CIBC GLOBAL ASSET MANAGEMENT

CIBC US All-Cap Core Equity Strategy – Q226 Commentary

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US equity market performance

The second quarter of 2026 was marked by an exceptionally concentrated rally within US equity markets, driven almost entirely by the semiconductor sector. The primary catalyst was the ongoing build-out of AI infrastructure, which led to acute shortages in DRAM and NAND memory (the two foundational memory technologies that power modern computing). This supply crunch enabled memory companies such as Micron, SanDisk, and Samsung—previously commodity players struggling for profitability—to dramatically raise prices, resulting in substantial margin and earnings expansion. Micron, for example, saw its stock surge by 113% in just six weeks.

This rally was among the most concentrated seen in decades, presenting a challenging environment for active managers who were not heavily invested in memory stocks. The technology sector's dominance meant that funds underweight in these names generally underperformed. Outside technology, the broader market remained on firmer footing, supported by positive macroeconomic indicators: full employment, healthy consumer balance sheets, manageable inflation, and robust ISM numbers. Banks continued to pass US Federal Reserve stress tests, and there were no signs of an imminent US recession. The quarter also saw a calming effect from a ceasefire agreement, which contributed to a more risk-on environment, especially in semiconductors.

Portfolio trades during the quarter

During Q2, several notable trades and rebalancing actions took place within the portfolio:

- Robinhood was initiated as a new position. The company's first-mover advantage in financial services, particularly among younger investors, has propelled its customer base to 28 million—surpassing Morgan Stanley and Merrill Lynch combined although account sizes are much smaller. Robinhood continues to innovate, introducing services such as IRA matching, crypto lending, and agentic AI-powered trading. Recent growth in average account sizes and geographic expansion into Canada highlight its rising appeal to larger investors. The founder's substantial ownership and the company's strong profitability and growth further reinforce its investment thesis.
- Amazon was added to, based on its undervaluation (trading at less than 70 cents on the dollar and a P/E ratio of 23x versus peers like Walmart and Costco at 40x). Amazon's wide moat, best-in-class management, and secular growth are now increasingly driven by high-margin segments—cloud and digital ads. The company's innovation in silicon and satellite technology (competing with Starlink) offers additional upside. The mix shift toward higher-margin businesses is expected to drive operating margins upward from the low teens toward 20% over the coming decade.
- The portfolio remains overweight in hyperscalers, particularly Amazon, Google (Alphabet), and Microsoft, despite their underperformance this quarter. These companies are viewed as industry powerhouses with enduring growth prospects.

Outlook

Looking ahead, the structural backdrop for US equities remains healthy. The US consumer is strong, employment is robust, inflation is manageable, and banks are well-capitalized. While the Q2 rally was unusually concentrated in semiconductors, the broader market fundamentals suggest continued resilience.

Active management may remain challenging if market leadership continues to be narrowly focused. However, undervalued leaders such as Amazon, Nvidia, and Robinhood offer compelling opportunities. The portfolio's emphasis on innovation, secular growth, and strong balance sheets positions it well for a range of market environments. No signs point to a US recession in the near term, and the risk-on sentiment, particularly in technology and financial innovation, is likely to persist. As always, careful positioning and vigilance around sector concentrations will be key to navigating the quarters ahead.

About CIBC Global Asset Management

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[1] CIBC Global Asset Management (previously known as TAL Global Asset Management Inc.) was founded in 1972 as a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.

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