Eastport FINANCIAL

Designed Securities Ltd.

MARKET & ECONOMIC SUMMARY

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MARKET SUMMARY

Second Quarter 2026

S&P/TSX Composite TR

Q2	YTD	1 year
7.0%	11.2%	32.9%

S&P 500 TR (US$)

Q2	YTD	1 year
15.2%	10.2%	22.3%

MSCI EAFE GR (C$)

Q2	YTD	1 year
12.9%	13.7%	25.6%

Canada Broad Bond Market TR*

Q2	YTD	1 year
2.1%	2.2%	3.3%

SECOND QUARTER HIGHLIGHTS

- S&P/TSX Composite hits a new all-time high of 35,389.58 on June 16th
- S&P 500 hit a new all-time high of 7,609.78 on June 2nd
- Canadian dollar hit a 14-month low of $0.702 on June 22nd
- WTI Oil hit a 4-year high of $114.58 USD per barrel on April 7th
- Bank of Canada maintained the overnight rate at 2.25%

SUMMARY

Geopolitical tensions were a key driver in Q2, with the U.S.–Iran conflict pushing energy prices sharply higher early in the quarter before an interim agreement and ceasefire helped bring oil back down toward pre-conflict levels by late June. Even with occasional renewed hostilities, markets largely treated the improvement in the energy backdrop as supportive for inflation trends and central-bank decision-making.

In Canada, economic data improved as spring progressed. Real activity rebounded in April (+0.5%), led by energy and firmer manufacturing, while retail sales rose modestly amid gasoline-driven price effects that masked softer “core” spending. Inflation moved up to 3.2% in May, but core measures remained closer to the Bank of Canada’s comfort zone; stronger May hiring (with unemployment easing to 6.6%) reinforced the view that recent recession fears may have been overstated, and the BoC held its policy rate at 2.25% in June.

In the U.S., growth and the consumer remained resilient, with Q1 GDP revised up to 2.1% and May retail sales gaining 0.9%, supported by tax refunds and steady demand outside gasoline. The labour market also surprised to the upside again in May, and trade flows reflected both stronger energy exports and continued imports tied to technology and AI investment.

At the same time, U.S. inflation re-accelerated in May (headline 4.2% year-over-year), keeping rates in focus. Treasury yields rose over the quarter and the Federal Reserve held the fed funds rate steady (3.5%–3.75%), while raising its core PCE inflation forecast for 2026. Equity markets still delivered strong Q2 returns—especially in the U.S.—though leadership rotated as investors reassessed the scale and profitability of “Magnificent Seven” AI spending and shifted attention to other parts of the AI supply chain.

Looking ahead, Canada will navigate trade and tariff uncertainty around CUSMA renewal timelines and potential new U.S. tariffs, while investors continue to monitor Middle East developments for their impact on inflation and rates. Eastport strategically helps clients by translating these cross-currents into a disciplined plan—stress-testing portfolios against multiple outcomes, managing risk through diversification and quality, and keeping asset allocation aligned with each client’s goals and time horizon so short-term volatility doesn’t derail long-term progress.

"Diversification doesn't eliminate volatility, but it can reduce reliance on any one "hot" area." – Matthew Jenkinson

STRATEGIC NOTES

A market "bubble" happens when the price of an asset (or a whole segment of the market) rises far beyond what can reasonably be supported by long-term fundamentals like earnings, cash flows, or economic growth. Periods like the recent AI rally can be especially tricky: a genuine technological step-change can lift long-run profit expectations, but markets often move faster than the underlying adoption curve. Bubbles usually feed on a compelling narrative—"this time is different"—and are reinforced by easy liquidity, rapid price momentum, and fear of missing out.

Bubbles tend to form when investors begin to pay more attention to price movement than to value. You often see concentrated enthusiasm in a narrow group of stocks, rising leverage, and a belief that risks have permanently changed (for example, that rates will stay low forever, or that a new technology removes the need for profitability). This is a familiar cycle in markets: new technologies (railroads, radio, the internet, smartphones) create real winners, but early excitement can pull returns forward and leave valuations fragile. The "tell" is not simply that prices are up, but that the reasons given for higher prices become less tied to measurable outcomes and more tied to optimism and extrapolation.

The challenge is that no one can consistently time the peak. Trying to jump in and out at exactly the right moment can create a different kind of risk: missing strong long-term returns, realizing taxable gains too early, or abandoning a plan during periods of uncertainty. Instead of building a portfolio around predictions, we focus on building one that is resilient across many possible outcomes—including the possibility that leadership narrows into "AI beneficiaries" and later mean-reverts.

That's where global diversification matters. By spreading exposure across different regions, sectors, and asset types (not all of which move in lockstep), we reduce the damage that can occur when a single market theme becomes overcrowded. Diversification doesn't eliminate volatility, but it can reduce reliance on any one "hot" area and helps keep the portfolio's return drivers broader and more balanced—so that a correction in one pocket doesn't have to define the entire outcome.

Finally, protection comes from discipline: staying anchored to a clear process, rebalancing when positions drift too far, and maintaining an allocation that matches long-term goals and risk tolerance rather than short-term headlines. When markets are euphoric, discipline helps prevent overconcentration; when markets are fearful, discipline helps prevent panic decisions. In our view, the best defense against bubbles isn't a perfect forecast—it's a globally diversified portfolio and a consistent, repeatable investment process that keeps risk in check while staying focused on long-term objectives.

At Eastport, clients can rest assured that this philosophy isn't just theory—it's the foundation of how we steward capital. We combine a long-term plan with disciplined diversification, thoughtful rebalancing, and clear communication, so decisions stay anchored in fundamentals rather than headlines. The goal is confidence through cycles: a portfolio and process built to participate in opportunity, manage risk when enthusiasm runs hot, and stay aligned with what matters most over time.