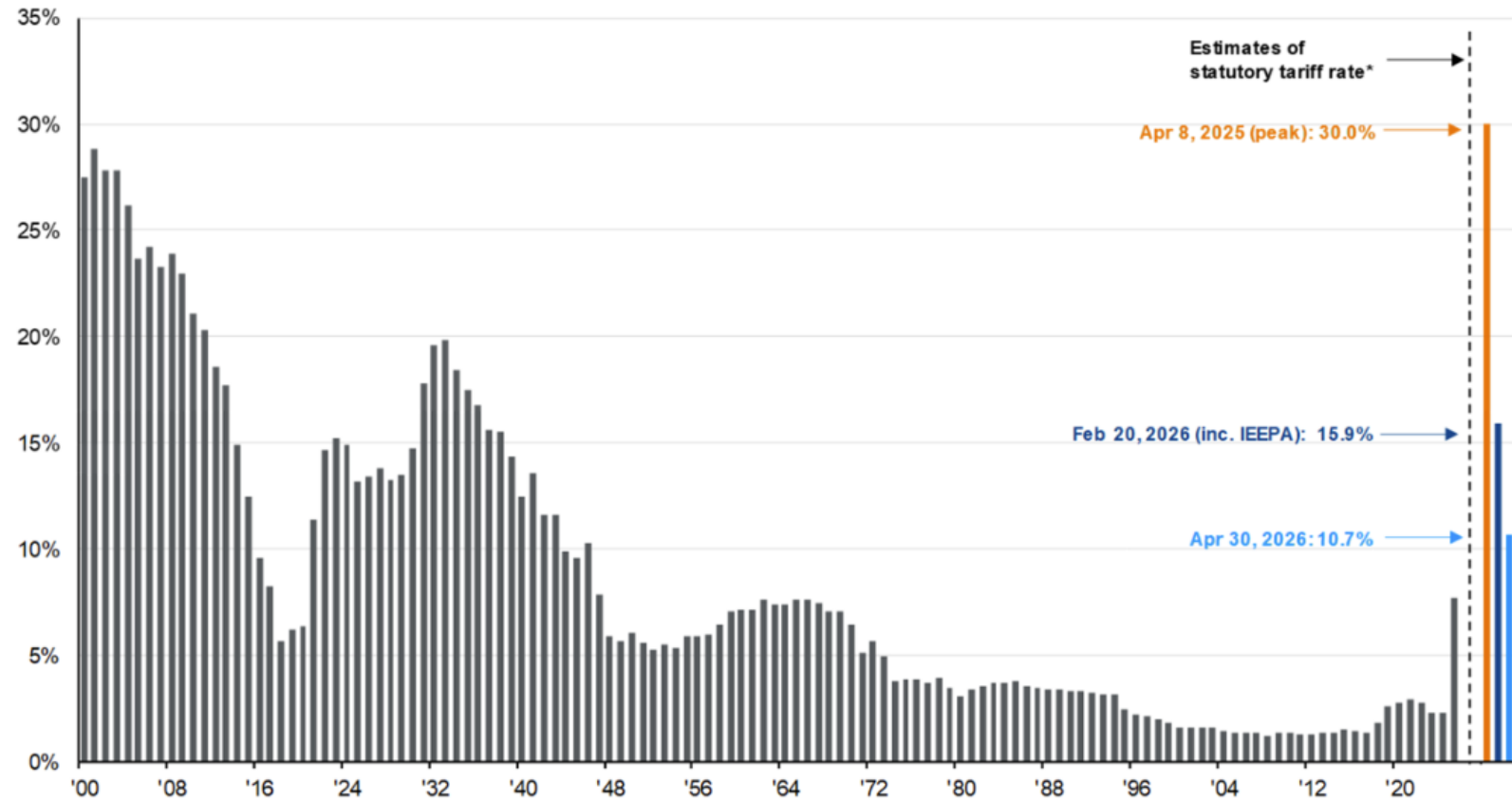


U.S. Tariff Rate

U.S. tariff rates have declined from the April 2025 peak but remain far above the low levels that prevailed for most of the postwar period. Elevated tariffs can lift import prices, pressure margins, and complicate supply chains, although the move lower from peak levels reduces the most extreme stagflation risk.

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2025



DISCLAIMER

The particulars contained herein were obtained from sources believed to be reliable at the time of print, but we cannot guarantee their accuracy or completeness. Current analysis and interpretation of such information is subject to change. This report is for general information only and does not constitute tailored advice offered to an individual. Individuals should consult with their professional advisors, including tax professionals, prior to making investment decisions. Certain statements may contain speculative information that carries known and unknown risks, uncertainties, and other factors. These factors can potentially lead to significant differences between the actual outcomes, performance, or accomplishments of OceanFront Investment Counsel Inc. or the overall industry outcomes, and any future outcomes, performance, or accomplishments indicated or suggested by such forward-looking statements. It is important to note that these statements may not be suitable for everyone. Past performance is not indicative of future results.

OceanFront Investment Counsel Inc. is a subsidiary of OceanFront Wealth Inc. OceanFront Investment Counsel Inc. is registered as a Portfolio Manager in B.C., Alberta, Manitoba, and Ontario and as an Investment Fund Manager in B.C. and Alberta. Information contained herein, relating to OceanFront Investment Counsel Inc. is intended only for Canadians residing in the provinces where OceanFront Investment Counsel Inc. is registered.

E&OE

