

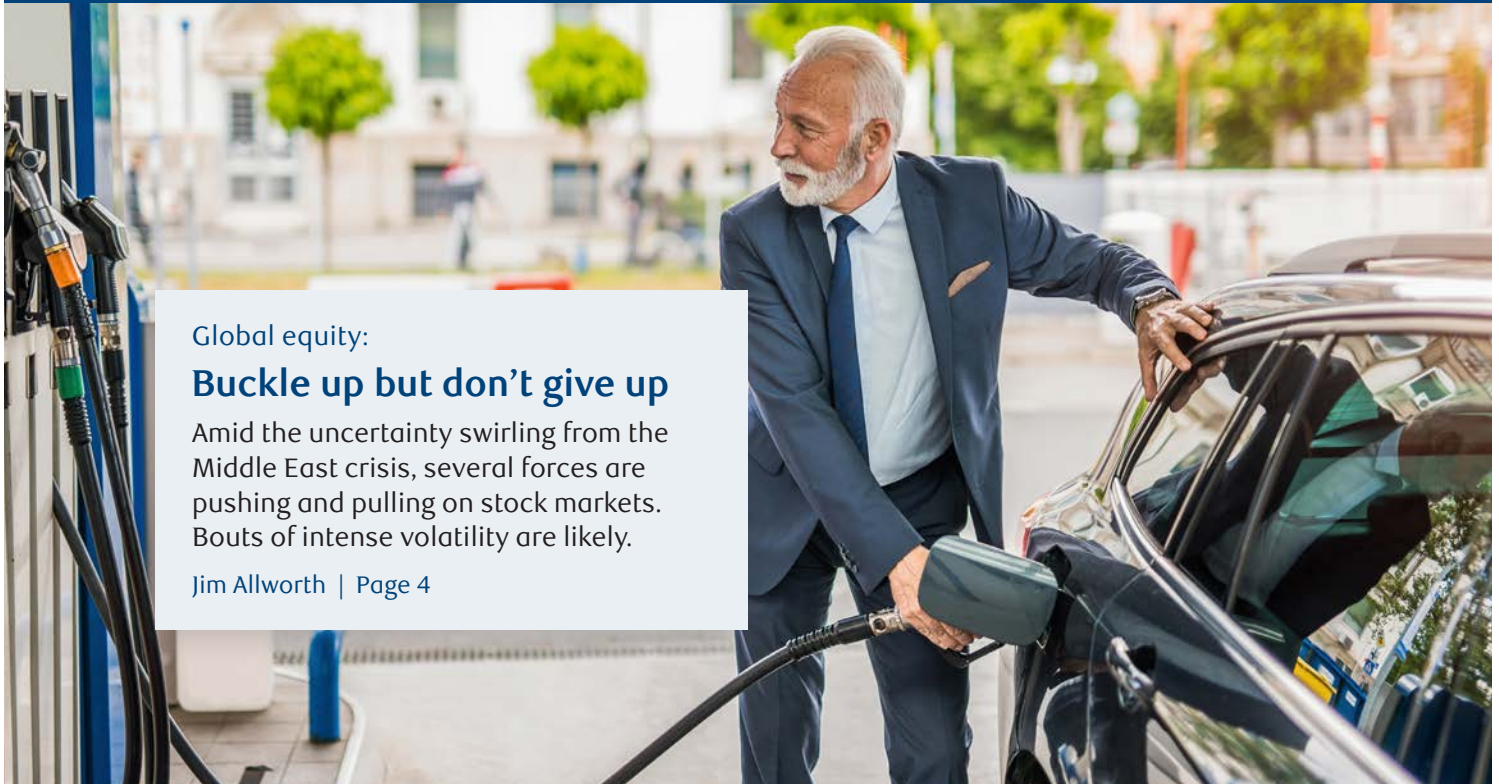
GLOBAL Insight



Wealth
Management

April 2026

Perspectives from the Global Portfolio Advisory Committee



Global equity:

Buckle up but don't give up

Amid the uncertainty swirling from the Middle East crisis, several forces are pushing and pulling on stock markets. Bouts of intense volatility are likely.

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Central banks going out for a hike



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Natural gas: Potential for disruption



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Produced: April 1, 2026, 14:26 ET; Disseminated: April 1, 2026, 15:00 ET

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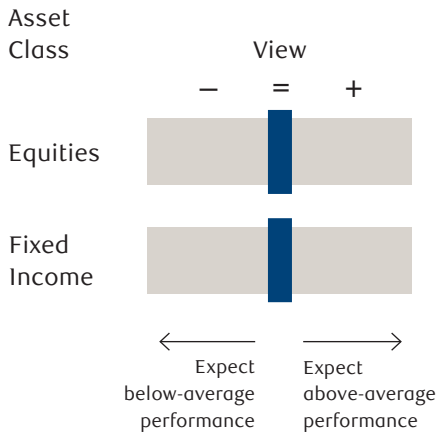
One month ago, markets had largely expected a relatively tranquil backdrop where most global central banks were at least likely to keep interest rates steady, if not biased toward further cuts this year. But markets are now bracing for the potential of multiple rate hikes from multiple central banks.

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RBC'S INVESTMENT Stance

Global asset class views



(+/-/-) represents the Global Portfolio Advisory Committee's (GPAC) view over a 12-month investment time horizon.

+ Overweight implies the potential for better-than-average performance for the asset class or for the region relative to other asset classes or regions.

= Market Weight implies the potential for average performance for the asset class or for the region relative to other asset classes or regions.

- Underweight implies the potential for below-average performance for the asset class or for the region relative to other asset classes or regions.

Source - RBC Wealth Management

Equities

- Equity markets have declined, albeit not uniformly, amid Middle East crisis developments. Since the onset of U.S. and Israeli strikes on Iran, Canada's TSX, the S&P 500, and MSCI China have held up better than major indexes in the UK, Europe, and Japan. We attribute this largely to a perception among institutional investors that European and some Asian markets (excluding China) are more vulnerable to economic risks associated with energy supply disruptions.
- In our view, near-term equity market trends will likely be dependent on whether the Middle East crisis metastasizes and the degree to which it impacts energy prices, inflation, and sovereign bond yields. Uncertainties about the magnitude and duration of the energy price shock have expanded the range of scenarios for global economic growth, including for the U.S. and other major economies.
- Given that equity markets remain vulnerable to further downside, we think now is a good time to double-check portfolio allocations in order to ensure they align with risk tolerance and time horizon.

Fixed income

- The Middle East conflict has flipped global bond markets on their heads. Faced with greater inflationary risks, traders are now pricing multiple rate hikes from many global central banks, and sovereign bond yields are rising sharply as a result. Bonds, continuing a trend that has held in recent years, have not proven to be the "safe haven" asset during times of volatility that they have historically been perceived to be. Therefore, we keep a cautious view given the risk that yields could rise even further. However, we remain cognizant that the narrative could flip again just as quickly should fear of inflation give way to fear of a global economic recession—which could drive bond yields lower.
- We remain Underweight U.S. Treasuries and have shortened duration exposure based on the potential for higher long-term bond yields. Credit valuations are still rich globally, in our view, and so we have also reduced credit exposures in light of negative outlooks across regions. In the U.S., we turn Underweight on investment-grade corporate bonds given their dual exposure to rising Treasury yields and wider credit spreads should stock market indexes face further selling pressures.

MONTHLY Focus



Jim Allworth

Vancouver, Canada
jim.allworth@rbc.com

Global equity: Buckle up but don't give up

Amid the uncertainty swirling from the Middle East crisis, several forces are pushing and pulling on stock markets. Investors should expect bouts of unnerving volatility, but we argue portfolios should remain committed to equities up to but not beyond their long-term targeted exposure.

Key points

- The conflict in Iran has shut down the shipment of a large fraction of the world's oil, liquefied natural gas, and fertiliser on which Europe and much of Asia depend.
- Resultant higher inflation is punishing consumers, raising input costs for many industries, and forcing central banks to rethink/postpone expected rate cuts.
- The U.S., Canada, and China should avoid recession; for the rest of the world, it's a closer call. Bouts of equity market volatility are likely to be a feature of this U.S. midterm election year.

War: Unintended consequences

The outlook for equity markets around the world is very much a function of the prospects for the global economy and, disproportionately, for the U.S. economy in particular. The war in Iran has abruptly changed that picture. The closing of the Strait of Hormuz has taken hundreds of millions of barrels of crude oil out of the global supply chain, raising prices at the pump and threatening outright shortages at any price in the coming months.

Sharply higher gasoline prices everywhere and surging liquefied natural gas (LNG) prices in Asia and Europe are squeezing household budgets worldwide, while dramatically raising input costs for agriculture and many industries. Beyond the higher costs, eventual shortages of fuel and raw material inputs could lower production and reduce employment.

A recession can't be ruled out. However, our forecast does not expect one for the U.S., Canada, or China. For Europe and the rest of Asia it may be a closer call.

The immediate economic effects of the war have proven to be deeper and more widespread than foreseen by economy watchers leading up to the start of the bombing campaign. Not only does the Strait of Hormuz see about 20 percent of the world's crude oil and LNG shipments pass through it, but also almost a third of water-borne fertilizer shipments. The Persian Gulf region also accounts for significant amounts of the world's sulfur, plastics, methanol, ammonia, and a variety of other petrochemicals.

Equity views

Region	Current
Global	=
United States	=
Canada	=
Continental Europe	=
United Kingdom	=
Asia (ex Japan)	=
Japan	=

+ Overweight; = Market Weight; – Underweight
Source - RBC Wealth Management

BUCKLE UP BUT DON'T GIVE UP

Aftermath: Here already with more to come

If and when a ceasefire or peace agreement arrives, it's likely that the amount of damage done to port and shipping infrastructure in the Gulf will in large part determine how high oil prices will go and how long they remain elevated.

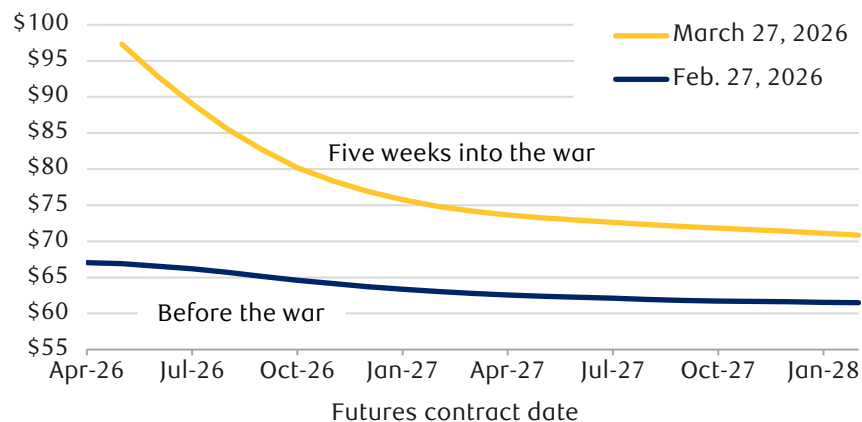
All regions of the globe are already experiencing an inflation bump as prices at the pump surge, with more widespread price effects—e.g., residential energy bills and industry input costs—still to come. However, we think the GDP effects will be uneven. Countries that produce enough oil and natural gas for their own needs (the U.S.) and/or export significant quantities of oil and gas (Canada) are likely to suffer the least, if at all—although there will be winners (producers) and losers (consumers) in both, in our view. China's very large on-hand reserves, built up at low prices over the past year, should give it considerable staying power. Europe and Asia excluding China, which are largely dependent on imported energy, are likely to experience the biggest hits to GDP.

What futures see coming

Obviously, things are changing from day to day, but the oil futures pricing curve has been delivering a largely consistent message for the past five weeks. It's projecting that West Texas Intermediate (WTI) prices will drop steadily from very elevated levels through the second half of this year, and then more slowly through all of 2027, finishing next year about \$10 per barrel above where they were this February.

The crude oil futures market expects normalisation through 2027

West Texas Intermediate (WTI) crude oil futures prices (USD/bbl)



Source - RBC Global Asset Management, Bloomberg; data as of 3/27/26

These futures prices would seem to presume a ceasefire or peace deal will arrive within the next month or two, allowing a progressive resumption of tanker shipments through the Strait of Hormuz together with steady progress in repairing damaged facilities. In the meantime, we think the futures prices may also reflect that some of the suspended shipments will find other routes to market, that global reserve drawdowns will soften the price blow in the short term, and that high prices will produce some demand destruction.

BUCKLE UP BUT DON'T GIVE UP

It's also possible any ceasefire could take longer to materialise than the energy market currently expects. If so, then we think oil and LNG prices could move even higher and stay elevated for longer. That would drive inflation that much further up and entrench it more broadly in the economy, perhaps forcing some central banks to raise interest rates while pushing more economies closer to, or into, recession.

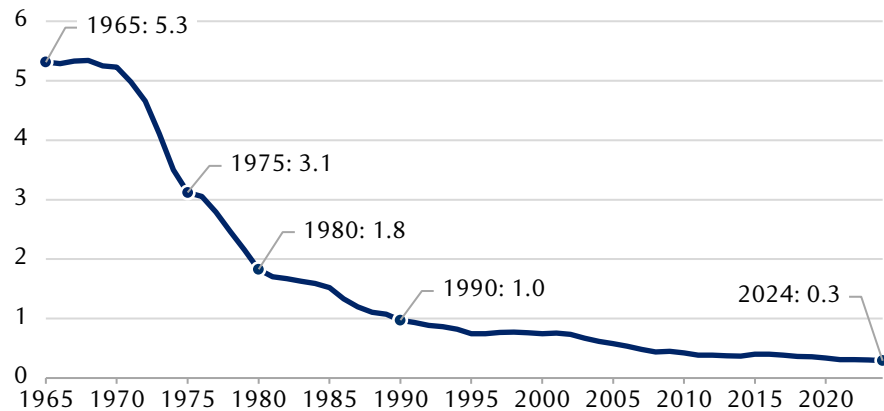
Permanent demand destruction a likely outcome

Higher oil and gas prices for longer would likely result in even more demand destruction through conservation and substitution. For example, Japan, which imports about 90 percent of its energy requirements, could potentially speed up the restart of more nuclear plants shuttered since the Fukushima disaster in 2011. It might also push Germany to consider taking a similar path, while also acting to fast-track many proposed new reactors elsewhere as well as many stalled renewable energy projects' grid hookups.

All the aforementioned would permanently further reduce the oil and gas "intensity" of many developed and developing economies. That intensity has been declining steadily since the early 1970s.

The oil intensity of the global economy has steadily decreased

Barrels of oil needed to produce \$1,000 of global GDP



Source - RBC Wealth Management, The Energy Institute; data through 2024

Constructive economic set-up of a month ago has weakened

Prior to the start of the war, there was a case to be made for a continuation of the stock market uptrends delivered by most major markets since the lows of October 2022. The principal factors contributing to our expectations for a bullish continuation of the powerful uptrend for the S&P 500 in particular were:

- The expected reacceleration of U.S. GDP growth as the economy recovered from the intense policy uncertainty (government shutdown) in Q4 and the extreme weather in Q1;
- The lagged stimulus of the 175 basis points (bps) of U.S. Federal Reserve rate reductions put in place in the preceding 15 months together with the expectations for more cuts to come; and

BUCKLE UP BUT DON'T GIVE UP

- The approximately \$50 billion of additional income tax refunds provisioned in the One Big Beautiful Bill Act.

The war has diminished or eliminated the impact of all of those catalysts, with these negative forces now in the mix:

- The inflation bump probably means any further Fed rate cuts are off the table until at least next year—and likewise for other central banks too;
- The almost 50 bps jump in U.S. Treasury yields since the war began threatens to boost corporate borrowing costs and residential mortgage rates, largely negating the 75 bps of Fed rate cuts in the last four months of 2025; and
- The estimated \$50 billion in extra tax refunds stand to be largely eaten up by higher gasoline prices and utility bills—and more than eaten up if the Strait remains closed into the summer.

An apparently stable employment picture—unemployment claims remain very low—and some broad-based pick-up in measures of manufacturing activity (Purchasing Managers' Indexes) are keeping the U.S. GDP picture from becoming too gloomy. We are not forecasting a U.S. recession, but every month the war and shipping blockade continues is likely to chip away at GDP growth for the whole year.

Investor confidence in 2027 needed

In our view, investors are usually willing to look beyond what they consider to be a temporary disruption in GDP and earnings growth if they are confident growth will resume not too far down the road—in this case, say, in 2027. So far, that hasn't required a big leap of faith: consensus GDP growth estimates for this year still sit at 2.3 percent with little to no erosion apparent yet, while 2027 forecasts come in around two percent.

As for earnings, the S&P 500 consensus estimates have been recently revised sharply upward for both years. For this year, it's now at \$323 per index share (up from \$313 recently) largely on the strength of earnings growth estimates for the Tech sector (which is largely unaffected by the war) being raised from about 35 percent year over year to more than 40 percent.

For the S&P 500 Index earnings, that's an almost 16 percent lift from last year's \$279 per index share. The 2027 forecast sits at \$377, also up about 16 percent.

Midterms usually preceded by volatility

Despite these very encouraging forecasts, we believe there is still room for occasional periods of investor misgiving and doubt, even fear. The war is providing just such an interval. And the historical record strongly suggests this is a year that is likely to deliver some potentially unnerving market volatility. As we've alluded to in this space before, in the 24 midterm election years in the U.S. starting with 1934, the market has typically experienced a correction in which the average drawdown from peak to trough was a little more than 20 percent.

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The S&P 500 typically rebounded strongly once those corrections had run their course, with the recovery upleg usually going on to set new all-time highs.

For a market that was up a blistering 44 percent (i.e., about 2,150 S&P 500 points) in the 10 months from April of last year to its recent January high—bested by Japan up 72 percent and Canada up 61 percent—the pullback so far is pretty much run-of-the-mill. Giving back one-third to one-half of the points gained wouldn't be unusual. While not yet overly long in elapsed time, we believe this correction is becoming progressively more oversold in terms of momentum and investor sentiment. However, as of this writing, we have not yet seen convincing signs of investor “capitulation,” which usually marks the end of an important pullback.

The energy of the rally off the eventual lows, its persistence, and the extent to which it is broad-based across most stocks and industries will likely tell the tale about whether new highs lie ahead for later in the year or whether more correction will be needed.

For our part, we think portfolios should remain committed to equities up to but not beyond an investor's long-term targeted exposure.

Regional equity perspectives

Kelly Bogdanova
San Francisco, United States
kelly.bogdanova@rbc.com

Matt Altro, CFA
Toronto, Canada
matt.altro@rbc.com

Frédérique Carrier
London, United Kingdom
frederique.carrier@rbc.com

Guy Foster, CFA
London, United Kingdom
guy.foster@brewin.co.uk

Thomas McGarrity, CFA
London, United Kingdom
thomas.mcgarrity@rbc.com

Jasmine Duan
Hong Kong, China
jasmine.duan@rbc.com

Nicholas Gwee, CFA
Singapore
nicholas.gwee@rbc.com

United States

The S&P 500 has declined 7.8% from the start of the U.S./Israel attacks on Iran on Feb. 28 through March 30. But it has held up a bit better than other developed equity markets in Europe and Asia, which are tied to economies significantly dependent on energy imports.

We're mindful that the RBC Capital Markets commodity strategy team assesses there is only a brief window of time until the Middle East crisis morphs into a more acute, longer-lasting global energy supply and price shock. If the crisis does not abate soon, we think the U.S. equity market would be vulnerable to a deeper selloff. Based on our [analysis of historical events](#), we think it is prudent for investors to consider that when military actions constrained Middle East oil supplies in 1973 and 1990, the S&P 500 declined about 16% during each instance and the corrections lasted longer than those associated with other military events.

Preceding the current crisis, technology-related stocks and the Financials sector sold off. Tech was dampened primarily by concerns that AI could threaten revenues of many software firms, and to a lesser degree by return on investment uncertainties for the hundreds of billions of dollars in AI capital spending already on the books. We think technology valuations now look

more attractive, and we anticipate strong earnings and revenue growth will persist into 2027, at least. Financials were impacted by stress in the private credit market, which is ongoing. However, the sector has outperformed the S&P 500 since the war began.

Given the lingering Middle East risks, we think it's prudent to hold a high proportion of quality stocks. These are stocks of companies with sturdy balance sheets, led by strong management teams who have weathered crises and business cycle shifts before. Within this category, we would emphasize companies that have consistently grown their dividends.

We continue to recommend a Market Weight allocation to U.S. equities, favoring the large-capitalization segment.

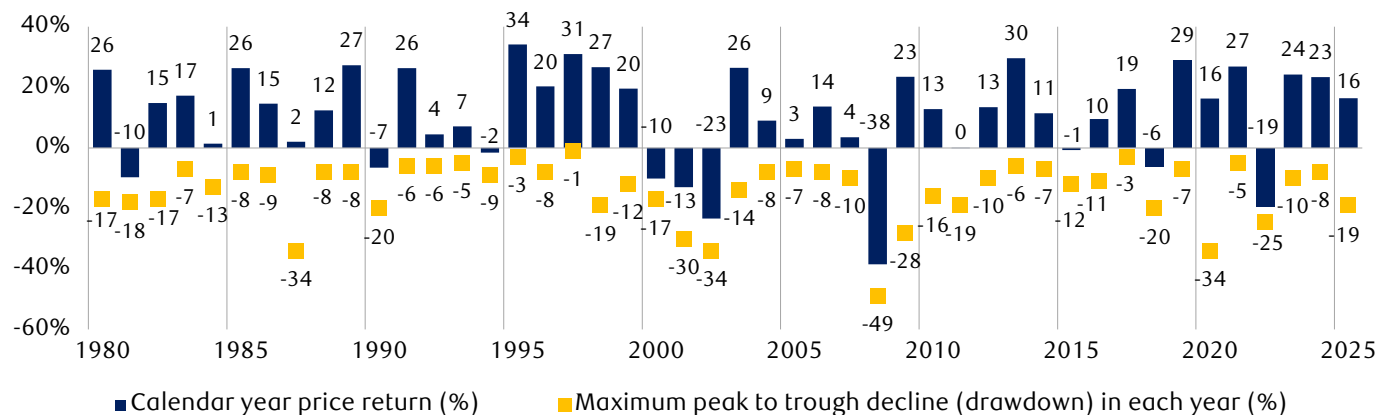
Canada

The S&P/TSX Composite has had a volatile start to the year, with the index reaching an all-time-high in early March before selling off amid the conflict in Iran and the wider Middle East region. While the index still sits in positive territory for the year, risks associated with global instability and inflation are front of mind.

Gold has climbed modestly higher year-to-date as the U.S. and Israel

Pullbacks and corrections are normal

S&P 500 performance and maximum drawdowns by year



Average maximum drawdown each year: 14%.

Source - RBC Wealth Management, Bloomberg; price return data (not including dividends)

REGIONAL EQUITY PERSPECTIVES

launched a coordinated military operation in Iran and the war widened. Amongst the many factors that have previously driven the price of gold to over \$5,000/oz, we think its role as a perceived “safe-haven” asset fits today’s investor playbook quite comfortably, and believe stronger gold prices are likely to persist. Furthermore, the inflationary environment propped up by the war’s impact on West Texas Intermediate (WTI) crude oil prices has supported gold too, as hard assets have historically tended to benefit from rising inflation.

WTI crude has floated around the \$100/bbl level as shippers avoided the Strait of Hormuz, a vital Middle Eastern shipping route that accounts for roughly 20% of global oil supply. Any further supply disruptions from direct attacks on Iran’s oil and natural gas infrastructure or counter attacks on Gulf countries’ energy infrastructure could exacerbate volatility and send energy prices even higher. These dynamics have boosted energy equities, with the S&P/TSX Energy Sector higher by over 35% YTD. When producers can receive more dollars per barrel produced, revenue and free cash flow grow and profit margins expand. As we have seen in previous cycles, management teams can then take a measured approach to deploying this windfall by paying down debt and

introducing accelerated shareholder return programs. While energy price shocks have historically not lasted very long, we think prudent and experienced management teams can take advantage appropriately.

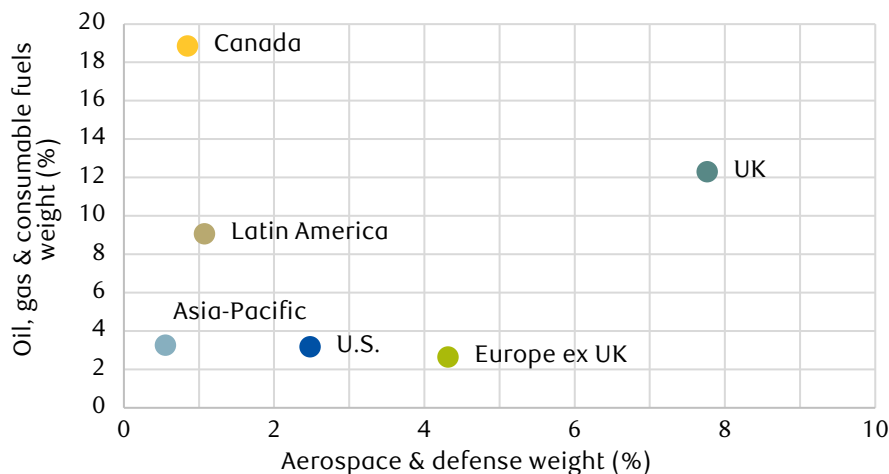
The potential for a quick and clean resolution to the Middle East crisis seems slim, in our opinion. But a portfolio padded with companies in defensive industries, led by tenured and capable management teams and with robust balance sheets, should be better positioned to weather the risks, in our view.

United Kingdom

It is often noted that the UK economy and UK equity markets have little in common. This is rarely more evident than during times of Middle East conflict. The UK economy is vulnerable to increases in global energy prices and particularly gas prices, so the pound and some other UK assets reflect expectations of weaker UK economic growth.

Within the equity market, though, we think the UK’s unique composition creates some upside potential. The UK’s distinguishing feature is a lack of technology stocks which means it has missed out on any positive AI trades. Many of the sectors that tend to have depth in UK indexes have been out of favour. As a result, the UK market tends to be under-owned by

The UK market has significant weightings to conflict-sensitive sectors



Source - RBC Wealth Management, Bloomberg

REGIONAL EQUITY PERSPECTIVES

institutional investors and exhibits relatively low valuations.

One example has been the Energy sector which had laboured in an oversupplied crude oil market for many months, but that narrative flipped dramatically during March with the onset of the Middle East crisis. While the Strait of Hormuz remains closed, supply shortfalls of crude and oil products are accumulating and will likely take months to rebuild, providing a positive macro narrative which now aligns with the micro narrative of generally improved capital discipline within the sector. The UK also offers defence exposure at a time when incidence of conflict has been rising and many advanced economies will be investing more heavily in their general security, as well as energy security. These factors go some way to explaining the UK's tendency to be a relatively defensive equities market.

Compared to most major markets, the UK has an unusual blend of high energy and defence exposure, as illustrated in the chart, which was beneficial during the last protracted market selloff in 2022. Since then, the UK has underperformed the broader global market but has exhibited lower risk as well. The result is that, on a risk-adjusted basis, the UK has been outperforming for the past three years and continues to offer a higher earnings yield.

Europe

Higher energy prices caused by the Middle East crisis are an unwelcome headwind for European equities. If sustained, they would weigh on the otherwise improving domestic outlook, even as Germany rolls out its large fiscal stimulus and efforts to strengthen the EU bloc's competitiveness gather pace.

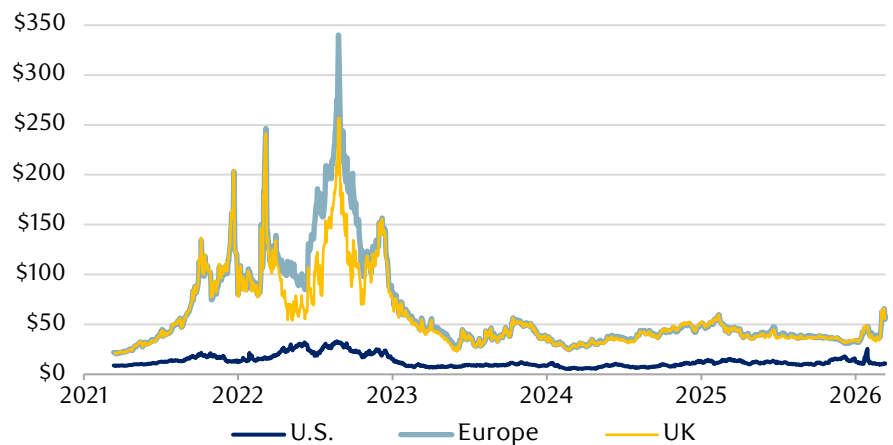
Energy price spikes tend to have a notable impact on the euro area economy due to the region's status as a net energy importer, its large manufacturing base, and the exposure of industrial electricity prices to natural gas costs. The actual impact will hinge on the conflict's durability, corporations' ability to pass on higher costs to consumers, and workers' bargaining power, in our opinion.

Interest rate expectations have shifted due to the conflict, with markets now pricing in three rate hikes this year, from none previously. For this region, the lesson from the 2022 Russia invasion of Ukraine was that energy price spikes cannot be simply looked through.

Policymakers remain alert to the energy price shock. The European Commission is considering wholesale energy price intervention while at the March summit, EU leaders reaffirmed their commitment to accelerating the expansion of bloc's renewable energy

Natural gas prices in the UK and Europe jumped recently, but remain much lower than during the early 2020s

Regional natural gas prices, U.S. dollars per megawatt-hour (MWh)



Source - RBC Brewin Dolphin, Bloomberg; data through 3/11/26

REGIONAL EQUITY PERSPECTIVES

capacity. Measures to improve the competitiveness of the bloc are also making progress, especially now that the reforms agenda benefits from renewed urgency.

The MSCI Europe ex UK Index has surrendered its early-year gains since the Middle East conflict began. We maintain our Market Weight stance with a six- to 12-month time horizon, but we recognize that the region may well underperform in the short term so long as hostilities continue.

For long-term investors, we view the recent weakness as a buying opportunity for our favoured medium-term market segments, including European stocks exposed to the region's fiscal impulse. We believe the substantial infrastructure upgrades required in the coming years provide strong tailwinds to Industrials, Materials, and banks in the years ahead, while valuations have recently become less stretched, and earnings revisions remain positive.

Asia-Pacific

Chinese equities have demonstrated resilience in the recent Middle East conflict. The country's low oil dependence in its energy mix and its estimated 100-day strategic oil reserve have made it less vulnerable to an oil crisis compared to many other Asian economies. The low inflationary environment in the past few years has left it more policy room in case higher energy prices drive up inflation.

China's economic indicators for January and February showed robust growth lifted by stronger-than-expected exports. Chinese exporters, in our view, could still enjoy tailwinds from the recent U.S. tariff reduction. However, the conflict could weaken global demand, and we believe the impact on export and corporate margins needs to be monitored.

The Chinese equity market's valuation looks attractive to us, and we believe it is providing a buffer to downside risks compared to regional peers, with the MSCI China

Index trading at 12-month forward price-to-earnings ratios at or near 10-year averages. Companies are in their fourth-quarter 2025 earnings announcement season. We think if Chinese corporates demonstrate upward earnings revisions, it would pave the way for a more sustainable rally in the coming quarters.

The immediate outlook for Japan equities is cloudy. The market has suffered a larger drawdown since the start of the Middle East crisis than other developed markets.

We think there are two drivers behind the underperformance. First, Japan's major indexes entered March at all-time highs driven in part by the landslide election victory of the incumbent government. The elevated levels have created opportunities for profit-taking.

Second, Japan is a net oil importer—more than 90% of its imported crude comes from the Middle East. The sharp rise in oil prices has a direct, negative impact on the economy. If the conflict drags on, we believe Japanese equities would remain under pressure. Higher oil prices could also affect the timing of the next Bank of Japan rate hike. In our opinion, industries most vulnerable to a prolonged conflict include banking and financial services, airlines and transportation, shipping, energy-intensive manufacturing, oil refiners and petrochemicals, and electronics and export-oriented industries.

Our local research correspondents estimate a 10%–20% increase in WTI prices—with peak levels of \$80–\$100/barrel lasting for several months—would exert a modest 1%–2% downward pressure on corporate earnings. Beyond the conflict, we expect investors to return their attention to the positive impact of Takaichi-nomics—elevating consumption and combatting inflation.

GLOBAL
Fixed income



Thomas Garretson, CFA
San Diego, United States
tom.garretson@rbc.com

Central banks going out for a hike

Key points

- Markets sharply repriced central bank expectations in March, flipping projections from further rate cuts this year to the potential for multiple rate hikes.
- One-month movements of this magnitude in sovereign bond yields have rarely occurred, with some regions seeing the highest benchmark 10-year note yields since 2008.
- For now, markets appear focused on inflationary risks of higher energy costs rather than downside risks to economic growth, but the outlook ultimately depends on the path and duration of the Middle East crisis.

There are few historical precedents for what transpired in fixed income markets over the course of March. At the end of February, they were largely priced for a relatively tranquil backdrop where most global central banks were at least likely to keep interest rates steady, if not biased toward further rate cuts this year. Not only has that narrative been flipped on its head, but markets are now bracing for the possibility of multiple interest rate hikes from multiple central banks.

The moves in the UK Gilts market best encapsulate the magnitude. The 2-year Gilt yield—a proxy for the market’s expectations of future short-term interest rates—rose by over 100 basis points (bps) to reach 4.57% on March 20, a magnitude seen

over such a short window only once before, during the UK’s 2022 “mini-budget” crisis under former Prime Minister Liz Truss. Meanwhile, the 10-year Gilt yield jumped by 77 bps to reach 5.0% for the first time since 2008.

The moves came on the back of the Bank of England meeting as policymakers indicated they “stand ready to act” amid rising energy and inflationary pressures. Elsewhere, there were comparable market reactions to similar sentiments from other central banks. As the chart below shows, markets are pricing multiple rate hikes across the board for many of the major central banks.

In the U.S., the impact of higher Treasury yields could be even greater. The benchmark 10-year Treasury yield

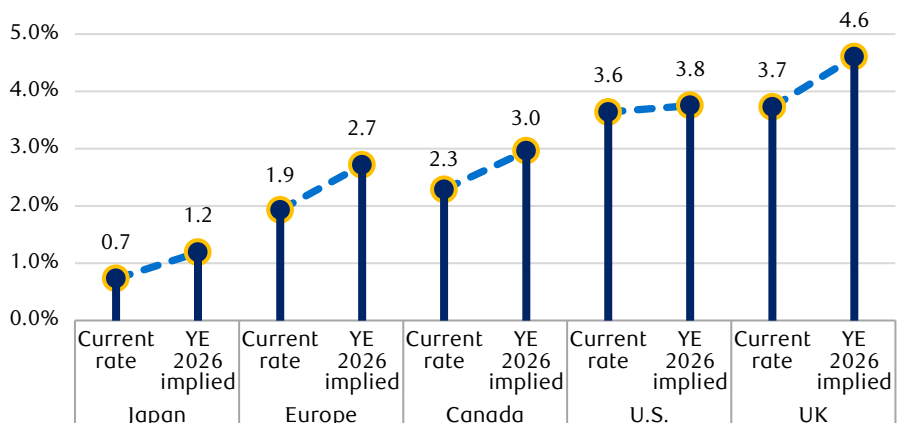
Fixed income views

Region	Gov’t bonds	Corp. credit	Duration
United States	–	–	1–3
Canada	+	–	3–7
Continental Europe	–	–	3–7
United Kingdom	=	–	3–7

+ Overweight; = Market Weight; – Underweight
Source - RBC Wealth Management

Markets now looking for interest rate hikes across the board in 2026

Current and market-implied year-end 2026 policy rates



Note: Implied policy rates based on December 2026 futures contract data.

Source - RBC Wealth Management, Bloomberg; data as of 3/20/26

GLOBAL FIXED INCOME

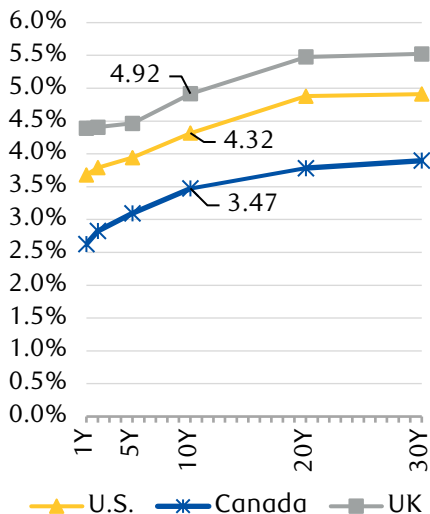
climbed by 38 bps in the month of March alone to 4.32%, the highest level since July 2025. And while the Federal Reserve is perhaps slightly more insulated from rate hike pressures, markets have flipped from pricing two 25 bps rate cuts this year to modest expectations of at least one rate hike this year.

Amid rising Treasury yields, the average yield on the Bloomberg US Aggregate Corporate Bond Index has already climbed to 5.1% from a 2026 low of just 4.70% in February. This increase comes at a time when we think hyperscalers will likely need to issue historically large amounts of debt to help fund the AI infrastructure buildout that has largely supported elevated consensus economic growth expectations, infrastructure spending, and consumer consumption via the wealth effect as stock markets rallied. We could see pressure if companies opt to dial back investment plans amid greater uncertainty and higher interest expenses.

In our view, the tariff burden on consumers, higher energy costs from rising oil prices, and the prospect of increased borrowing costs could leave the U.S. economy in a more precarious spot than it has been in for years.

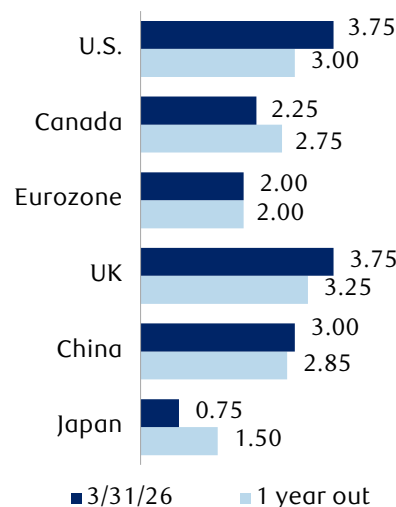
For now, markets appear more focused on the potential inflationary pressures of higher energy prices than on the potential negative economic impacts. While the recent market moves could be unwound just as quickly as they were put in place, we think that will be dictated by the outcome of the Middle East crisis and the peak and duration of higher energy costs.

Sovereign yield curves



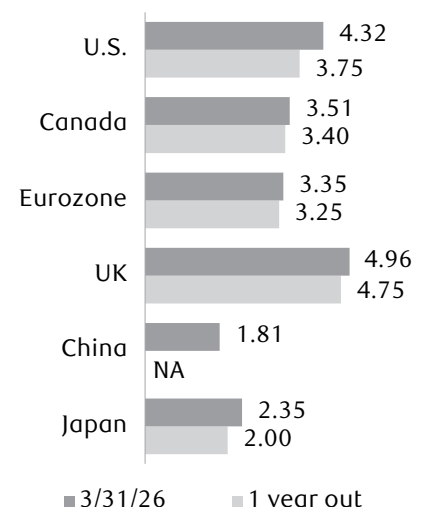
Source - Bloomberg; data through 3/31/26

Central bank rates (%)



Source - RBC Economics, RBC Global Asset Management, Bloomberg

10-year rates (%)



Note: Eurozone utilizes German Bunds.
Source - RBC Economics, RBC Global Asset Management, Bloomberg

Regional fixed income perspectives

Thomas Garretson, CFA
 San Diego, United States
 tom.garretson@rbc.com

Brett Feland
 Toronto, Canada
 brett.feland@rbccm.com

Rufaro Chiriseri, CFA
 London, United Kingdom
 rufaro.chiriseri@rbc.com

Shawn Sim
 Singapore
 shawn.sim@rbc.com

Belmen Woo
 Singapore
 belmen.woo@rbc.com

United States

The Federal Reserve is facing more than one shakeup this quarter. In February, traders were pricing in at least two more 25 basis points rate cuts from the Fed, but given spiking oil prices and global inflation concerns, they have begun pricing in the potential for a rate hike this year. We maintain our call for no rate cuts this year, while we think the bar for rate hikes is still quite high.

At the same time, the April 28–29 meeting was supposed to be Jerome Powell’s last as Fed chair. But amid ongoing lawsuits, Powell has stated that he has no plans to leave until the investigation is “well and truly” over. Senator Thom Tillis has maintained his unwillingness to hold a vote on Kevin Warsh’s nomination as Fed chair until the investigation concludes. That means Powell could remain as chair pro tempore beyond the mid-May end of his chairmanship term under current guidelines, while we think ongoing political pressure on the Fed could mean Powell ultimately opts to serve out his term as a Fed governor until 2028.

The benchmark 10-year Treasury yield has climbed to 4.32% at the end of March having traded as low as 3.92% in February. On top of rising Treasury yields, credit spreads—or the yield compensation over Treasuries for

implied credit risks—have widened, pushing the yield on the Bloomberg US Corporate Bond Index back above 5.0% for the first time since July 2025. We would remain cautious on corporate bonds as current valuations, with a spread of just 0.8% to Treasuries as shown in the chart, appear too rich relative to an average spread closer to 1.2% over the past decade amid heightened geopolitical and economic risks.

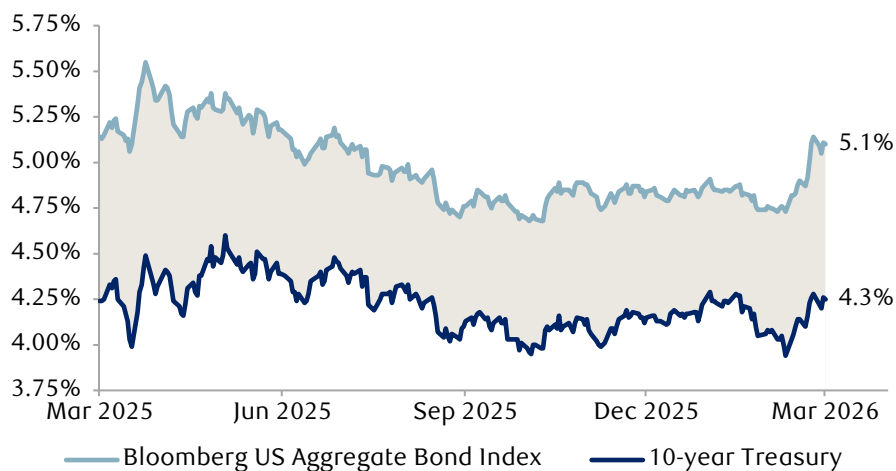
Canada

A stronger-than-expected November Canadian jobs report showed unemployment declining to 6.5% and sent short-term Canadian bond yields rising. Even after a 275 basis points easing cycle, markets began to price in the possibility of a Bank of Canada (BoC) rate hike by the end of 2026. Over the first two months of 2026, however, markets pared back these expectations, and yields fell. Ongoing U.S. trade policy tensions and geopolitical uncertainty continued to weigh on Canadian economic sentiment. By the end of February, markets were no longer expecting the BoC to hike rates this year.

However, the start of the crisis in the Middle East caused markets to reverse course again, as short-term yields surged on higher inflation expectations due to elevated oil prices. Markets are once more pricing

Fixed income yields rise as traders dial back Fed rate cut expectations

Yield comparison of corporate bonds and U.S. Treasuries



Source - RBC Wealth Management, Bloomberg; data through 3/19/26

REGIONAL FIXED INCOME PERSPECTIVES

in interest rate hikes by the BoC by the end of the year. At the same time, other macroeconomic data do not appear to support the case for hikes. Canadian GDP contracted by 0.6% in Q4 on an annualized basis, and while early data for 2026 suggests a resumption of growth, it does appear to be tracking below the BoC's estimates from January. Unemployment crept back up to 6.7% in February, and before the conflict, Canadian inflation was hovering near the BoC's 2% target, with continued signs of moderation in core inflation figures.

This puts the BoC in a difficult position. On one hand, raising interest rates too early risks smothering what meagre economic growth the country has, and pressuring an already-beleaguered labour market. On the other, if left unchecked for too long, high energy prices can work their way through the rest of the economy, leading to a more broad-based surge in inflation.

For now, the BoC remains on hold, and kept rates steady at its March meeting. Governor Tiff Macklem has noted that the BoC is willing to look through temporary energy price inflation, and we think it would take a significantly extended period of high oil prices to prompt the Bank to raise rates.

United Kingdom

The energy price spikes arising from the Middle East conflict present a fundamentally different challenge than the those which followed Russia's invasion of Ukraine in 2022. The UK is facing this price shock at a time of weaker consumer demand and less labour market tightness—lowering second-round wage risks compared to three years ago, in our view. Moreover, monetary policy is already restrictive at 3.75%. This different starting point gives the Bank of England (BoE) some room to assess the full inflationary impact before acting.

We see three scenarios for 2026. First, a severe but short-lived conflict

keeps inflation modestly above the BoE's 2% target, likely keeping the central bank on hold. Second, a prolonged conflict with limited oil and gas infrastructure damage and a quick restoration of energy supply chains accelerates inflation alongside weak growth, but keeps the BoE on hold and maintains a firm hawkish bias from policymakers. Third, and most severe, elevated energy prices, surging inflation, and contracting economic growth prompt modest rate hikes amid heightened second-round wage effects.

Market expectations have flipped from two rate cuts to nearly three hikes by the end of 2026. This repricing closely aligns with the most severe scenario; however, we think the market is underestimating the potential GDP growth contraction—limiting how much the BoE can realistically tighten policy.

The Treasury forecasts £252.1 billion of government bond issuance in the 2026–27 fiscal year (down from £303.7 billion the prior year). Critically, supply remains skewed towards shorter-dated bonds as structural pension fund demand for long-end Gilts has fallen. We think Gilts will remain vulnerable to volatility due to increased reliance on yield-sensitive investors (financial corporations, foreigners) to absorb supply, while also being sensitive to fiscal and geopolitical risks. For long-term investors, when valuations look stretched beyond the fundamentals, we think there are opportunities to allocate to Gilts and “lock-in” higher yields.

Credit spreads—the additional compensation for credit risk—have widened from tight levels and could widen further due to energy cost pass-through uncertainty and weaker economic growth. We prefer an Underweight position in corporate bonds until spreads are at what we would consider to be more attractive risk-adjusted levels.

REGIONAL FIXED INCOME PERSPECTIVES

Europe

The Middle East conflict and energy price shocks will continue to inject a hawkish bias into the European Central Bank's (ECB) policy outlook, in our view, given near-term inflation and growth risks. According to ECB board member Isabel Schnabel, throughout the year the central bank will focus on "the persistence of the energy-price shock, its impact on inflation expectations and any indication that firms start passing through higher input costs to their customers."

Thus, we outline three scenarios for 2026. First, a severe but short-lived conflict causing transitory deviations in inflation from the ECB's 2% target which would likely keep the central bank on hold. Second, a prolonged conflict with limited oil and gas infrastructure damage and a quick restoration of energy supply chains which would see inflation exceed the 2% target, growth weaken, and the ECB hike interest rates modestly above 2%—but at a gradual pace. Third, and the most severe, energy prices remain elevated, inflation soars, and GDP growth flattens or contracts, prompting aggressive ECB rate hikes amid second-round effects from rising wage demands. Market expectations for 2026 rate hikes have jumped from no hikes to around three—leaning towards the third scenario, but we think this is a little excessive at this stage given the potential negative impact on GDP growth.

Italy is the most sensitive to energy price shocks due to its reliance on imported natural gas and the energy-intensive manufacturing sector. Its sovereign bond yields will likely remain more volatile in the near term despite improvements in its fiscal balance. Elsewhere, sovereign spreads—the bond yield differentials relative to Germany—in Spain, Greece, and Portugal are at less tight levels, but we remain cautious on adding meaningful duration in the near term. We continue to prefer an Underweight position in European

sovereign bonds, though long-term investors can look to add to positions when valuations appear stretched.

Given the heightened market volatility, we continue to forecast a widening of investment-grade credit spreads—the additional compensation for credit risk—and a more pronounced widening in high-yield spreads. While spreads have widened to more attractive entry levels, we remain Underweight corporate credit given the volatile backdrop and uncertainty around the length of the Middle East conflict. Within corporate credit, we favour Telecoms, Utilities, and Financials.

Asia-Pacific

Asian credit markets have remained broadly resilient through Q1 2026 despite an uncertain global macroeconomic backdrop. Global rates volatility and a spike in energy prices due to the U.S.-Iran conflict have weighed on investor sentiment, but supportive market drivers, such as below-average bond issuance, have helped anchor the region's credit markets.

Asian investment-grade (IG) credit spreads have remained largely range-bound since the start of the year reflecting investors' defensive positioning. In contrast, Asian high-yield (HY) spreads have widened considerably (approximately 54 basis points YTD). HY spreads initially narrowed to historically tight levels (around 323 bps) in late January before concerns over the scale of bond issuance required to finance large AI capital expenditure programmes, private credit quality, and the ongoing Middle East conflict triggered a sharp reversal of about 110 bps. The divergence between IG and HY spreads highlights investors' continued preference for higher-quality credits as global funding conditions become more restrictive.

Recent data in China have shown tentative signs that economic growth may be regaining momentum. Most notably, retail consumption has improved on a year-over-year

REGIONAL FIXED INCOME PERSPECTIVES

basis while inter-regional travel remains robust. Policy signals from the recent “Two Sessions” annual meetings of the National People’s Congress and the Chinese People’s Political Consultative Conference, also reinforced the government’s commitment to keeping fiscal policy supportive but measured. While these signals are encouraging for macroeconomic stability, structural challenges in the property sector and uneven private sector confidence are likely to keep investors selective, in our view. As such, we believe credit differentiation will remain an important theme within China’s corporate bond market.

Japanese government bond (JGB) yields remain volatile and are again hovering near all-time highs as the Middle East conflict fuels inflation fears. As of March 30, the 10-year JGB is trading at approximately 2.34% while the 30-year is around 3.68%. Ten-year and 30-year JGB yields had previously stabilized at 2.07% and 3.30%, respectively, just before the conflict began, in the wake of a mid-January yield spike on fears about Japan’s fiscal health. Markets

continue to assess the policy outlook under the leadership of Prime Minister Sanae Takaichi, particularly with regards to fiscal policy, while volatility in global oil prices and the yen have added further uncertainty. Against this backdrop, we expect the JGB yield curve to remain steep as fiscal concerns persist and long-duration demand from institutional investors remains cautious.

Looking ahead, we believe Asian credit markets will remain attractive mainly because of the income investors can earn from holding the bonds, with yields high enough to make that strategy attractive. In an environment of moderate growth and ongoing macroeconomic uncertainty, we continue to favor high-quality Asian IG issuers while maintaining a more selective approach towards HY credit.

Commodities

Matt Altro, CFA
 Toronto, Canada
 matt.altro@rbc.com

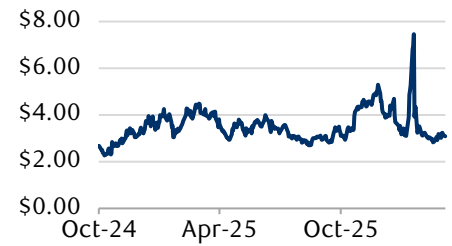
Crude oil: A volatile start to the year

Crude oil prices have had a volatile start to the year, as the war in Iran has pushed them to around highs not seen since mid-2024. Despite the conflict being telegraphed for many quarters, critical infrastructure and oil export pathways are now in the crosshairs. West Texas Intermediate (WTI) and Brent Crude have climbed over 60% YTD, with RBC Capital Markets calling for the chance of a prolonged conflict into the spring potentially driving oil prices beyond the 2022 high of \$128/bbl.



Natural gas: Potential for disruption

While headlines are typically crowded by commentary on oil prices during geopolitical conflict, natural gas faces the potential for major supply disruptions as well. Qatar supplies roughly 20% of the world’s liquefied natural gas (LNG). Due to the war, it has temporarily stopped production at its main facility. That said, the U.S. market is somewhat insulated from these price swings as the region is less exposed to global supply disruptions. The 2026 pricing estimate of US\$3.80/MMBtu, per RBC Capital Markets, sits higher than current price.



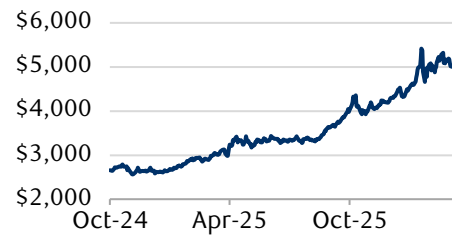
Commodity forecasts

Commodity	2026E	2027E
Oil (WTI \$/bbl)	56.00	62.00
Natural gas (\$/MMBtu)	3.80	4.00
Gold (\$/oz)	5,723	6,500
Copper (\$/lb)	5.88	6.00
Soybeans (\$/bu)	10.97	11.35
Wheat (\$/bu)	5.65	5.80

Source - RBC Capital Markets forecasts (oil, natural gas, gold, and copper), Bloomberg consensus forecasts (soybeans and wheat); data as of 3/16/26

Gold: Elevated

Gold has continued its ascent from 2025 levels as geopolitical uncertainty and financial market volatility has driven investors to seek a perceived “safe haven,” an area gold typically dominates. Beyond the continued central bank buying that drove much of the flows in 2025, we expect the heightened global conflict to result in 2026 being another year of elevated gold prices. RBC Capital Markets is forecasting a \$5,723/oz price for the year.



Copper: Indirectly impacted by conflict

Copper prices have been indirectly impacted by the war in Iran, as the spike in WTI has pushed inflation expectations higher, suppressing rate-cut potential and raising questions about global growth and capital spending. This, in turn, weighs negatively on copper as an industrial metal. That said, copper prices are backstopped to some degree by the “HALO trade” (Hard Assets, Low Obsolescence) as investors seek less-disruptable investments amongst the broader equity market volatility concentrated among issues at risk of AI disruption. RBC Capital Markets is forecasting a 2026 copper price of \$5.88/lb.



Chart source - RBC Wealth Management, Bloomberg; data range 10/10/24–3/16/26

COMMODITIES

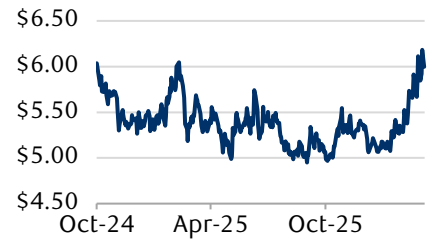
Soybeans: Strong demand

U.S. soybean ending stocks for 2025/26 sit unchanged as of this writing, according to the U.S. Department of Agriculture (USDA), but the supply and demand forecasts are higher by 5 million bushels. This increase is driven by strong domestic and foreign demand for soybean products, which has created competitive prices for soybean meal when compared to other feed ingredients. Bloomberg estimates \$10.97/bu in 2026.



Wheat: Higher production expected

Global wheat production for 2025–2026 is forecast higher by 300,000 metric tons, according to the USDA, driven by high production out of Ukraine and Kazakhstan, to be only modestly offset by Australia’s lower harvested acreage. Supplies have been abundant in most major exporting countries, resulting in the relatively low international wheat prices so far this year. Bloomberg estimates \$5.65/bu in 2026.



Currencies

Nicolas Wong, CFA
 Singapore
 nicolas.wong@rbc.com

Currency forecasts

Currency pair	Current rate	Forecast June 2027	Change
Major currencies			
USD Index	99.60	93.42	-6%
CAD/USD	0.72	0.76	5%
USD/CAD	1.39	1.32	-5%
EUR/USD	1.15	1.22	6%
GBP/USD	1.32	1.40	6%
USD/CHF	0.80	0.76	-5%
USD/JPY	159.00	141.00	-11%
AUD/USD	0.69	0.74	7%
NZD/USD	0.57	0.63	11%
EUR/JPY	183.00	172.00	-6%
EUR/GBP	0.87	0.87	1%
EUR/CHF	0.92	0.93	1%
Emerging currencies			
USD/CNY	6.90	6.74	-2%
USD/INR	93.90	92.50	-1%

Change is defined as the implied appreciation or depreciation of the first currency in the pair quote.

Source - RBC Capital Markets forecasts, Bloomberg; rates as of 3/31/26

U.S. dollar: Strength amid Middle East conflict and higher oil prices

The Middle East conflict triggered demand for the perceived safety of the dollar, while the oil supply shock also benefited the greenback due to the U.S. being a net energy exporter. RBC Capital Markets views this dollar strength as transitory, contingent on the duration and intensity of the Iran conflict. Should the geopolitical tension resolve, as some officials have indicated, we expect that underlying structural headwinds to the dollar—U.S. fiscal concerns, fading confidence in trade policy, and constraints on Fed independence—could reassert themselves.

Euro: Vulnerable to volatility in energy prices

EUR/USD fell from a peak near 1.21 in January to almost 1.14 as Europe’s heavy reliance on energy imports means the continent is greatly exposed to surging prices caused by the closure of the Strait of Hormuz. RBC Capital Markets has an unchanged forecast of 1.20 in Q4 2026 for EUR/USD but emphasizes that short-term risks are material and could weigh on the pair.

Canadian dollar: USMCA review on the radar

RBC Capital Markets maintains its forecast for USD/CAD to trade around 1.37 in H1 2026 but would adjust it depending on how long the Middle East conflict lasts. A joint review

of the USMCA will begin July 1. We believe there could be a small boost for the CAD due to reduced trade uncertainty if a deal with limited changes is reached. However, in our opinion, the CAD could weaken if the U.S. withdraws from the trade agreement.

British pound: Near-term energy uncertainty replaces fiscal risks

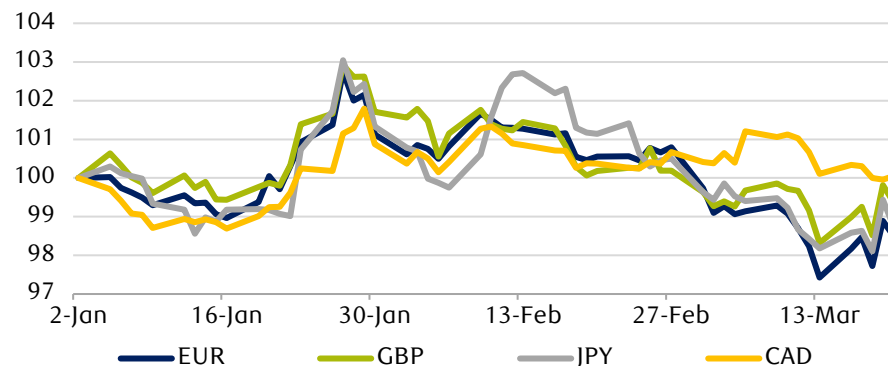
The pound could remain under pressure from energy price shocks due to the Middle East conflict, as the U.K. is a net energy importer. Further ahead, we see political risks, with the local elections in May representing a key test of Prime Minister Keir Starmer’s leadership. Should his Labour Party do poorly, we believe fears may resurface of an eventual change in government that could shift fiscal policy.

Japanese yen: Oil shock negative for Japan

Elevated crude prices driven by the Middle East conflict have caused the yen to weaken and could be damaging for Japan, which imports most of its energy needs. This, in our opinion, could force the Bank of Japan into a slower-than-expected tightening when the JPY needs to strengthen. The downside risks have clearly increased, and RBC Capital Markets notes that it may need to include further weakness in its forecast should the energy shock persist beyond March.

Indexed performance versus U.S. dollar (1/2/26 = 100)

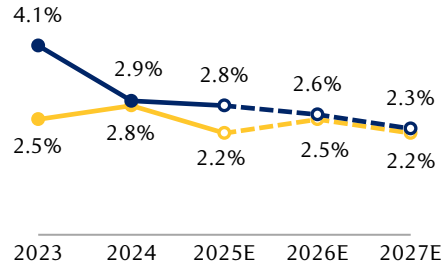
EUR, GBP, and JPY reversed earlier gains as currencies of energy-importing countries weakened following the spike in oil prices due to the Middle East conflict



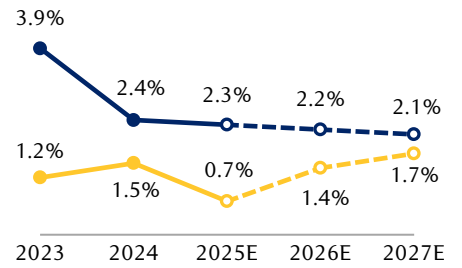
Source - RBC Wealth Management, Bloomberg; data through 3/20/26

KEY Forecasts*

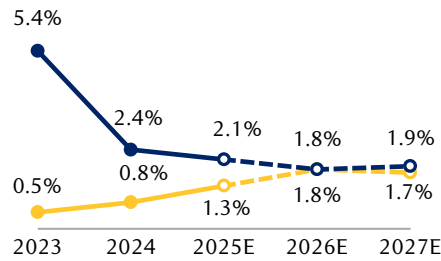
United States



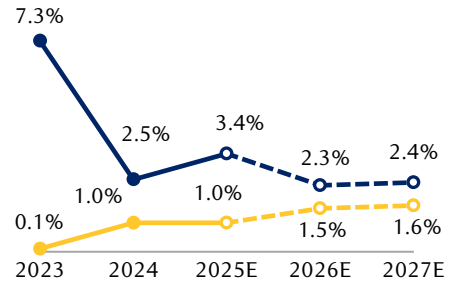
Canada



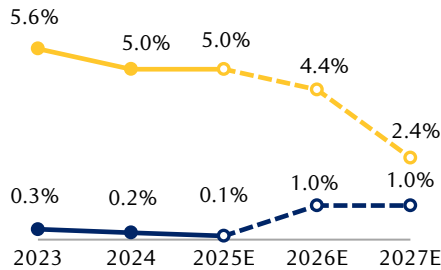
Eurozone



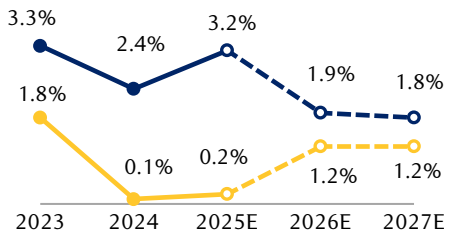
United Kingdom



China



Japan



—●— Real GDP growth

—●— Inflation rate

***Forecasts are currently under review.**

Source - RBC Global Asset Management, RBC Wealth Management, Global Portfolio Advisory Committee

Research resources

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David Storm, CFA, CAIA – Chief Investment Officer, British Isles & Asia, RBC Europe Limited

Yuh Harn Tan – Head of Discretionary Portfolio Management & UHNW Solutions, Royal Bank of Canada, Singapore Branch

Joseph Wu, CFA – Portfolio Manager, Multi-Asset Strategy, RBC Dominion Securities Inc.

Additional Global Insight contributors

Matt Altro, CFA – Canadian Equities Associate Advisor, RBC Wealth Management Portfolio Advisory Group – Equities, RBC Dominion Securities Inc.

Jasmine Duan – Senior Investment Strategist, Royal Bank of Canada, Hong Kong Branch

Brett Feland – Fixed Income Portfolio Advisor, RBC Wealth Management Portfolio Advisory Group, RBC Dominion Securities Inc.

Nicholas Gwee, CFA – Portfolio Strategist, Royal Bank of Canada, Singapore Branch

Guy Foster, CFA – Chief Strategist, RBC Brewin Dolphin, RBC Europe Limited

Thomas McGarrity, CFA – Head of Equities, British Isles, RBC Europe Limited

Shawn Sim – Head of Fixed Income, Royal Bank of Canada, Singapore Branch

Nicolas Wong, CFA – Head of FX, Asia, Royal Bank of Canada, Singapore Branch

Belmen Woo – Fixed Income Specialist, Royal Bank of Canada, Singapore Branch

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			Count	Percent
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