



Market Perspectives

Turning Up the Heat

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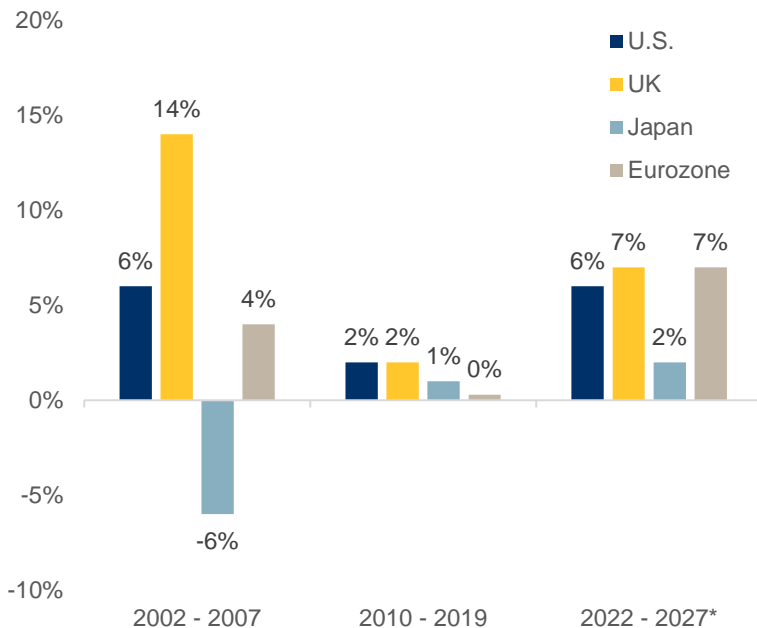
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International Markets: Volatility Today, Structural Opportunity Ahead

- The Iran conflict creates near-term volatility but does not alter the longer-term case for non-U.S. exposure, given more attractive valuations, building policy support, and diversifying global capital flows.
- Government investment across developed markets is accelerating through fiscal spending, infrastructure, defense, and industrial policy, creating a durable growth tailwind outside the U.S. despite near-term geopolitical headwinds.

Government Fixed Investment
Average annual growth rate, general government fixed capital formation



Top 5 Reasons for a Long-Term U.S. - Global Paradigm Shift

Rebalancing of Global Capital Flows

U.S. share in global markets at 1970s peak

Valuation Advantages and Mean Reversion

International valuation remains attractive

Structural Policy Tailwinds Outside the U.S.

Fiscal & monetary flexibility is greater in non-U.S. markets

Sectoral and Structural Diversification

U.S. market remains dominated by mega-cap technology and infrastructure companies

U.S. Dollar Threat and New Trade Relationships

Structural trade deficits, declining real yield advantage, deliberate central bank diversification

**2022 to 2027 includes OECD forecasts. Eurozone is a GDP-weighted average of France, Germany, Italy and Spain. General government fixed capital formation is investment by government entities in long-term assets such as infrastructure, buildings, machinery and equipment, intended to support public services and economic development.” JPM Guide to the Markets. Source: RBC Rochdale, JPM Guide to the Markets, Bloomberg. As of May 29, 2026. Information is subject to change and is not a guarantee of future results.

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Stocks from Here: Bull vs. Bear

Why stocks have been resilient: Corporate profits have stayed strong, AI-related demand is supporting the market, and investors are looking through higher inflation and interest rates.

Bull Case | What Could Go Right

- 1 Oil Prices Fall and Inflation Cools**
Lower energy prices would ease inflation pressure and could help calm the rise in bond yields.
- 2 AI Supercharges Productivity**
If companies begin getting real efficiency gains from AI, costs could come down without hurting growth.
- 3 Profit Growth Stays Strong**
If big technology and AI-related companies keep delivering, the market can remain supported, and gains could spread more broadly.

Best Bull Case: Lower inflation and steady AI-driven demand.

Bear Case | Key Risks

- 1 Higher Interest Rates Pressure Stocks**
If long-term rates keep moving up, higher borrowing costs and richer valuations could weigh on the market.
- 2 Consumers Weaken**
Soft wage growth, weak confidence, and rising delinquencies could cause households to pull back on spending.
- 3 AI Spending Slows**
If demand cools or funding becomes harder, the market could lose one of its biggest growth drivers.

Primary Downside Risk: Higher rates first, then weaker consumers and slower AI spending

Source: RBC Rochdale. As of May 31, 2026. Information is subject to change and is not a guarantee of future results.

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