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CHARTBOOK
Market Comment

Prepared by OceanFront Investment Counsel Inc.

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Chartbook Market Comment: August 2026

Market Comment

As August begins, markets are navigating a more divergent macro backdrop. Global activity remains resilient, helped by U.S. consumption and AI-related investment, but inflation risk has not fully disappeared. Energy volatility, fiscal deficits and trade uncertainty have pushed investors to demand more compensation in long-term bonds, keeping pressure on rate-sensitive assets and equity valuations.

Canada is improving from a weak base. The Bank of Canada has held the overnight rate at 2.25% as growth shows signs of stabilization, but its July outlook still points to only modest 2026 GDP growth before a gradual recovery in 2027 and 2028. Inflation has eased from the May spike, helped by lower gasoline prices, but some everyday categories remain a source of pressure for households.

The U.S. policy path looks different. The Federal Reserve has kept rates at 3.50%-3.75%, but markets are pricing a higher path for U.S. rates than for Canada as inflation remains sticky and the Fed reaction function has become less predictable. For Canadian investors, that gap matters for bond yields, the Canadian dollar and global portfolio returns translated back into Canadian dollars.

Equities remain near highs, but that should not be confused with a low-risk environment. A disciplined approach to diversification, liquidity, quality and rebalancing remains essential as portfolios navigate policy divergence, currency volatility and uneven economic growth.

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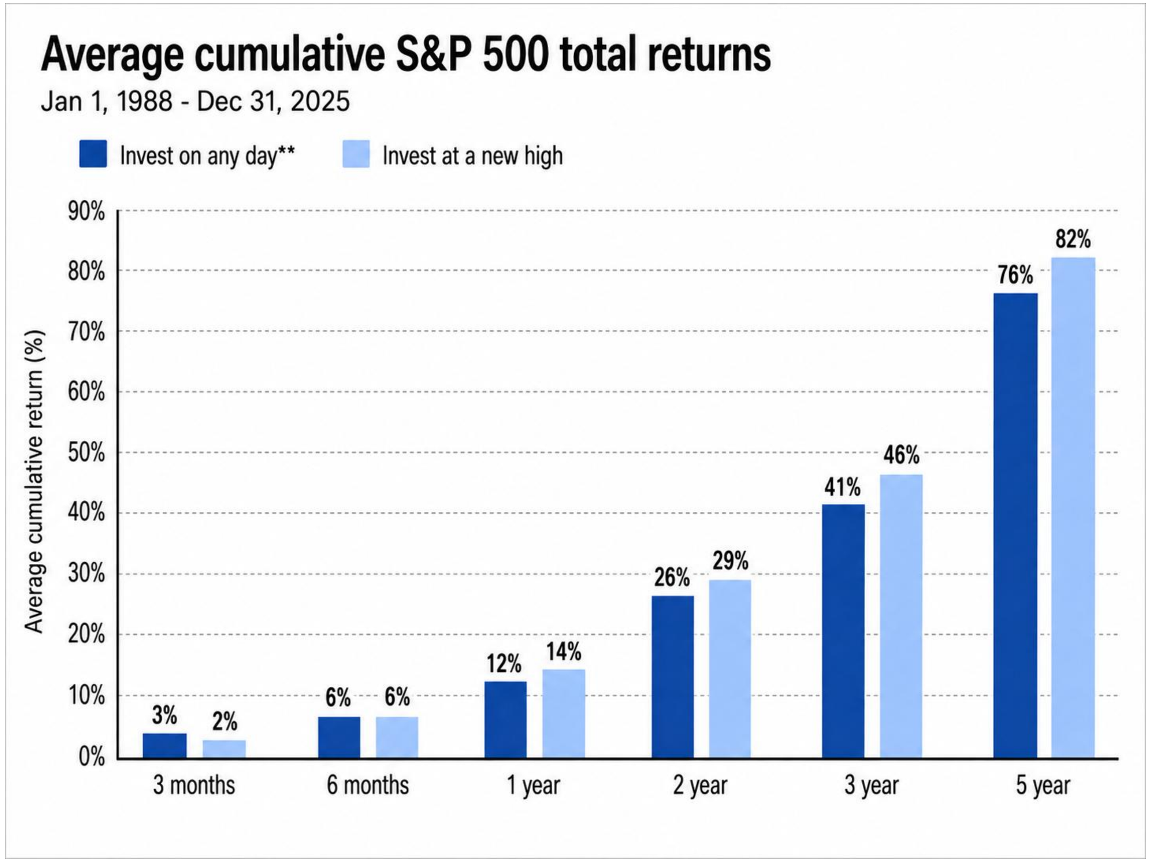
Investing at All-time Highs



Investors often feel uncomfortable putting capital to work when markets are near record highs. History suggests that new highs are a normal part of long-term equity compounding, not necessarily a warning signal. Over longer holding periods, average cumulative returns after investing at a new high have been comparable to or better than investing on any day. The more important decision is maintaining an appropriate time horizon and asset mix.

**"Invest on any day" represents average of forward returns for the entire time period whereas "Invest at a new high" represents average of rolling forward returns calculated from each new S&P 500 high for the subsequent 3-month, 6-month, 1-year, 2-year, 3-year and 5-year intervals, with data starting 1/1/1988 through 12/31/2025. *Guide to the Markets – U.S.* Data are as of July 31, 2026.

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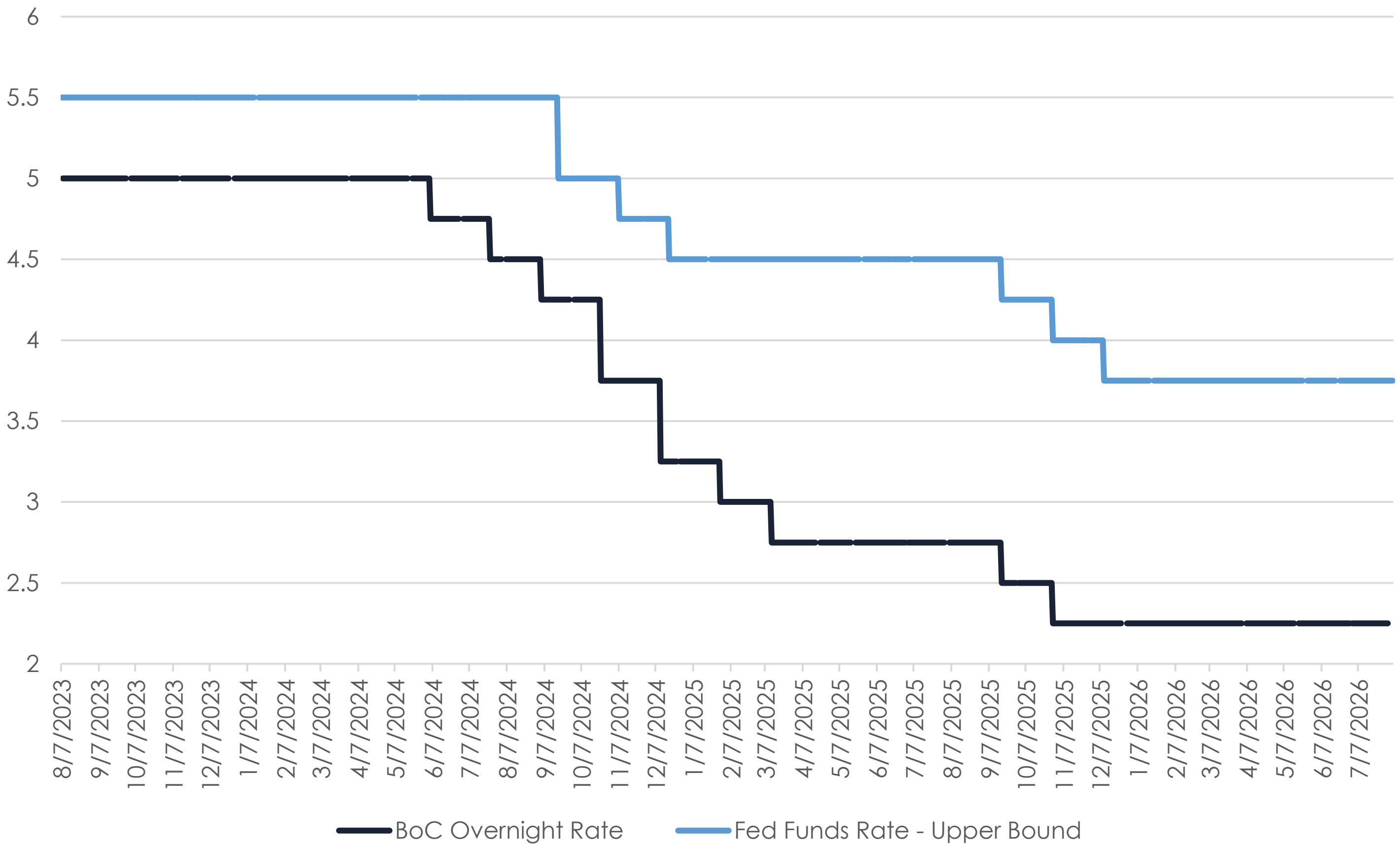
Bank of Canada vs. Federal Reserve



Policy divergence has become an important macro theme. The Bank of Canada moved rates lower as Canadian growth softened, while the Federal Reserve has kept policy more restrictive in response to stronger U.S. growth and stickier inflation. This gap has implications for bond yields, currencies and Canadian-dollar returns on global assets.

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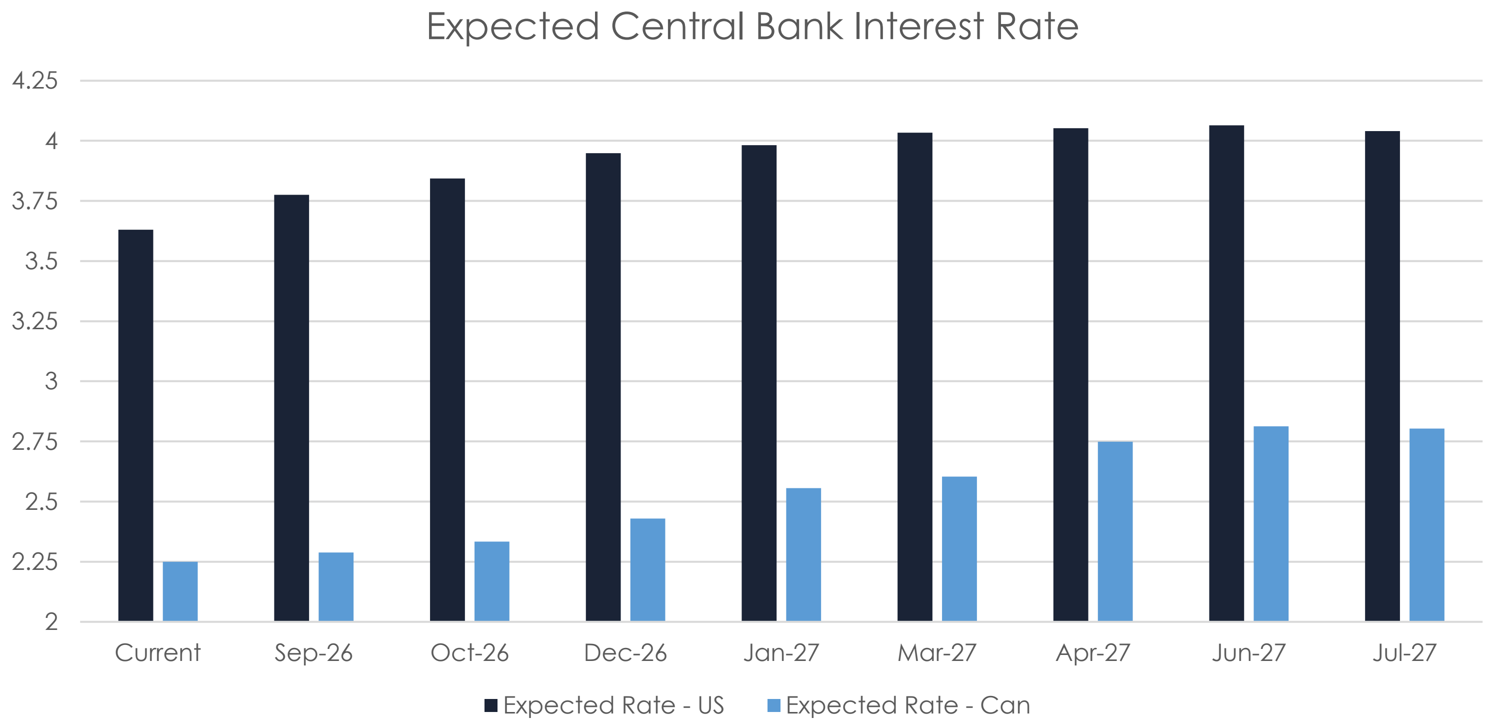
Interest Rate Expectations



Markets are pricing a higher path for U.S. rates than for Canada. That reflects a stronger U.S. economy, more persistent inflation risk and a less certain Fed reaction function.

For Canada, expectations remain lower as the economy recovers from a weaker starting point. The gap between expected U.S. and Canadian rates is a key input for currency and fixed-income positioning.

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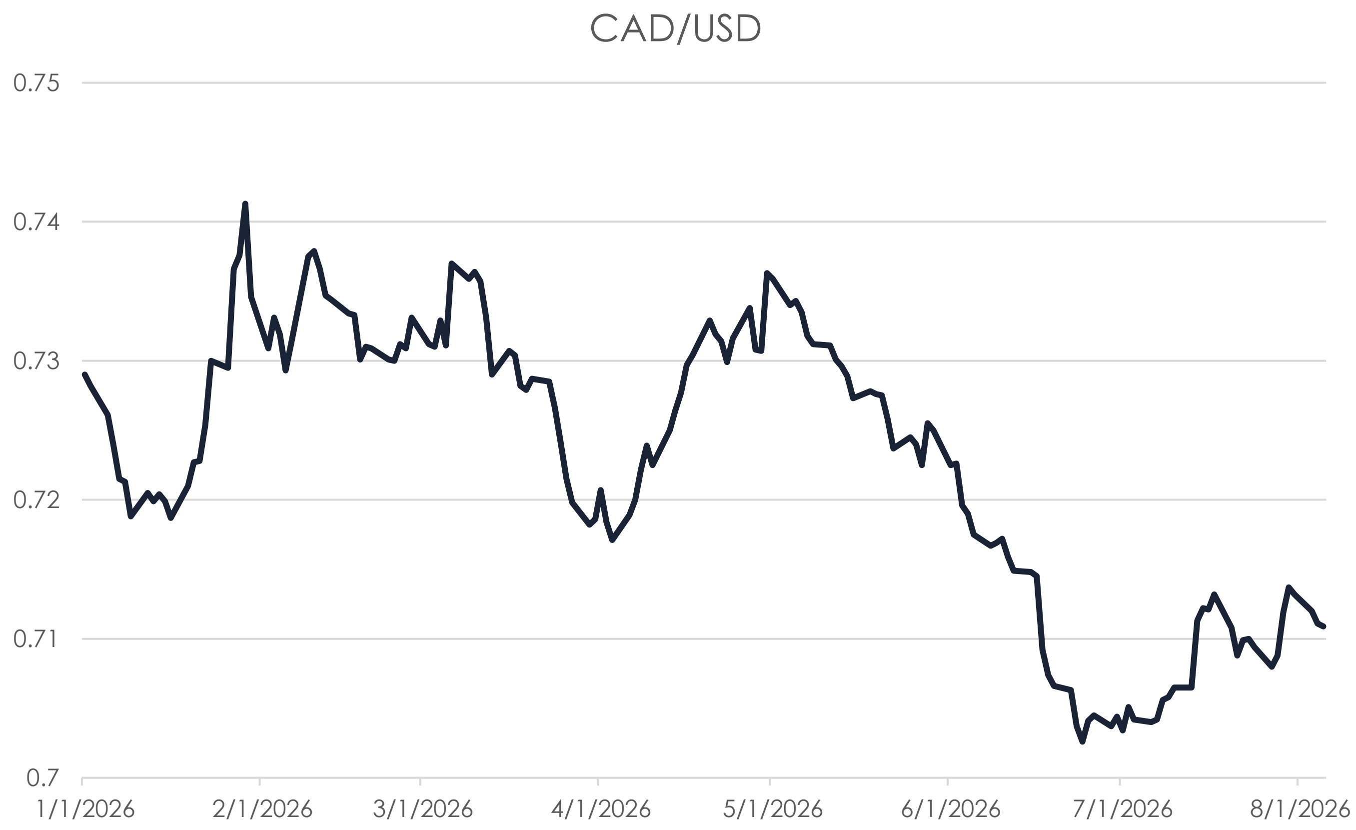
Canadian Dollar's Tug-of-War



The Canadian dollar has been caught between competing forces. Higher commodity prices can provide support, but wider U.S.-Canada interest-rate differentials and trade uncertainty remain headwinds.

For globally invested Canadians, currency moves can materially change portfolio returns even when underlying asset prices are unchanged. CAD falling against USD in 2026 has boosted returns of unhedged US assets in Canadian Dollar terms.

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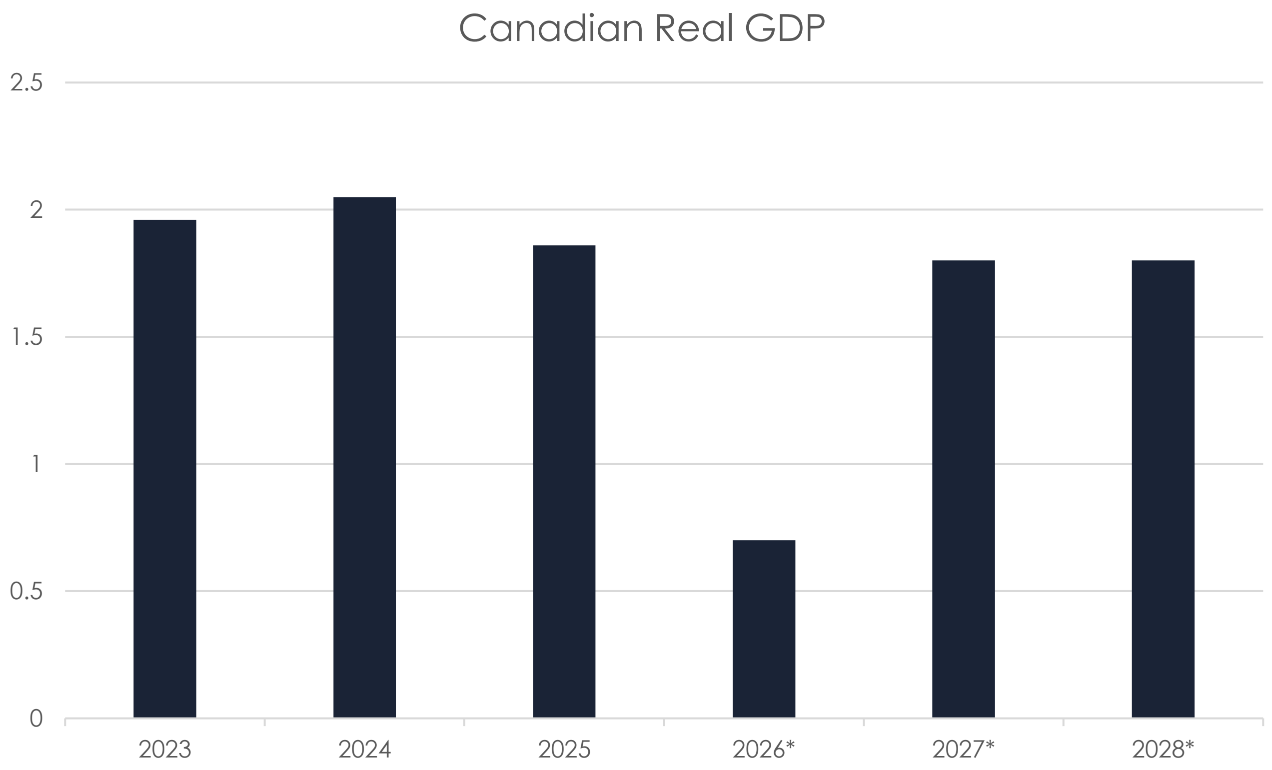
Canada: Rebound From a Weak Base



Canada's economy is improving, but from a weak base. The Bank of Canada expects real GDP growth of only 0.7% in 2026 before returning to roughly 1.8% growth in 2027 and 2028. That points to a modest recovery rather than a boom and supports a cautious interest rate policy backdrop as inflation gradually moves back toward target.

 Source: Bloomberg, Bank of Canada, OceanFront Investment Counsel Inc.

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