

Fiera Capital Global Asset Allocation



Monthly Update: June 2026



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Investor sentiment thrived in May, with unrelenting enthusiasm around the artificial intelligence (AI) boom and lingering hopes for a truce between the United States and Iran buttressing risk appetite. Still, the situation remains fragile. With the Strait of Hormuz effectively closed for a third month, stagflationary risks are looming large.

FINANCIAL MARKET DASHBOARD				
	MAY 29, 2026	MTD	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	7580	5.15%	10.73%	28.22%
S&P/TSX	34769	2.37%	9.64%	32.83%
MSCI EAFE	3118	2.60%	7.77%	19.89%
MSCI EM	1752	9.50%	24.76%	51.39%
FIXED INCOME (%)		BASIS POINT CHANGE		
US 10 Year Bond Yield	4.44	6.5	26.9	3.5
US 2 Year Bond Yield	4.00	13.5	53.1	10.7
CA 10 Year Bond Yield	3.41	-13.0	-2.0	21.3
CA 2 Year Bond Yield	2.78	-17.1	19.0	18.6
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.73	-1.53%	-0.49%	-0.40%
EUR/USD	1.17	-0.61%	-0.74%	2.75%
USD/JPY	159.27	1.71%	1.63%	10.59%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	87.36	-16.86%	52.14%	43.71%
Copper (USD/pound)	6.39	7.81%	12.44%	36.59%
Gold (USD/oz)	4560.50	-1.49%	5.05%	38.66%

Global equity markets (+5.0%) reached a fresh high in May amid a surge in AI stocks and growing optimism around a potential ceasefire to the Middle East conflict. The S&P 500 (+5.1%) had a solid month, led by outperformance in the technology space (+15.9%). Meanwhile, the S&P/TSX (+2.4%) underperformed amid a pullback in the heavyweight energy (-3.1%) sector. Elsewhere, the MSCI EAFE (+2.6%) had a decent month, while the MSCI gauge of emerging market stocks (+9.5%) led the global charge – powered higher by continued inflows into stocks linked to the artificial intelligence boom.

Fixed income markets also generated positive results. In the United States, treasury yields pushed broadly higher. A growing chorus of Federal Reserve officials have pivoted towards a more hawkish stance amid mounting inflationary risks. Traders brought rate hike pricing forward in response, with the market consolidating around the view that the next move from the Federal Reserve will be a rate hike. By contrast, Canadian government bond yields edged lower following a softer-than-expected reading on both growth and inflation. That saw traders rein-in their wagers for Bank of Canada rate hikes this year. For the month, the Bloomberg US Aggregate Bond Index rose just 0.3% - while the FTSE Canada Bond Universe advanced 1.4%.

The US dollar (+0.9%) strengthened in May – while the yen (-1.7%), euro (-0.6%), pound (-1.1%), and Canadian dollar (-1.5%) all edged lower against a stronger greenback. On the latter, the loonie slumped as interest rate expectations diverged between Canada and the United States - with some softening in expectations for Bank of Canada tightening coming up against firming wagers for a rate hike from the Federal Reserve.

Finally, oil (-16.9%) retreated to a one-month low amid cautious optimism surrounding a potential peace deal between the US and Iran that could potentially restore traffic through the Strait of Hormuz Gold (-1.5%) also inched lower alongside the monthly rise in treasury yields that diminished the appeal of the non-interest-bearing precious metal.

Source: Bloomberg, as of May 29, 2026.

Economic Overview

Canada

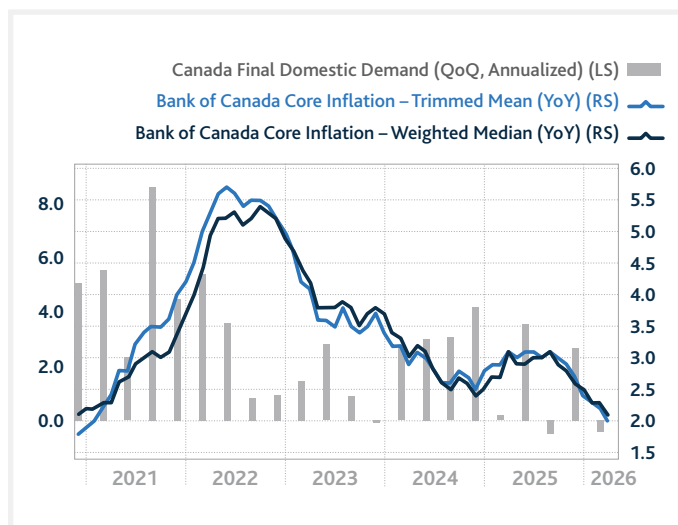
The Canadian economy stalled out in the first quarter, with gross domestic product contracting by 0.1% on an annualized basis. Looking through the volatility, final domestic demand was up 1.3% y/y – a below-trend figure that is consistent with an economy operating below capacity. Meanwhile, headline inflation clocked in at 2.8% y/y in April. Higher gasoline prices were a big part of the story, with prices at the pump up 28.6% y/y. The good news is that higher energy costs have not yet filtered through to core inflation. The average of the Bank of Canada’s preferred core inflation measures cooled to 2.1% y/y. Still, it will take time for the spike in energy costs to feed through into core inflation – with the risk that still-elevated energy prices may disrupt the calming trend. Soft underlying inflation could be signaling a weak economy and a growing output gap that is prompting disinflationary pressures. That suggests the Bank of Canada can likely be patient on rates for now.

United States

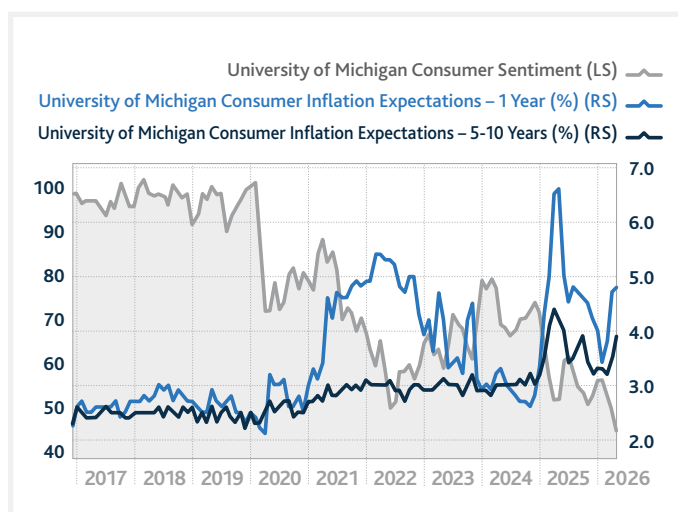
In the United States, an environment of fading consumer sentiment and unrelenting price pressures have taken hold. The University of Michigan’s latest consumer survey showed that sentiment dropped to a record low as consumers contemplate the economic impacts of the US/Iran war. Meanwhile, year-ahead inflation expectations inched up to 4.8% – while long-run inflation expectations climbed to 3.9%. That underscores growing concerns that price pressures are becoming entrenched. The personal income & spending data offered a fresh dose of reality on the pain being inflicted on American households stemming from the energy shock. The Federal Reserve’s preferred measure of underlying inflation – the core personal consumption expenditures (PCE) price index - rose to a three-year high of 3.3% y/y in April – while the three-and-six-month measures were even hotter (each up 3.8%). The risk is that what initially appeared to be a temporary, supply-driven shock, could evolve into a more persistent and widespread inflation problem – complicating the path forward for monetary policy.

Global

The Organization for Economic Cooperation and Development (OECD) warned that the fate of the global economy hinges on the Middle East conflict that has already stifled growth and triggered stronger inflation. Projections based on a scenario for a short-lived disruption show global growth slowing to 2.8% in 2026. Should disruptions persist into 2027, global growth would slip to 1.8% - tipping some economies close to recession. At the same time, the OECD forecasts global inflation will accelerate this year to 4.0%. The severity of the fallout and the potential for exacerbation are expected to make policy decisions particularly difficult. While fiscal expansions may shoulder some of the burden, governments have little space to intervene due to elevated public debt. Central banks also face a delicate balancing act - weighing the need for tighter policy to rein in inflation while avoiding unnecessary economic harm.



Source: Bloomberg, as of May 29, 2026.



Source: Bloomberg, as of May 29, 2026.

	2025	2026
Growth		
World	3.4%	2.8%
US	2.1%	2%
Euro zone	1.4%	0.8%
Japan	1.1%	0.6%
Inflation		
G-20	3.4%	4%
US	2.6%	3.7%
Euro zone	2.1%	2.8%
Japan	3.2%	1.8%

Source: Organization for Economic Cooperation and Development (OECD)

Economic Scenarios



Main Scenario | Stagflation

Probability 55 %

In this high probability scenario, sweeping tariffs across a wide-ranging group of trading partners threatens to hobble global growth and push up prices for consumers and businesses. These stagflationary headwinds are amplified by the conflict in the Middle East and have raised the risk of an oil-driven supply shock. On trade, while the magnitude of levies are less than initially proposed, the effective tariff rate in the United States remains at its highest level in nearly a century. In this environment, households rein in spending given the prospect for higher prices and concerns about their financial situations – while lingering business angst manifests itself into weaker investment and hiring plans. Meanwhile, the fallout from the spike in oil prices threatens to stoke already-elevated inflation and stifle growth. While the hope is for a swift ceasefire that allows for a resumption of energy flows, the effects on inflation are likely to be more long-lasting. That will keep prices sustainably higher above pre-conflict levels – with significant impacts on inflation (higher), interest rates (higher), and global growth (lower) – an environment of “Stagflation.”

Scenario 2 | Soft Landing

Probability 15 %

The consensus view for the coming 12-18 months remains one of a “soft landing” – a so-called “goldilocks” scenario of healthy, trend-like growth, moderating pricing pressures towards the 2% target, and multiple rate cuts from central banks. Investors appear comfortable in the view that growth will cool just enough to prompt Federal Reserve easing but without tipping the world’s largest economy into an outright recession.

Scenario 3 | Recession

Probability 15 %

While the risk remains that sweeping tariffs stifle global growth, the escalation in the Middle East conflict has raised the odds of a recession - with the potential for a supply shock stemming from high oil prices morphing into a demand-shock and a contraction in economic growth. Indeed, the energy shock has been particularly ill-timed for businesses and households already adjusting to higher costs from tariffs. On the trade front, while negotiations and trade deals brought some relative stability – there’s still little clarity on the policy direction and the long-run tariff regime. The Section 122 tariffs that replaced President Trump’s IEEPA tariffs expire after 150 days, the United States-Mexico-Canada Agreement (USMCA) is under review, and U.S.-China deliberations remain unresolved – all of which have the potential to dampen activity. On the geopolitical front, a worst-case outcome involves a protracted conflict that leads to sustained disruption to global energy flows. A long-lasting supply disruption would drive oil prices to unprecedented levels towards \$150/barrel. That would undoubtedly squeeze global growth and stoke a reacceleration in inflation expectations.

Scenario 4 | Productivity Boom

Probability 15 %

In this optimistic scenario, massive investment in Artificial Intelligence (AI) boosts productivity (and accordingly, growth) without the associated upside pressures on inflation - an environment of “disinflationary growth” that allows the Federal Reserve to resume its easing campaign. Indeed, a productivity shock is unanimously dovish for the Federal Reserve. While inflation declines and reinforces the case for easier monetary policy, a reduction in labour supply keeps the unemployment rate relatively contained. Moreover, productivity gains spread more broadly around the world, with buoyant tech investment and higher stock prices buttressing global growth.

Discussions regarding potential future events and their impact on the markets are based solely on historical information and Fiera Capital’s estimates and/or opinions, and are provided for illustrative purposes only. General Market projections are hypothetical estimates of long-term returns of economic asset classes based on statistical models and do not represent the returns of an actual investment. Actual results could vary substantially. Models have limitations and may not be relied upon to make predictions of future performance of any account. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.



Forecasts for the Next 12-18 Months

SCENARIOS	MAY 29, 2026	STAGFLATION	SOFT LANDING	RECESSION	PRODUCTIVITY BOOM
PROBABILITY		55%	15%	15%	15%
GDP GROWTH					
Global	3.00%	2.50%	3.00%	2.00%	3.50%
U.S.	2.20%	1.50%	2.00%	-1.00%	3.00%
Canada	1.50%	1.00%	1.50%	-1.50%	2.50%
INFLATION (HEADLINE Y/Y)					
U.S.	3.80%	3.50%	2.50%	2.00%	2.00%
Canada	2.80%	3.00%	2.25%	2.00%	2.00%
SHORT-TERM RATES					
Federal Reserve	3.75%	3.75%	3.25%	2.50%	3.00%
Bank of Canada	2.25%	2.50%	2.25%	2.00%	2.25%
10-YEAR RATES					
U.S. Government	4.44%	5.00%	4.00%	3.00%	3.75%
Canada Government	3.41%	4.00%	3.00%	2.75%	3.00%
PROFIT ESTIMATES (12 MONTHS FORWARD)					
U.S.	355	300	320	275	350
Canada	2153	1900	2000	1600	2100
EAFE	189	170	180	150	190
EM	134	125	135	100	140
P/E (12 MONTHS FORWARD)					
U.S.	21.3X	20.0X	23.0X	18.5X	24.0X
Canada	16.1X	16.0X	17.5X	14.0X	18.5X
EAFE	16.5X	15.0X	18.0X	14.0X	19.0X
EM	13.0X	12.0X	14.0X	11.0X	15.0X
CURRENCIES					
EUR/USD	1.17	1.15	1.20	1.00	1.20
CAD/USD	0.73	0.72	0.74	0.65	0.75
COMMODITIES					
Oil (WTI, USD/barrel)	87.36	80.00	65.00	90.00	70.00
Gold (USD/oz)	4560.50	4000.00	4500.00	4800.00	4600.00

Source: Fiera Capital, as of May 29, 2026.

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Portfolio Strategy



Matrix of Expected Returns (USD)

SCENARIOS	STAGFLATION	SOFT LANDING	RECESSION	PRODUCTIVITY BOOM
PROBABILITY	55%	15%	15%	15%
TRADITIONAL INCOME				
Money Market	3.8%	3.5%	3.1%	3.4%
U.S. Investment Grade Bonds	-2.7%	2.7%	8.7%	4.2%
NON-TRADITIONAL INCOME				
Diversified Credit	6.5%	7.0%	5.0%	7.0%
Diversified Real Estate	7.0%	7.5%	6.0%	8.0%
TRADITIONAL CAPITAL APPRECIATION				
U.S. Equity	-20.8%	-2.9%	-32.9%	10.8%
International Equity	-18.2%	3.9%	-32.6%	15.8%
Emerging Market Equity	-14.4%	7.9%	-37.2%	19.9%
NON-TRADITIONAL CAPITAL APPRECIATION				
Private Equity	10.0%	12.0%	8.0%	15.0%

Source: Fiera Capital, as of May 29, 2026.

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Traditional and Non-Traditional Portfolios

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	+/-
TRADITIONAL INCOME	0.0%	17.5%	40.0%	17.5%	0.0%
Money Market	0.0%	0.0%	40.0%	17.5%	+17.5%
U.S. Investment Grade Bonds	0.0%	17.5%	40.0%	0.0%	-17.5%
NON-TRADITIONAL INCOME	0.0%	30.0%	50.0%	38.5%	+8.5%
Diversified Credit	0.0%	12.0%	25.0%	15.5%	+3.5%
Diversified Real Assets	0.0%	18.0%	40.0%	23.0%	+5.0%
TRADITIONAL CAPITAL APPRECIATION	17.5%	37.5%	57.5%	27.5%	-10.0%
U.S. Equity	0.0%	20.0%	40.0%	20.0%	0.0%
International Equity	0.0%	12.5%	20.0%	7.5%	-5.0%
Emerging Market Equity	0.0%	5.0%	20.0%	0.0%	-5.0%
NON-TRADITIONAL CAPITAL APPRECIATION	0.0%	15.0%	40.0%	16.5%	+1.5%
Private Equity	0.0%	15.0%	40.0%	16.5%	+1.5%

Source: Fiera Capital, as of May 29, 2026.

¹ Based on a 100 basis point value added objective. The benchmark employed here is based on a model portfolio and for illustrative purposes only. Individual client benchmarks are employed in the management of their respective portfolios. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

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