CIBC GLOBAL ASSET MANAGEMENT

MIC drop: Views from the house

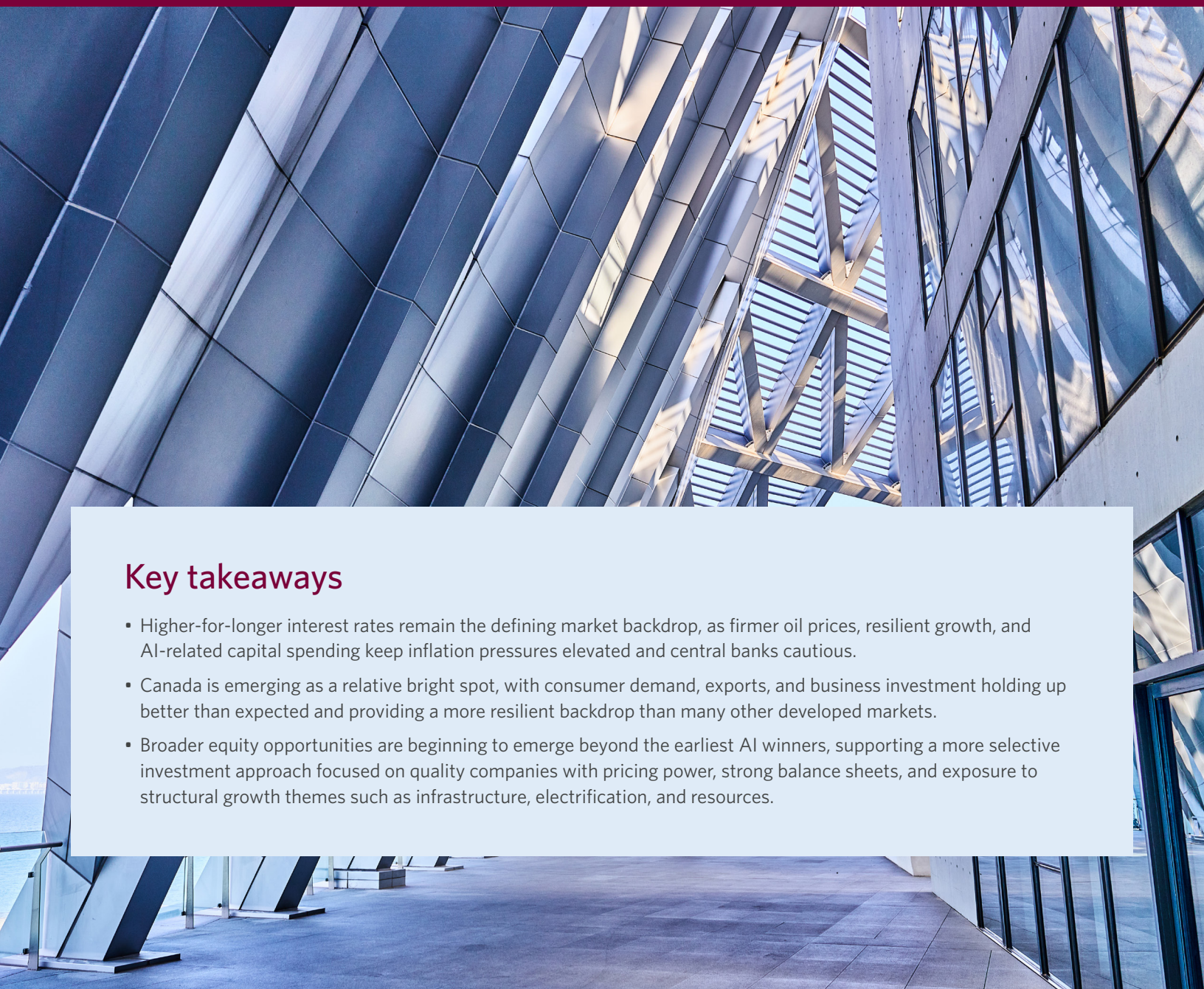
CIBC Global Asset Management monthly investment committee (MIC) commentary

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Key takeaways

- Higher-for-longer interest rates remain the defining market backdrop, as firmer oil prices, resilient growth, and AI-related capital spending keep inflation pressures elevated and central banks cautious.
- Canada is emerging as a relative bright spot, with consumer demand, exports, and business investment holding up better than expected and providing a more resilient backdrop than many other developed markets.
- Broader equity opportunities are beginning to emerge beyond the earliest AI winners, supporting a more selective investment approach focused on quality companies with pricing power, strong balance sheets, and exposure to structural growth themes such as infrastructure, electrification, and resources.

Normal for longer: How higher rates are reshaping markets

By now, "higher for longer" no longer feels like a passing weather system. Instead, it appears to be the climate investors have adapted to. Interest rates have remained elevated longer than many expected, changing sentiment across markets. However, this is not simply a story of rates staying high. Beneath the surface, the forces driving growth, inflation, and investment are pulling in different directions.

One of the clearest sources of pressure is energy. Higher oil prices are keeping inflation firmer than central banks would like, making it difficult—particularly for the US Federal Reserve (Fed)—to adopt an overly comfortable tone. However, this is not solely an oil story. Another powerful engine is now humming in the background: AI-related investment. Spending on chips, data centres, equipment, and electricity demand is becoming a meaningful macroeconomic force. In other words, the digital gold rush is no longer lifting only technology companies; it is also helping support growth and capital spending more broadly. At the same time, it is adding a little more heat to inflation. The path back to lower inflation is proving to be less of a glide path and more of an uphill hike.

That is what makes this cycle so unusual. From a distance, the economy still appears solid. However, beneath the surface, conditions are far less uniform. Higher-income households continue to spend. Large companies continue to invest. Together, these two groups are providing much of the support helping to keep the economy on steady ground. Meanwhile, lower-income consumers and the sectors of the economy most sensitive to borrowing costs are experiencing significantly more strain. For investors, this divergence matters. Headline data may suggest calm seas, but below deck the ride is bumpier than it appears. That is why selectivity remains important, even as the opportunity set begins to broaden.

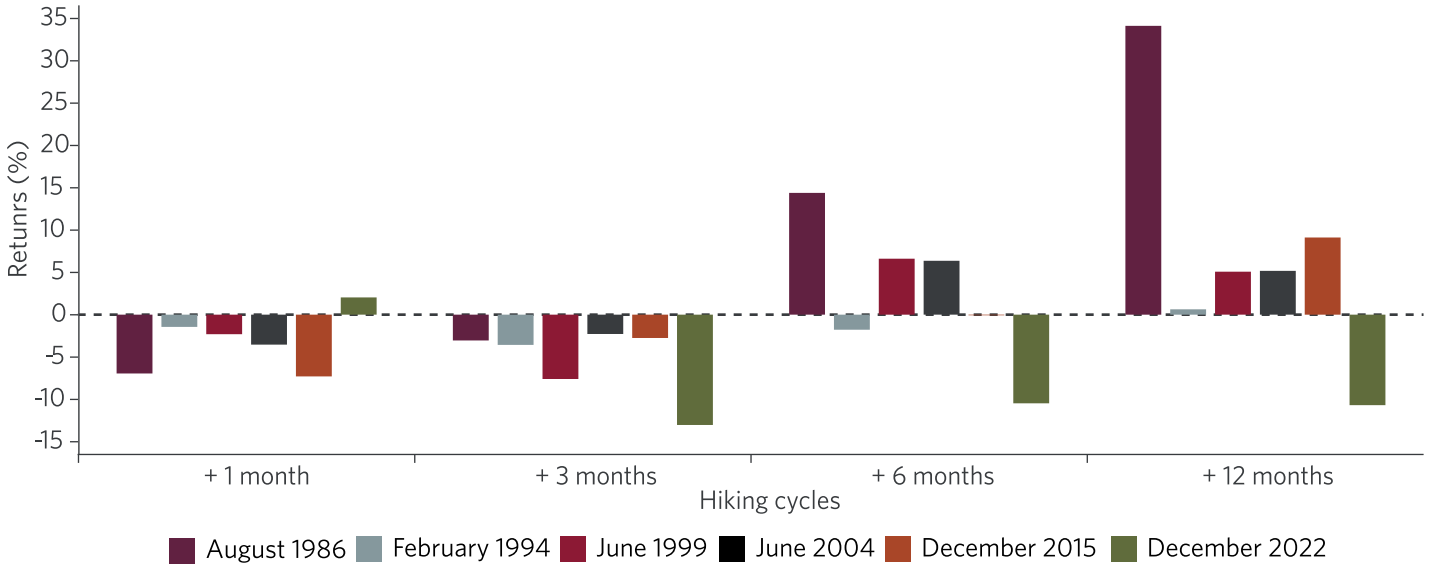
Against this backdrop, Canada stands out as a relative bright spot. In a global environment where many economies are facing more significant challenges, relative stability can be an advantage in its own right. Canada has shown more resilience than expected, with consumer demand, exports, and business investment holding up reasonably well, even as US tariffs are expected to weigh on activity. Canada also benefits from a strong pipeline of domestic investment, supported by policy measures and large-scale projects that reinforce the medium-term growth outlook. Importantly, this resilience has not been accompanied by the same degree of wage pressure that could make inflation meaningfully worse. That gives the Bank of Canada (BoC) some room to raise rates further while still operating within a neutral range, and it leaves Canada looking relatively attractive compared with more vulnerable regions, particularly Europe.

For investors, this does not argue for an outright bullish stance, nor does it call for retreat. Instead, it calls for discernment. Equity market leadership, which began as a narrow AI story, is starting to spill into adjacent areas through second-order effects. Infrastructure, power, industrial equipment, electrification, and parts of the resource sector are now increasingly part of the conversation. Put simply, the range of potential beneficiaries is expanding. Companies with durable earnings, pricing power, strong balance sheets, and exposure to these structural investment trends remain well positioned. By contrast, businesses tied to weaker consumers, thinner margins, or easy financing conditions may remain vulnerable if rates stay elevated and growth remains uneven.

History offers some comfort here. Equities do not necessarily weaken simply because the Fed is still tightening. In many past hiking cycles, markets have held up reasonably well once investors gained confidence that growth and earnings remained intact. However, this cycle appears more selective than most. Inflation is proving stickier, and policy easing may not arrive quickly. Even so, the range of opportunities appears broader than it did earlier in the cycle, as the benefits of AI-led and infrastructure-related investment begin to extend beyond the first wave of winners. This may no longer be a story about owning only the most obvious names in the hope that they continue to carry the market. A more effective approach may be to focus on the areas of the market most exposed to these broadening structural tailwinds, rather than relying only on narrow leadership or broad market exposure.

S&P500 performance following initial Federal Reserve rate hikes of prior hiking cycles (%):

S&P 500 price return in the 1 month, 3 months, 6 months and 12 months following the first rate hike across the past hiking cycles



Source: S&P Global. Data as of October 29, 2026.

Bottom line

The backdrop remains constructive for risk assets, but not in a simple or one-size-fits-all way. Higher oil prices, stronger AI-led investment, uneven consumer dynamics, and Canada's relative resilience all point to an environment in which central banks remain cautious even as opportunities broaden. In that environment, portfolio positioning should continue to emphasize quality, pricing power, structural growth, and resilience, while recognizing that market leadership is beginning to extend beyond the earliest AI winners.

CIBC Global Asset Management house views

Economic outlook

Our economic house view is the firm's consolidated macro outlook, bringing together our expectations for growth, inflation, policy rates, bond yields, currencies, and key market drivers into a single central scenario.

Country / Asset	Fall 12-Month Outlook	Commentary
US	Policy rate: 4.75% 10Y rates: 5.25% GDP 5.30%	In September, the team revised its outlook higher, increasing its Fed expectation from one additional hike in June to three (or two) further hikes after September. This revision was driven by a more persistent oil shock, stronger inflation spillovers, and firmer underlying growth. The outlook for 10-year rates was also raised materially, reflecting a higher-for-longer rate environment, while the nominal GDP outlook was little changed overall, as stronger real growth was offset by lower inflation.
Canada	Policy rate: 3.00% 10Y rates: 4.10% GDP: 4.20%	The team revised its Canada outlook higher in October, reflecting expectations for additional BoC tightening of 75 basis points (bps) and a higher path for 10-year yields in line with the global repricing of rates. The nominal GDP outlook was also revised higher, reflecting stronger real growth despite slightly lower inflation.
Brent Oil	$110–$125 (3-Mths); 90$ ave (12-Mths)	The oil range-outlook was revised higher in October, reinforcing the higher-for-longer macro backdrop. The conflict has persisted longer than expected, increasing the need for global inventory build-up in the months ahead.
USD/CAD	Neutral	We remain neutral on both the US dollar and Canadian dollar over the next 12 months. Near-term downside risks to the CAD remain, while US policy uncertainty may weigh on the USD.

Longer term investment themes

These longer-term investment themes capture the structural forces we believe will shape growth, inflation, earnings, and market leadership over the coming years.

Main Theme	Arguments
AI	AI and related capital spending represent a multi-year structural tailwind that should lift US trend growth, support corporate earnings, and keep bond yields relatively elevated. As adoption broadens beyond technology, AI should support earnings and margins across sectors while expanding return dispersion and stock-selection opportunities.
Powering AI	From an energy perspective, the AI infrastructure build-out is likely to be modestly inflationary over the next several years, as investment in data centers and power generation boosts demand for electricity, grid equipment, and skilled labor. Over time, however, broader AI adoption should become more disinflationary as productivity gains help offset some of these earlier price pressures.

Tactical views & risk allocation

While our long-term strategic asset allocation is designed for long-term goals (several years or more), tactical allocation allows us to adapt to recent market changes and take advantage of shorter term trends.

Tactical asset allocation (TAA) summary

Asset Class	View	Change in view	Arguments
TAA	Neutral equities versus bonds	Decreased	TAA positioning has shifted meaningfully, with the equity overweight reduced from 35% to neutral, mainly on fading cyclical signals.
Equities	Neutral	Decreased	We were overweight Korea, Singapore, Switzerland, Canada and the UK, but are now neutral relative to bonds.
Bonds	Neutral	Increased	We were underweight Canadian and US bonds but we are now neutral relative to equities.

Active Fixed Income & FX	View	Change in view	Arguments
Duration	Neutral to moderately overweight duration	-	Global 10-year bond yields are likely to remain range-bound over the next year, though at structurally higher levels than in recent cycles. As such, a neutral to moderately long duration position remains appropriate. Canadian government bonds, much like US Treasuries, continue to provide attractive all-in yields and meaningful diversification benefits as a hedge against recession risk.
Credit	Overweight	-	We remain constructive on corporate credit in a supportive global growth environment, favouring Canadian and global investment-grade and high-yield bonds for their attractive income potential relative to government bonds. We continue to prefer the two- to five-year portion of the curve, given its attractive risk-return profile.

Our long-term strategic asset allocation approach

We take a long-term approach to supporting a wide range of investment objectives by balancing growth potential, income generation, capital preservation, and diversification. Portfolios are built using a mix of asset classes, each playing a distinct role in managing risk and improving resilience across changing market conditions. Allocations are reviewed and refined on an ongoing basis to help ensure portfolios remain aligned with client objectives and evolving market opportunities.

Main asset classes	Arguments
Equities	**Why include them?** Stocks generally offer the best potential for long-term growth. By investing across Canadian, US, and international markets, portfolios can capture opportunities across regions and sectors. **Our approach:** We invest in a variety of sectors and regions, including technology, resources, and companies benefiting from trends like artificial intelligence and supply chain improvements. This way, if one area is struggling, others may be doing well.
Bonds	**Why include them?** Bonds provide steady income and help cushion portfolios when stock markets are volatile or falling. **Our approach:** We include a mix of government and corporate bonds, both in Canada and globally. Bonds are especially important during economic downturns, as they often hold their value better than stocks. We increased the weight of credit.
Privates & Alternatives	**Why include Private Credit?** Private credit often has floating interest rates, which means the returns can go up if interest rates rise. This helps protect portfolios from the impact of higher rates. **Benefit:** Private credit also tends to be less affected by the ups and downs of the stock and bond markets, adding stability. **Why include Private Infrastructure?** Private infrastructure can provide stable, predictable cash flows. Many investments have contracts that increase payments with inflation, which can help preserve value if prices rise. **Benefit:** These investments are less sensitive to economic cycles, making them a good source of steady returns. **Why include Private Equity?** Private equity offers access to innovative businesses and long-term growth opportunities that aren't available in public markets. **Benefit:** These investments can enhance portfolio returns over time and allow participation in new and emerging sectors. **What are Alternatives?** Alternatives include assets and strategies outside of traditional equities and bonds, such as real estate and absolute return strategies. **Why include them?** Alternatives can offer unique opportunities for growth and income, and they often behave differently than traditional investments. This further reduces overall portfolio risk.



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.

Contact us anytime

To learn how CIBC Global Asset Management can help you power meaningful investment outcomes, please contact your CIBC representative. For more insights, connect with us on LinkedIn and YouTube.

Explore more at cibc.com/gam.

[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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