CIBC GLOBAL
ASSET MANAGEMENT

# Perspectives

## Quarterly economic views and asset class outlook

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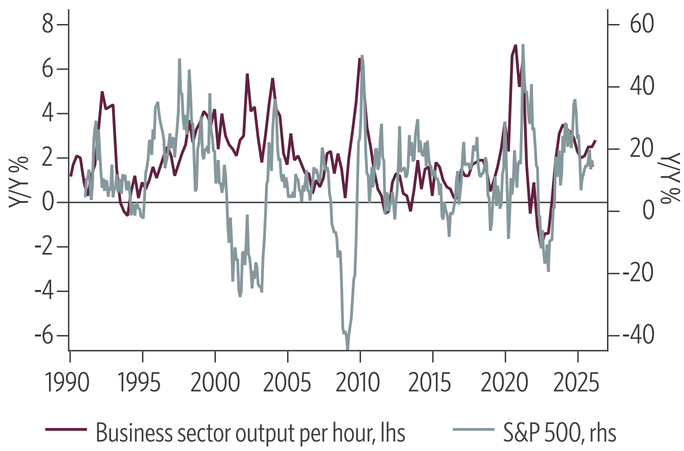
# Broadening global opportunities

## Global investment strategy: Key takeaways

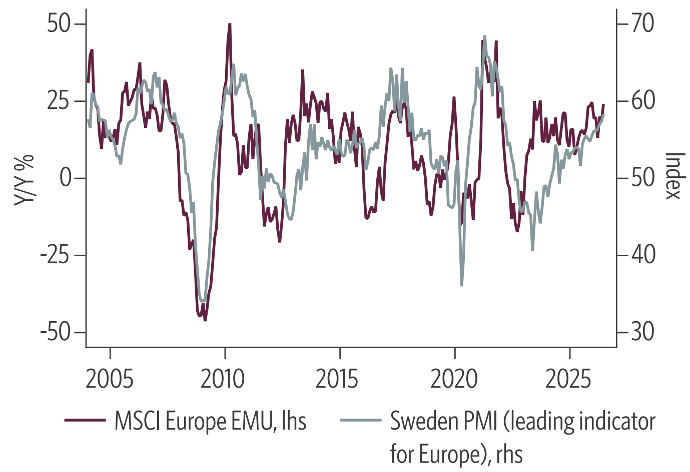
- **Geopolitics:** Our outlook assumes that a US–Iran ceasefire will hold despite episodic tensions. Iran's bargaining power is elevated but fading, as other Middle East producers reroute supply away from the Strait of Hormuz and other oil producers increase supply. The risks of a major escalation involving large-scale supply disruption remain contained. This would be a significant lose-lose outcome for both countries, as well as for China, which has both the incentive and ability to restrain Iran. We expect Brent crude to decline to about US$70/bbl over the next 12 months. In the near term, we expect oil prices to remain volatile around US$85/bbl.
- **Tactical investment strategy:** We maintain a slight tactical overweight recommendation in equities over fixed income. We expect performance to broaden. Our overweight stance applies across all major regions.
- Elevated US productivity should continue to support the S&P 500 **(Figure 1)**, while stronger global growth should provide tailwinds to non-US markets **(Figure 2)**. The tech outlook remains structurally positive but increasingly volatile, reflecting semiconductor supply chain cost pressures, lower token prices, and growing competition from Chinese AI (Kimi3) and chips (CXMT), amid elevated valuations. A speed bump for tech would likely cap the performance of the sector while supporting a broadening of equity performance.
- **Currencies:** Our view on the US dollar has become more nuanced with the US Federal Reserve (Fed) sounding more hawkish on inflation. Geopolitical flare-ups may also trigger episodic safe-haven demand. We are neutral on the EUR, JPY, and CAD, as rate differentials are unlikely to narrow and growth recoveries, while real, are only accelerating toward trend. Our tactical recommendation is to be neutral on the US dollar over the next 12 months. We continue to recommend a slight USD underweight relative to high-quality emerging market (EM) currencies.

**Figure 1: Elevated productivity: Tailwinds for stocks**




Sources: Bloomberg, Macrobond, CIBC Global Asset Management. Data as of July 13, 2026.

**Figure 2: Cyclical tailwinds for European equities**




Sources: Macrobond, CIBC Global Asset Management. Data as of July 13, 2026.

## Capital Markets outlook, next 12 months (tactical allocation, relative to a generic SAA)

| Market | Underweight | Underweight bias | Neutral | Overweight bias | Overweight |
|---|---|---|---|---|---|
| **Equities** | | | | ✓ | |
| US | | | | ✓ | |
| Canada | | | | ✓ | |
| Europe | | | | ✓ | |
| Japan | | | | ✓ | |
| EMs (ex. China) | | | | ✓ | |
| China | | | | ✓ | |

| Market | Underweight | Underweight bias | Neutral | Overweight bias | Overweight |
|---|---|---|---|---|---|
| **Fixed Income** | | ✓ | | | |
| US 10y Gov. Bonds | | | ✓ | | |
| Canada 2y Gov. Bonds | | ✓ | | | |
| Canada 10y Gov. Bonds | | ✓ | | | |
| Germany 10y Gov. Bonds | | ✓ | | | |
| EM Bonds (local currency) | | | | ✓ | |
| US High Yield | | | ✓ | | |

| Market | Underweight | Underweight bias | Neutral | Overweight bias | Overweight |
|---|---|---|---|---|---|
| **USD** | | | ✓ | | |
| CAD | | | ✓ | | |
| EUR | | | ✓ | | |
| JPY | | | ✓ | | |
| CNH | | | | ✓ | |
| Cyclical currencies* | | | | ✓ | |

| Market | Underweight | Underweight bias | Neutral | Overweight bias | Overweight |
|---|---|---|---|---|---|
| **Commodities** | | | ✓ | | |
| Oil | | ✓ | | | |
| Copper | | | ✓ | | |
| Gold | | | ✓ | | |

* cyclical currencies such as BRL, HUF, and KRW.
Investment outlooks may differ from actual portfolio positioning depending on market conditions and portfolio constraints. For illustrative purposes only.
Source: Bloomberg, CIBC Global Asset Management Inc. Data as at July 13, 2026.

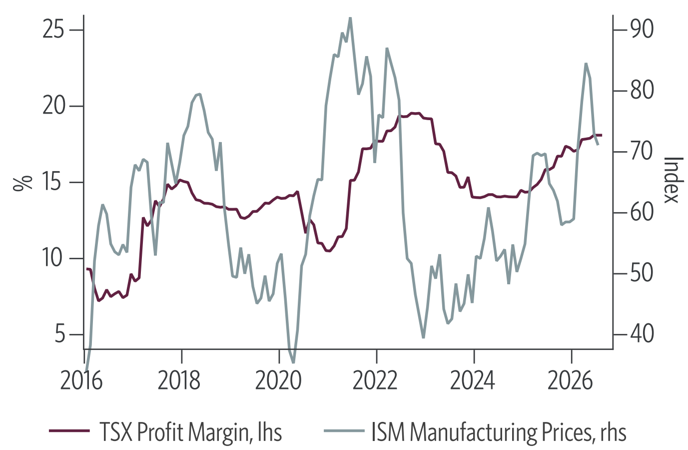
# Global investment strategy: Other details

## Canadian equities

Beyond energy, Canada offers diversified commodity and critical mineral exposure, providing a natural hedge against rising geopolitical risks and meaningful diversification from tech-heavy US markets. Elevated and sticky materials and manufacturing prices should remain a tailwind for Canadian stocks **(Figure 3)**, while free cash flow for energy producers is likely to remain well supported by oil prices that are expected to remain above pre-conflict levels. Additionally, Canadian resource and infrastructure policy is shifting from strategy to execution, creating medium-term tailwinds for energy, utilities, and infrastructure.

- A new crude oil pipeline project to the West Coast advanced materially, with Ottawa and Alberta agreeing on a 1 million barrels per day (b/d) project. This would increase oil export capacity by about one-fifth over the medium term.
- Meanwhile, data centre commitments in Alberta have surged, led by Meta's approximately C$13 billion Sturgeon County AI campus and the C$5 billion Greenlight gas-fired power plant built expressly to supply it, validating Alberta's low-cost, abundant energy as a competitive edge for AI-scale computing.

**Figure 3: TSX profit margins benefit from higher price**




Sources: Bloomberg, Macrobond, CIBC Global Asset Management. Data as of July 13, 2026.

## Fixed income

We recommend selective positioning. This includes:

- Neutral on US Treasuries; underweight other lower-yielding developed market government bonds (Canada, Europe, Japan). With global growth holding up, yields are likely to face limited downside.
- Neutral on US high yield. With expected returns of approximately 1.5 times those of Treasuries, they offer compelling compensation for default and liquidity risk in a late-cycle, non-recessionary environment, although upside is capped by tight spreads.
- A slight overweight in emerging market local currency (EM LC) bonds in countries with sound fundamentals, reflecting attractive yields, currency upside, and a supportive macro backdrop.

## Currencies

Our view on the US dollar has become more nuanced, with the Fed sounding more hawkish on inflation. Geopolitical flare-ups may also trigger episodic safe-haven demand. Our tactical recommendation is to remain neutral on the US dollar over the next 12 months. Improving global growth should cap the upside of the countercyclical US dollar. We are neutral on the euro, Japanese yen, and Canadian dollar over the next 12 months. Growth recoveries are genuine tailwinds but are insufficient to meaningfully boost these currencies, as all three economies are accelerating toward trend, not above it. The policy-rate backdrop is similarly muted: we expect only 25 basis points (bps) of tightening from each the European Central Bank, Bank of Canada, and Bank of Japan. Valuations are structurally attractive, but near-term breakout catalysts simply aren't there.

We maintain an overweight position in the Chinese renminbi and EM currencies. China's large and rising current-account surplus supports our view that the renminbi will appreciate; we project USD/CNY to trend toward 6.50. We remain constructive on high-quality EM currencies more broadly, supported by an improving global economy and healthy risk appetite. While geopolitical tensions warrant selectivity, EM economies have entered this environment with stronger external balances and improved inflation dynamics than in prior cycles.

# Global macro in a nutshell

**Global economy:** We project growth to improve from 2.9% in Q2 2026 to 3.2% by Q2 2027, supported by lower oil prices and continued investment in technology, defence, and supply-chain resilience.

**US:** The Fed's next move is expected to be a hike, not a cut, but only one. We expect a 25 bps increase, bringing the federal funds rate to 3.75%–4.00%. US growth is expected to average 2.1% year-over-year (y/y) over the next four quarters, above potential but slowing sequentially as investment and fiscal impulses fade. Slowing growth momentum should prevent the Fed from tightening further into restrictive territory. Core CPI should hover in a 0.2%–0.3% month-over-month (m/m) range, consistent with year-over-year inflation settling at 2.2%–2.5% by mid-2027. Headline inflation should print closer to 2% by mid-2027 as weaker oil prices feed through.

**Canada:** Growth is expected to remain subdued, averaging 1.3% year-over-year, an anemic pace below potential and somewhat below consensus. We are less upbeat than the consensus on investment acceleration, owing to lingering USMCA uncertainty. That said, we expect sequential improvement, supported in part by declining headwinds from immigration policies. We expect the Bank of Canada to hike by 25 bps in H1 2027, bringing the policy rate closer to neutral, driven by elevated wage growth and sticky core inflation, which we expect to average 2.3% over the next four quarters.

**Overseas:** In Japan and Europe, we expect growth to accelerate toward trend, supported by lower oil prices, accommodative monetary policy, and defence spending. In China, we expect modest acceleration above potential, underpinned by a widening trade surplus and faster infrastructure stimulus. Emerging economies should benefit from broadening domestic growth and spillovers from the global tech investment cycle, leaving many with constructive fundamentals and contained vulnerabilities.

# Authors

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## About CIBC Global Asset Management

CIBC Global Asset Management (CIBC GAM), the asset management subsidiary of CIBC, is one of Canada's largest asset managers. Established in 1972[1], CIBC GAM offers a broad range of investment solutions, including mutual funds, ETFs, portfolio solutions, alternative investments, discretionary investment management services for high-net-worth individuals, and institutional portfolio management. With teams across Canada and the US, CIBC GAM serves retail, high-net-worth and institutional clients in North America and institutional clients worldwide.

As of March 31, 2026, CIBC GAM managed $398 billion in assets under management.[2]

## Contact us anytime

**For more insights, follow us on LinkedIn and YouTube or visit the CIBC Global Asset Management website.**

[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.

[2] Includes $57 billion in notional currency, $125 billion in US PWM assets and $28 billion in third-party sub-advised assets. All figures in CAD. As at March 31, 2026.



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