

Fiera Capital Global Asset Allocation

Monthly Update: August 2026



Jean-Guy Desjardins
C.M., LSc Com, CFA
Founder of Fiera Capital and
Executive Chair of the Board



Candice Bangsund
CFA
Vice President and Portfolio Manager,
Global Asset Allocation

Financial market volatility resurfaced in July as investors contemplated an environment dominated by geopolitical headwinds, renewed trade tensions, and fading enthusiasm around the artificial intelligence (AI) trade. Namely, hostilities between the US and Iran intensified after President Trump declared the tentative ceasefire to be over. Meanwhile, trade tensions resurfaced after President Trump imposed new duties on imports from most major US trading partners. Finally, the global selloff in chipmakers gathered pace, with investors rushing to exit positions whose valuations grew increasingly rich.

FINANCIAL MARKET DASHBOARD				
	JULY 31, 2026	MTD	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	7490	-0.13%	9.41%	18.15%
S&P/TSX	35226	1.06%	11.08%	29.22%
MSCI EAFE	3176	1.91%	9.80%	21.40%
MSCI EM	1666	-3.31%	18.62%	34.00%
FIXED INCOME (%)		BASIS POINT CHANGE		
US 10 Year Bond Yield	4.73	27.0	56.8	36.1
US 2 Year Bond Yield	4.29	11.9	81.8	33.4
CA 10 Year Bond Yield	3.66	28.4	23.1	20.6
CA 2 Year Bond Yield	2.92	17.2	33.1	14.5
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.71	1.25%	-2.11%	-1.18%
EUR/USD	1.15	0.92%	-1.86%	0.98%
USD/JPY	157.40	-3.17%	0.44%	4.41%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	84.67	21.83%	47.46%	22.25%
Copper (USD/pound)	6.46	4.41%	13.79%	48.48%
Gold (USD/oz)	4049.10	0.26%	-6.73%	22.95%

Global equity markets posted some mixed results in July. The MSCI All Country World ended the month unchanged. The S&P 500 (-0.1%) retreated on the back of a notable decline in the technology sector (-3.5%). The Nasdaq stumbled -6.6% – back to correction territory. The S&P/TSX (+1.1%) outperformed its global peers by a wide margin – thanks to solid performance in the heavyweight energy space (+6.9%). Elsewhere, the MSCI EAFE (+1.9%) also had a solid month – while the MSCI gauge of emerging market stocks (-3.3%) tumbled lower on the back of a sharp selloff in chipmaker stocks across both Korea and Taiwan.

Fixed income markets generated negative results, with spiraling violence in the Middle East and revived US trade tensions fueling fears over another inflationary spike. With geopolitics and trade tensions driving the narrative, inflation concerns resurfaced and pushed global bond yields to multi-year highs across several major markets even as the Federal Reserve, Bank of Canada, Bank of England, and Bank of Japan all left interest rates unchanged in July. For the month, the Bloomberg US Aggregate Bond Index declined -1.3% – while the FTSE Canada Bond Universe shed -1.6%.

The US dollar (-1.3%) edged lower in July. The greenback was weaker versus all its Group-of-10 peers, with the euro (+0.9%), pound (+1.7%), yen (+3.3%), and Canadian dollar (+1.3%) all strengthening against a broadly weaker US dollar.

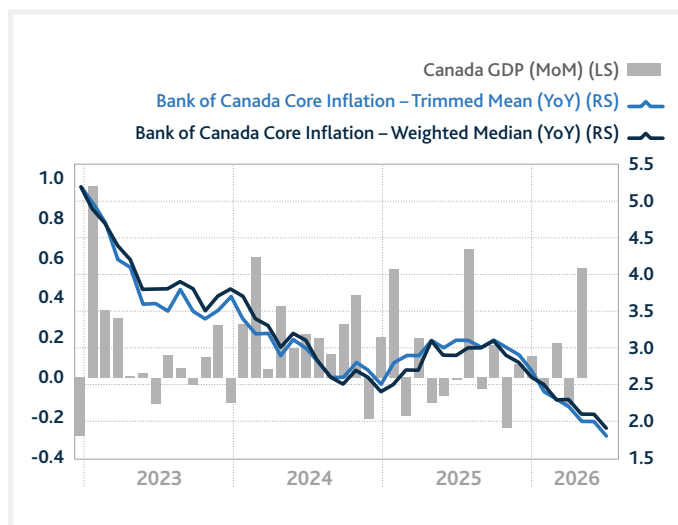
Finally, oil (+21.8%) posted its biggest monthly gain since March as an escalation in hostilities between the US and Iran continued to threaten supplies. The renewed spike in energy prices followed a widening of the Middle East conflict that has spread from the Strait of Hormuz to the Red Sea. Gold (+0.3%) also advanced and managed to hold firmly above the key resistance point of \$4000/ounce. While the Federal Reserve's decision to leave interest rates unchanged in July offered some support – a decline in the US dollar also buttressed the yellow metal towards month-end.

Source: Bloomberg, as of July 31, 2026.

Economic Overview

Canada

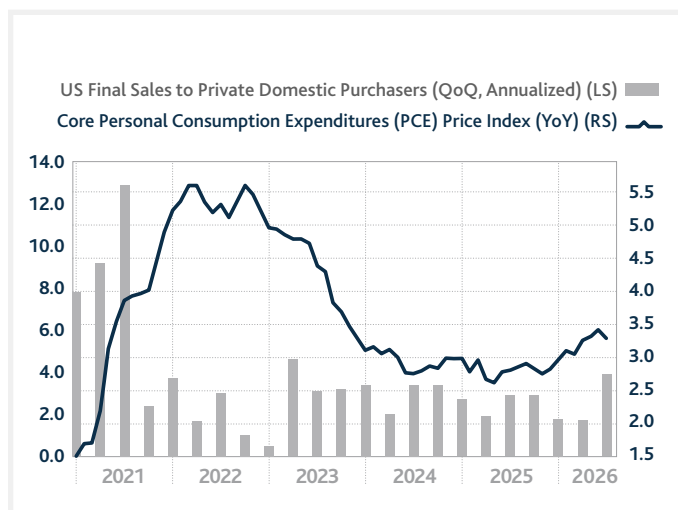
The Canadian economy sprung back to life in the second quarter after stumbling at the beginning of the year. Still, domestic demand remains subdued – while the economy bears the weight of US tariffs and ongoing uncertainty pertaining to the US-Mexico-Canada Agreement that is looming over business sentiment. With the economy operating below potential, core measures of inflation remain reasonably contained as a soft demand backdrop leans against sellers raising prices. In July, the Bank of Canada left the policy rate unchanged at 2.25% – with focus on balancing upside risks to inflation from higher oil prices against downside risks to growth amid elevated geopolitical and trade policy uncertainty. Since then, both risks have been amplified. Oil prices have reverted higher as the US-Iran war continues – while the US has threatened new 50% targeted tariffs on around 5% of Canadian exports. These developments leave the Governing Council in a precarious position and argues for a patient approach rather than a pivot.



Source: Bloomberg, as of July 31, 2026.

United States

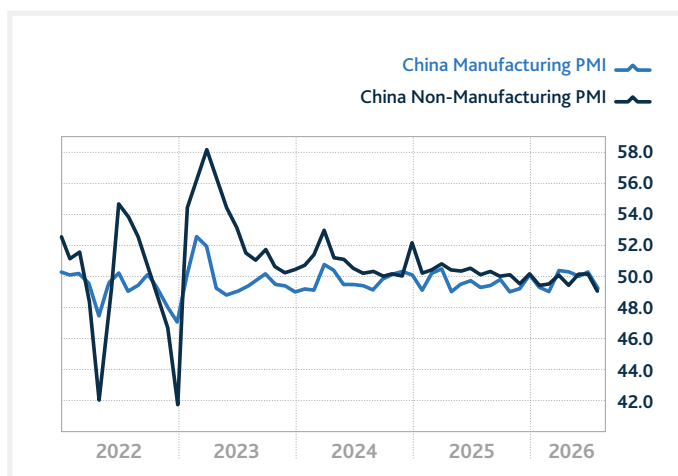
The US economy has demonstrated surprising resilience even in the wake of geopolitical tensions and persistent price pressures. The consumer has thrived on the back of fiscal stimulus (tax refunds) and labor market strength that have provided some much-needed support for households as high gas prices squeeze disposable incomes. The AI buildout has also provided a meaningful tailwind for both the consumer (wealth) and businesses (capex boom). With the economy running at an above-trend pace, monetary policy settings appear insufficiently restrictive to bring inflation substantially lower. The Federal Reserve held rates steady in July. In a hawkish-leaning development, the decision was not unanimous – with 3 out of 9 voters dissenting in favor of a quarter-point hike. While providing little forward guidance, Chair Warsh reiterated the Fed's resolve to fight inflation – reinforcing that price stability remains the priority. Indeed, elevated energy prices are clouding the inflation outlook, keeping upside inflation (and interest rate) risks alive.



Source: Bloomberg, as of July 31, 2026.

China

A widening divergence is emerging in the Chinese economy. On the one hand, domestic demand has softened – with both consumer spending and investment slumping to levels unseen since the pandemic. On the other hand, industrial production has accelerated – supported by resilient exports and strong external demand for AI/electronics. The data underscores a widening two-speed economy. While the supply-side remains robust amid an AI-driven export boom that is lifting production, the demand side has faltered as household spending sags under the weight of a housing crisis and a fragile jobs market. Moreover, the official purchasing manager indices (PMI) revealed that both factory and services activity deteriorated back into contraction terrain in July – pointing to a further loss of momentum in the world's second largest economy. The deeper contraction reinforces the case for accelerated support from both the government and the central bank as economic pressures persist.



Source: Organization for Economic Cooperation and Development (OECD)

Economic Scenarios



Main Scenario | Sustained Inflation

Probability 45 %

In this high probability scenario, upside risks to inflation and downside risks to growth subside in response to the peace accord between the United States and Iran. As the Strait of Hormuz reopens and energy flows through the vital waterway resume, oil prices tumble back towards pre-conflict levels. Still, there are some notable forces that risk keeping inflation sustainably elevated – including the potential for re-escalation in the Middle East conflict and a subsequent spike in oil prices, the Artificial Intelligence (AI) boom and associated supply-side stress, and the prospect for higher tariffs from the US administration. Should long-term inflation expectations remain reasonably anchored – central banks would likely lean against tightening aggressively and opt to live with elevated inflation – with little appetite to induce a hard economic landing. Still, a higher for longer rate environment suggests economic conditions would shift downwards to a trend-like pace.

Scenario 2 | Stagflation

Probability 30 %

Upside inflation risks continue to loom large on the back of an erratic geopolitical and trade environment. However, the trajectory for the global economy hinges on the reaction function of the Federal Reserve and other major central banks. In this scenario, a spike in long-term inflation expectations would undoubtedly force central banks' hand and monetary policy would be tightened in response. Policymakers prioritize bringing inflation under control, with the economy assuming the collateral damage from an aggressive tightening event. That macroeconomic outcome tilts the scales towards an environment of "stagflation" – with upside risks to inflation coming up against downside risks to growth.

Scenario 3 | Recession

Probability 15 %

While the worst-case outcomes stemming from a tumultuous geopolitical and trade backdrop have been averted (reducing the risk of recession), the potential for flare-ups remain a tail risk. 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 shock and a spike in oil prices risks morphing into a demand-shock and a contraction in economic growth. Trade dynamics also pose risks to the outlook. 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 US is set to impose new tariffs in the second half under Section 301, the United States-Mexico-Canada Agreement (USMCA) negotiations are dragging on, and Europe is also weighing further trade-protectionist policies. These developments may pave the way for a prolonged period of trade policy uncertainty – with the potential to dampen global economic activity.

Scenario 4 | Productivity Boom

Probability 10 %

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	JULY 31, 2026	SUSTAINED INFLATION	STAGFLATION	RECESSION	PRODUCTIVITY BOOM
PROBABILITY		45%	30%	15%	10%
GDP GROWTH					
Global	3.00%	3.00%	2.50%	2.00%	3.50%
U.S.	2.10%	2.00%	1.50%	-1.00%	3.00%
Canada	1.50%	1.50%	1.00%	-1.50%	2.50%
INFLATION (HEADLINE Y/Y)					
U.S.	3.50%	3.00%	4.00%	2.00%	2.00%
Canada	2.80%	2.25%	3.00%	2.00%	2.00%
SHORT-TERM RATES					
Federal Reserve	3.75%	3.75%	4.75%	2.50%	3.00%
Bank of Canada	2.25%	2.25%	2.50%	2.00%	2.25%
10-YEAR RATES					
U.S. Government	4.73%	4.50%	5.25%	3.00%	3.75%
Canada Government	3.66%	3.50%	4.00%	2.75%	3.00%
PROFIT ESTIMATES (12 MONTHS FORWARD)					
U.S.	381	350	300	275	380
Canada	2109	2000	1900	1600	2100
EAFE	191	180	170	150	190
EM	143	135	125	100	140
P/E (12 MONTHS FORWARD)					
U.S.	19.6X	22.0X	20.0X	18.5X	23.0X
Canada	16.7X	17.0X	16.0X	14.0X	17.5X
EAFE	16.6X	18.0X	15.0X	14.0X	19.0X
EM	11.6X	14.0X	12.0X	11.0X	15.0X
CURRENCIES					
EUR/USD	1.15	1.17	1.10	1.00	1.20
CAD/USD	0.71	0.74	0.70	0.65	0.75
COMMODITIES					
Oil (WTI, USD/barrel)	84.67	70.00	80.00	90.00	75.00
Gold (USD/oz)	4049.10	4500.00	4000.00	4800.00	4600.00

Source: Fiera Capital, as of July 31, 2026.

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Portfolio Strategy



Matrix of Expected Returns (USD)

SCENARIOS	SUSTAINED INFLATION	STAGFLATION	RECESSION	PRODUCTIVITY BOOM
PROBABILITY	45%	30%	15%	10%
TRADITIONAL INCOME				
Money Market	3.8%	4.3%	3.1%	3.4%
U.S. Investment Grade Bonds	1.0%	-3.5%	9.9%	5.5%
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	2.8%	-19.9%	-32.1%	16.7%
International Equity	2.0%	-19.7%	-33.9%	13.7%
Emerging Market Equity	13.5%	-10.0%	-34.0%	26.1%
NON-TRADITIONAL CAPITAL APPRECIATION				
Private Equity	10.0%	12.0%	8.0%	15.0%

Source: Fiera Capital, as of July 31, 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 July 31, 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.

Contact Us



NORTH AMERICA		
Montreal Fiera Capital Corporation 1981 McGill College Avenue Suite 1500 Montreal, Quebec H3A 0H5 Canada T + 1 800 361-3499 (Toll Free)	Toronto Fiera Capital Corporation 200 Bay Street Suite 3800, South Tower Toronto, Ontario M5J 2J1 Canada T + 1 800 994-9002 (Toll Free)	Calgary Fiera Capital Corporation Bow Valley Square Tower 3 255 5 Avenue SW, Suite 2100 Calgary, Alberta T2P 3G6 Canada T + 1 403 699-9000
New York Fiera Capital Inc. 477 Madison Avenue Suite 720 New York, NY 10022 United States T + 1 212 300-1600	Boston Fiera Capital Inc. 200 State Street Suite 405 Boston, MA 02109 United States T + 1 857 264-4900	Dayton Fiera Capital Inc. 10050 Innovation Drive Suite 120 Dayton, OH 45342 United States T + 1 937 847-9100
EUROPE		MIDDLE EAST
London Fiera Capital (UK) Limited 3rd Floor Queensberry House 3 Old Burlington Street London, W1S 3AE United Kingdom T + 44 20 7518 2100	Frankfurt Fiera Capital (Germany) GmbH Neue Rothofstraße 13-19 60313, Frankfurt am Main Germany T + 49 69 9202 0750	Abu Dhabi Fiera Capital (UK) Limited Suite 205, Floor 15 Al Sarab Tower, ADGM Square Al Maryah Island Abu Dhabi, United Arab Emirates
Zurich Fiera Capital (Switzerland) GmbH Office 412, Headsquarter Stockerstrasse 33 8002 Zurich Switzerland	Isle of Man Fiera Capital (IOM) Limited 6th Floor, Bubble at Clinch’s Lord Street, Douglas Isle of Man, IM1 4LN T + 44 1624 640200	
ASIA		
Hong Kong Fiera Capital (Asia) Hong Kong Limited Suite 3205 No. 9 Queen’s Road Central Hong Kong T + 852 3713 4800	Singapore Fiera Capital (Asia) Singapore Pte. Ltd. 6 Temasek Boulevard #38-03 Suntec Tower 4 Singapore 038986	Tokyo Fiera Capital (Asia) Japan Limited xLink Marunouchi Park Building 8F 2 -6-1 Marunouchi, Chiyoda City Tokyo 100-6990, Japan T + 852 3713-4800

info@fieracapital.com

fieracapital.com

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