Trend & Cycle: The Long View – August 2026

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All values in U.S. dollars and priced as of 4:00 pm on July 31, 2026, unless otherwise noted.

For Important Disclosures, see page 22.

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Wealth Management

Trend & Cycle: The Long View – August 2026

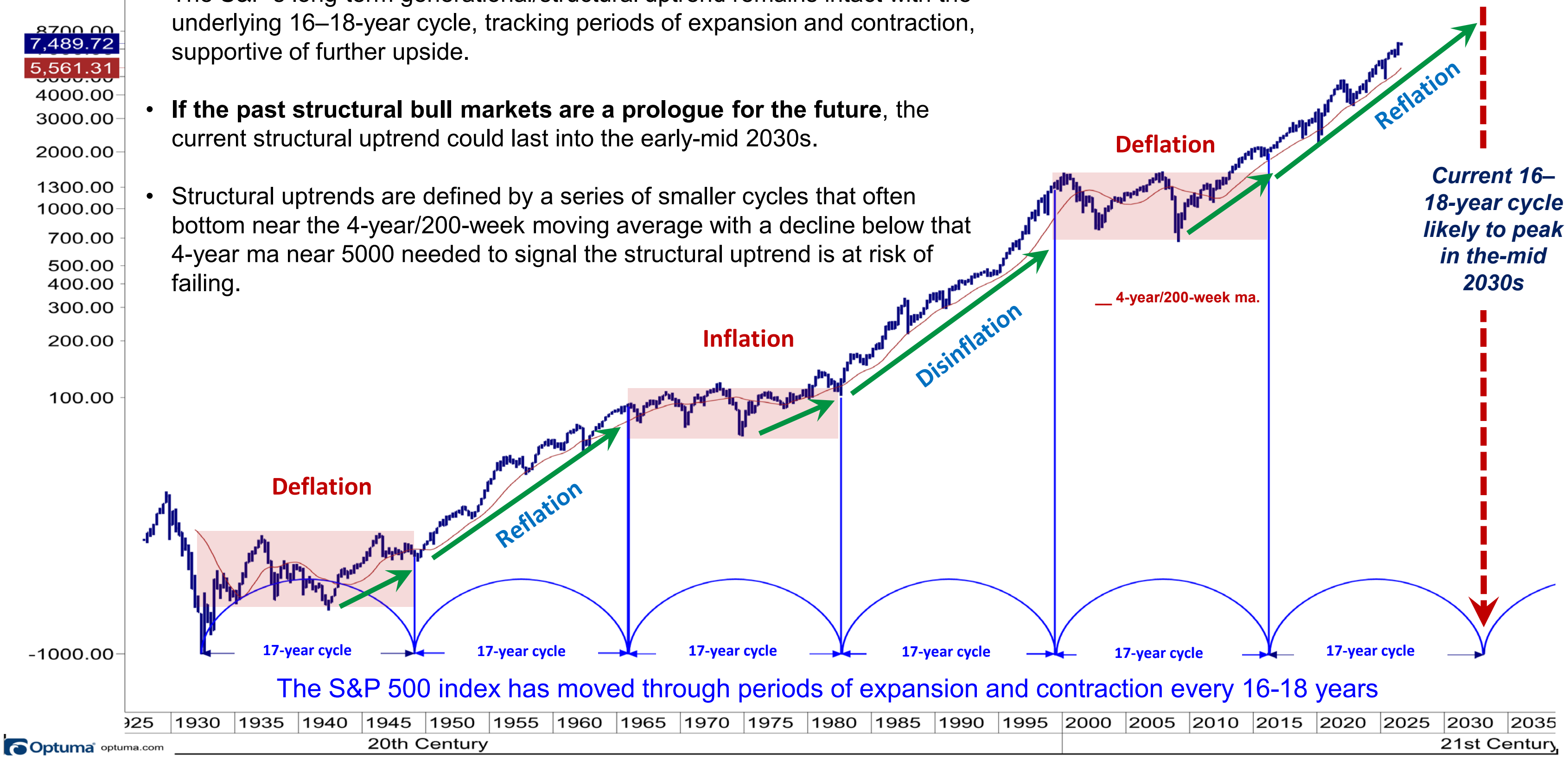
Structural Setup Remains Positive but Tactical Headwinds Mounting – The S&P 500's 16-18 year structural uptrend remains intact and we believe it is likely to support further upside into the mid-2030s. Two drivers of structural bull markets are demographics and productivity, and while the maturing population is considered a headwind, the evolution of AI may be a catalyst for productivity gains that could support the bull market into the 2030s.

The 4-year cycle and the risk of rising interest rates.

- **Uptrends are intact –** While the S&P 500 has stalled in a narrow range under its June highs near 7620, the underlying price trend for the cycle that began in Q4 2022 remains intact with breadth, as measured by advance-decline (A-D) lines, positive. While a break below the Q2 lows near 7200 would be needed to signal a deeper correction taking hold, we view a breakout above 7620 as likely in Q3.
- **Rates and the risk to the equity cycle –** Given that liquidity from central banks and the response to that liquidity by the economy are two important drivers of 3-4+ year equity market cycles, the recent rise in U.S. long-term interest rates is a risk to the equity current cycle that began in Q4 2022. Although the more important U.S. 10-year yield has yet to break out above its 2023-2026 trading range highs at 5%, the recent move by the U.S. 30-year yield above its Q4 2023 highs to 5.2% is a yellow flag that inflation is accelerating and central banks may need to raise interest rates in response.
- **Growth –** Although historically high market cap concentration and high valuations remain risks to growth stocks, it is still premature to conclude a major cycle peak has developed for Technology. Leadership has frayed, however, notably among the largest growth stocks, with some of the former Magnificent 7 no longer in positive technical trends. While the Semiconductor group is now oversold short term following the steep correction in Q2, we would caution investors from chasing this group given their cycle is well advanced with the recent lows at important downside risk control levels.
- **Cyclicals –** The Financial and Industrial sector remain in healthy uptrends but leaders within these sectors, such as brokers, banks, insurance, Aerospace and Defense and Machinery tied to AI infrastructure, remain in uptrends but are not timely from a technical standpoint. In contrast, while short-term pullbacks are likely to develop in Energy and Materials should the Middle East conflict deescalate, we view both sectors to be in healthy technical structures that serve as an inflation hedge within portfolio.
- **Defensive** sectors, notably Staples and Healthcare, were weak earlier in 2026 but Healthcare has recovered and Staples are oversold and bottoming. We view both to be defensive anchors to windward for investors to consider as a hedge against seasonal weakness that often develops for equity markets moving into Q4.

S&P 500 - Generational trends and cycles lasting roughly 16-18 years.

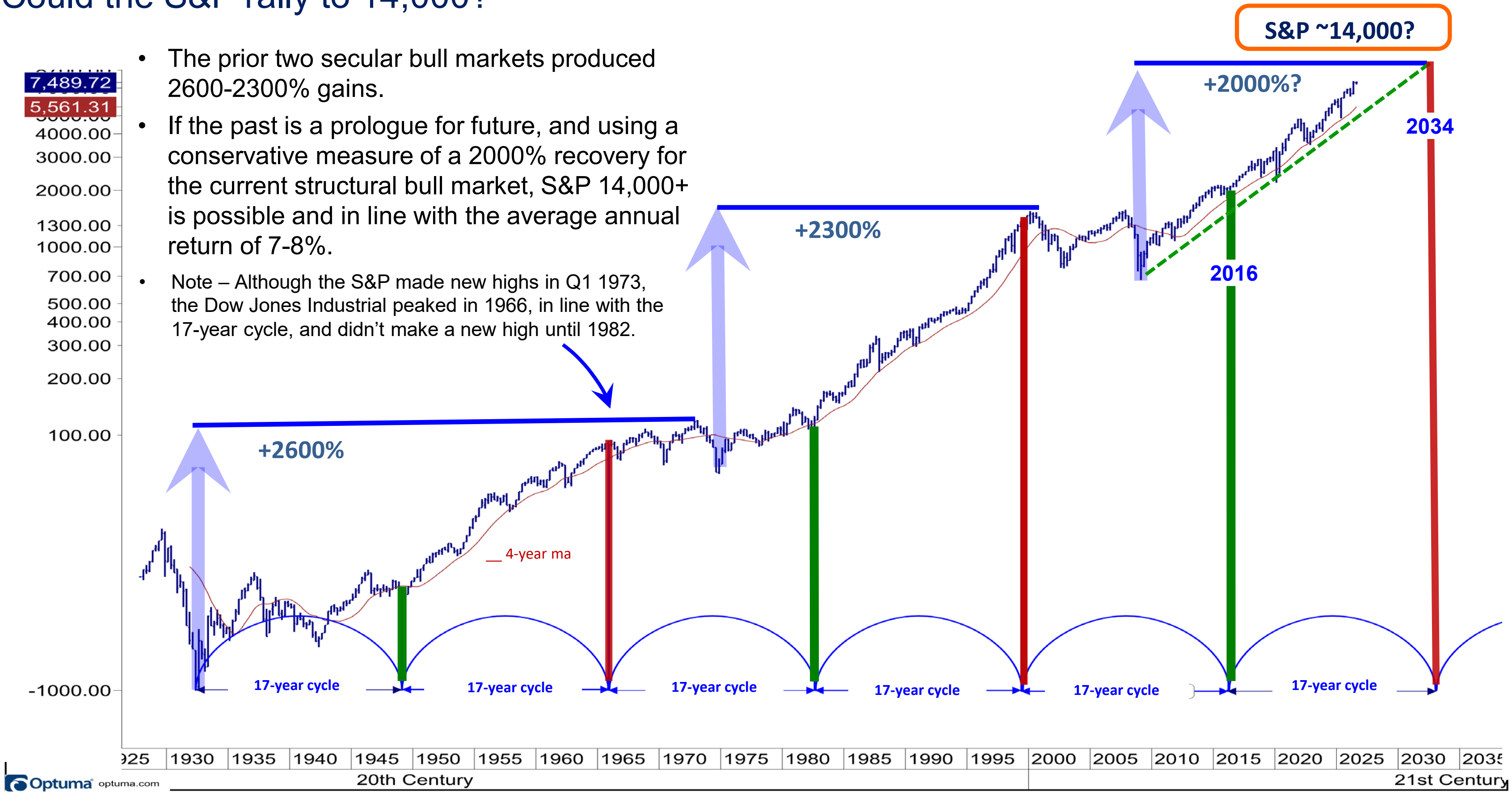
- The S&P's long-term generational/structural uptrend remains intact with the underlying 16–18-year cycle, tracking periods of expansion and contraction, supportive of further upside.
- **If the past structural bull markets are a prologue for the future**, the current structural uptrend could last into the early-mid 2030s.
- Structural uptrends are defined by a series of smaller cycles that often bottom near the 4-year/200-week moving average with a decline below that 4-year ma near 5000 needed to signal the structural uptrend is at risk of failing.



Source: RBC Wealth Management, Bloomberg, Optuma

Could the S&P rally to 14,000?

- The prior two secular bull markets produced 2600-2300% gains.
- If the past is a prologue for future, and using a conservative measure of a 2000% recovery for the current structural bull market, S&P 14,000+ is possible and in line with the average annual return of 7-8%.
- Note – Although the S&P made new highs in Q1 1973, the Dow Jones Industrial peaked in 1966, in line with the 17-year cycle, and didn't make a new high until 1982.



Source: RBC Wealth Management, Bloomberg, Optuma

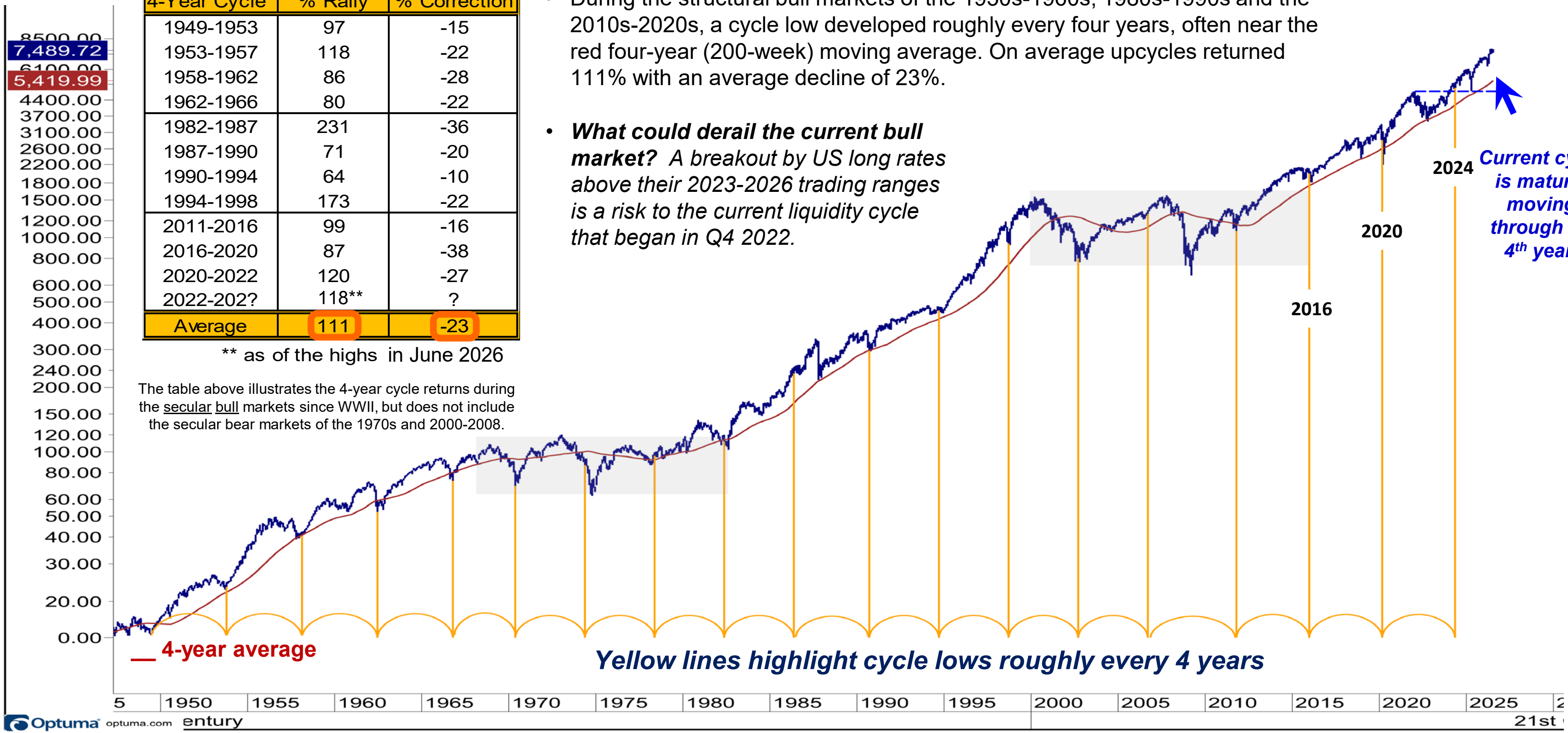
S&P 500 - A repetitive 3–4-year cycle driven by central bank **liquidity** and economic **growth**.

4-Year Cycle	% Rally	% Correction
1949-1953	97	-15
1953-1957	118	-22
1958-1962	86	-28
1962-1966	80	-22
1982-1987	231	-36
1987-1990	71	-20
1990-1994	64	-10
1994-1998	173	-22
2011-2016	99	-16
2016-2020	87	-38
2020-2022	120	-27
2022-202?	118**	?
Average	111	-23

** as of the highs in June 2026

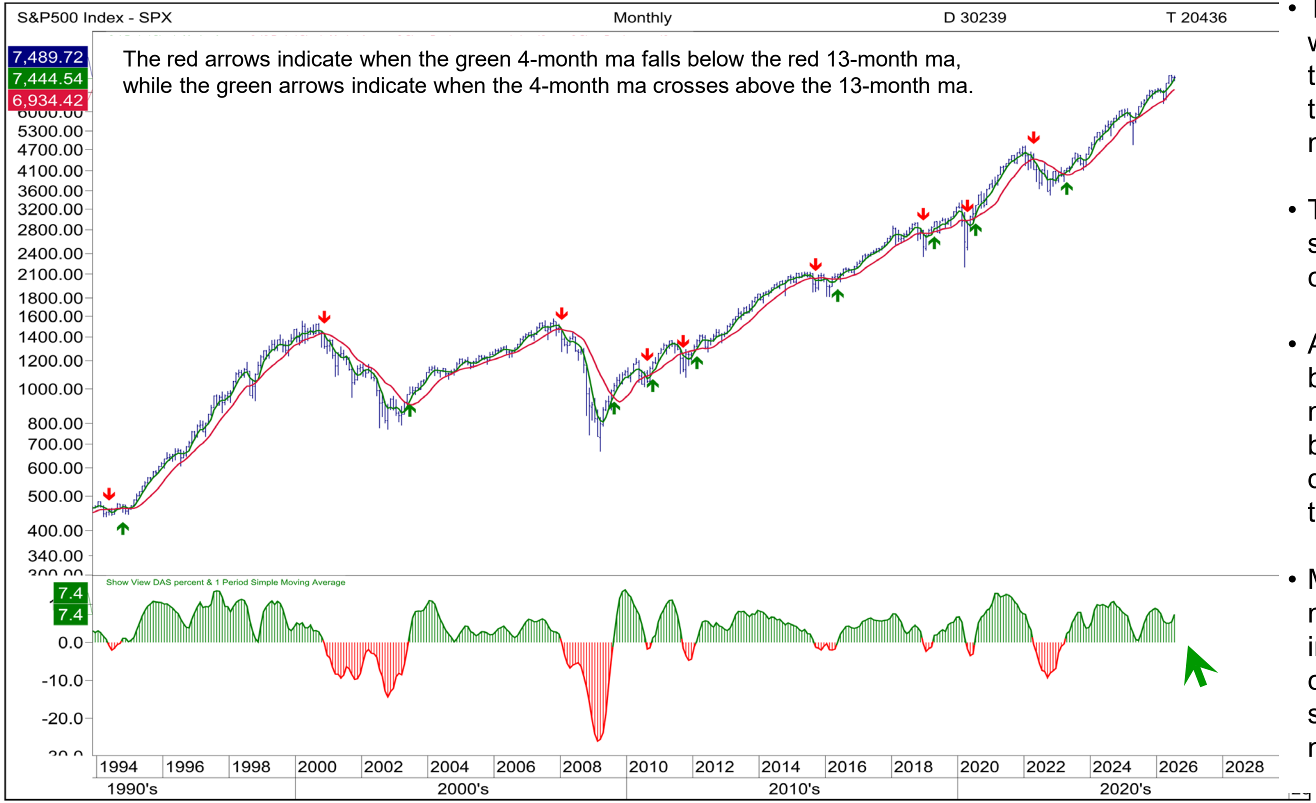
The table above illustrates the 4-year cycle returns during the <u>secular</u> <u>bull</u> markets since WWII, but does not include the secular bear markets of the 1970s and 2000-2008.

- During the structural bull markets of the 1950s-1960s, 1980s-1990s and the 2010s-2020s, a cycle low developed roughly every four years, often near the red four-year (200-week) moving average. On average upcycles returned 111% with an average decline of 23%.
- ***What could derail the current bull market?*** *A breakout by US long rates above their 2023-2026 trading ranges is a risk to the current liquidity cycle that began in Q4 2022.*



Source: RBC Wealth Management, Bloomberg, Optuma

S&P 500 Index – Tracking the market's trend with two moving averages.



- The S&P 500's uptrend remains positive with its shorter-term trend, measured by the green 4-month ma, above its longer-term trend, measured by the red 13-month ma.

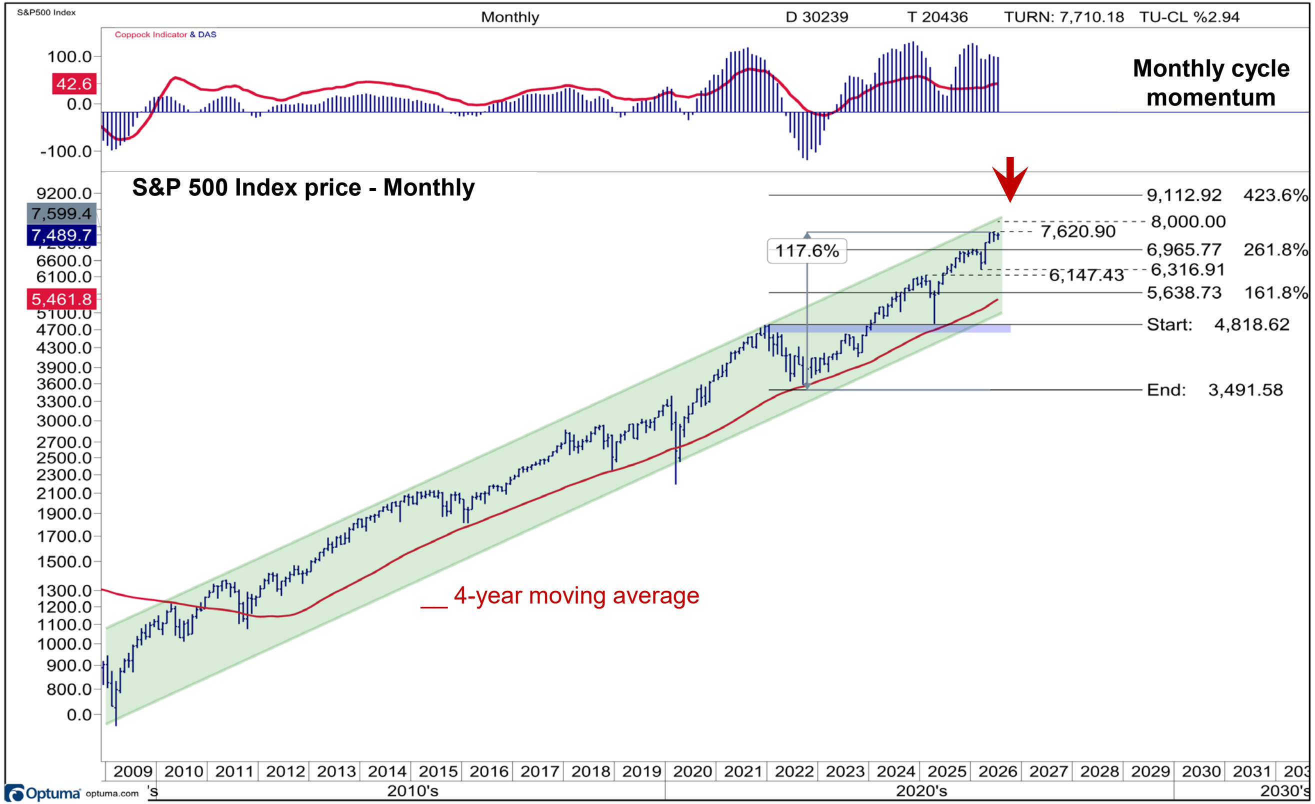
- To signal a negative trend reversal, the short-term 4-month ma would need to cross below the long-term 13-month ma.

- Another way to track the relationship between these moving averages is to measure the percentage difference between the two averages and plot the difference as a histogram, as illustrated in the bottom panel.

- Momentum has weakened in the past months but remains above the zero axis, indicating the trend is still positive with a cross below the zero axis needed to signal the current cycle's trend is turning negative.

Source: RBC Wealth Management, Bloomberg, Optuma

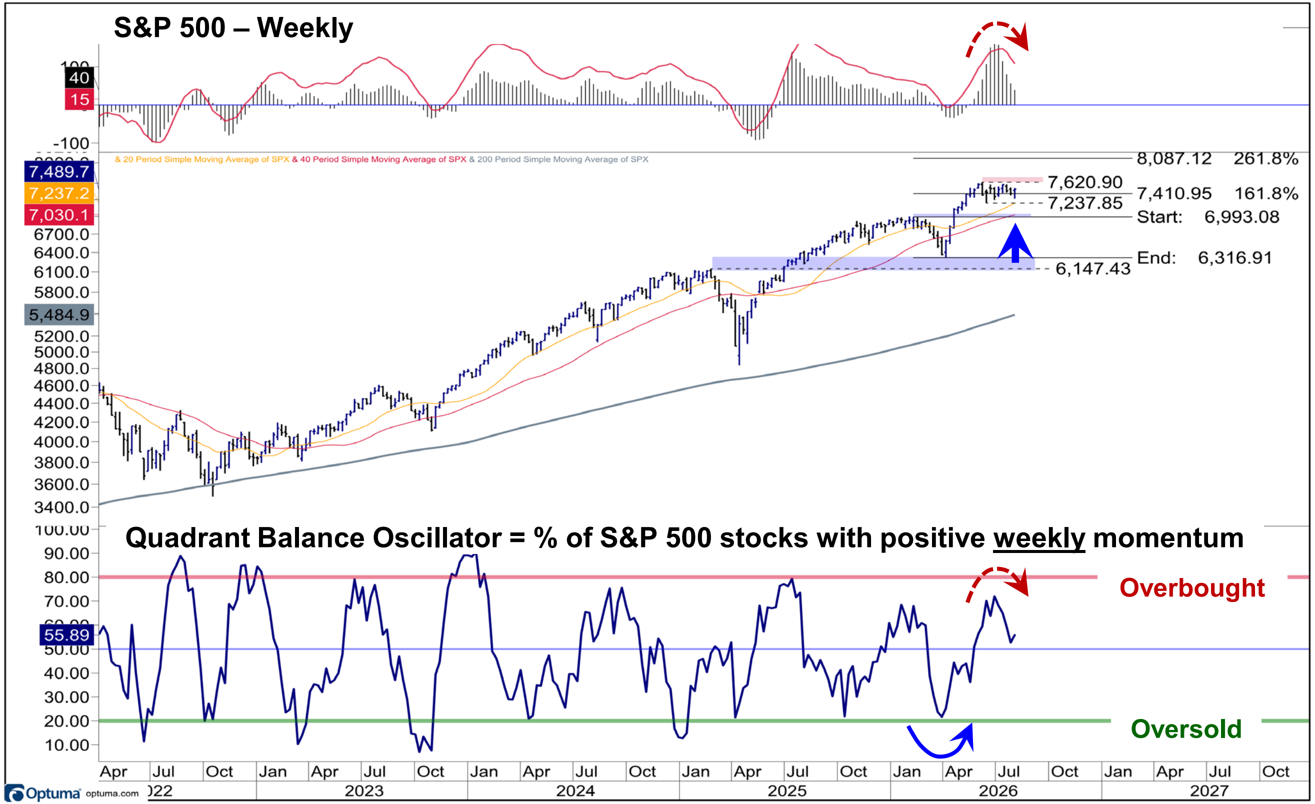
S&P 500 – Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- The S&P remains in an uptrend near the upper end of its longer-term channel with a consolidation underway below the Q2 highs at 7600.
- Although the current cycle that began Q4 2022 is well advanced moving through its fourth positive year and closer to the upper end of its 2009-2026 uptrend channel between 7500-8000, there is no evidence that the cycle is peaking.
- However, while a trend reversal has yet to develop, we view the breakout by the US 30-year yield above the 2023-2026 trading range as a risk to the current cycle that began in Q4 2022.
- First key support is near 7000 followed by a band between 6147-6317.

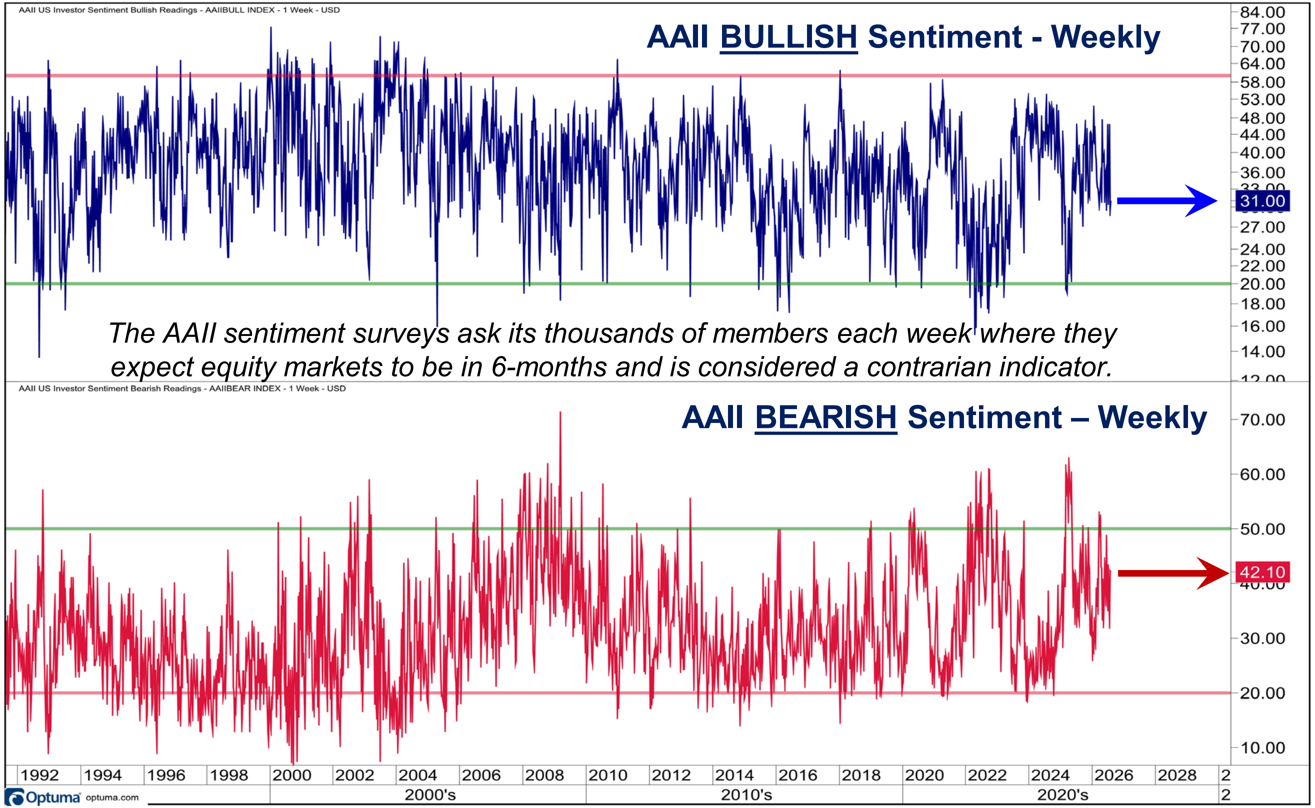
S&P 500 with weekly Quadrant Balance momentum



Source: RBC Wealth Management, Bloomberg, Optuma

- Weekly momentum indicators tracking 1-2 quarter swings (top and bottom panels) have turned down from overbought levels signaling the market and a growing list of stock are stalling following a strong Q2 rebound.
- Resistance remains near 7620 near the 162% extension level (7410) with support at its rising yellow 20-week ma at 7233 followed by the red 40-week ma at 7030.
- While there is still potential for the S&P to resolve its recent consolidation to the upside, investors should consider adding defensive exposure moving through mid-late Q3 in anticipation of further seasonal weakness that often develops heading into the U.S. mid-term elections.

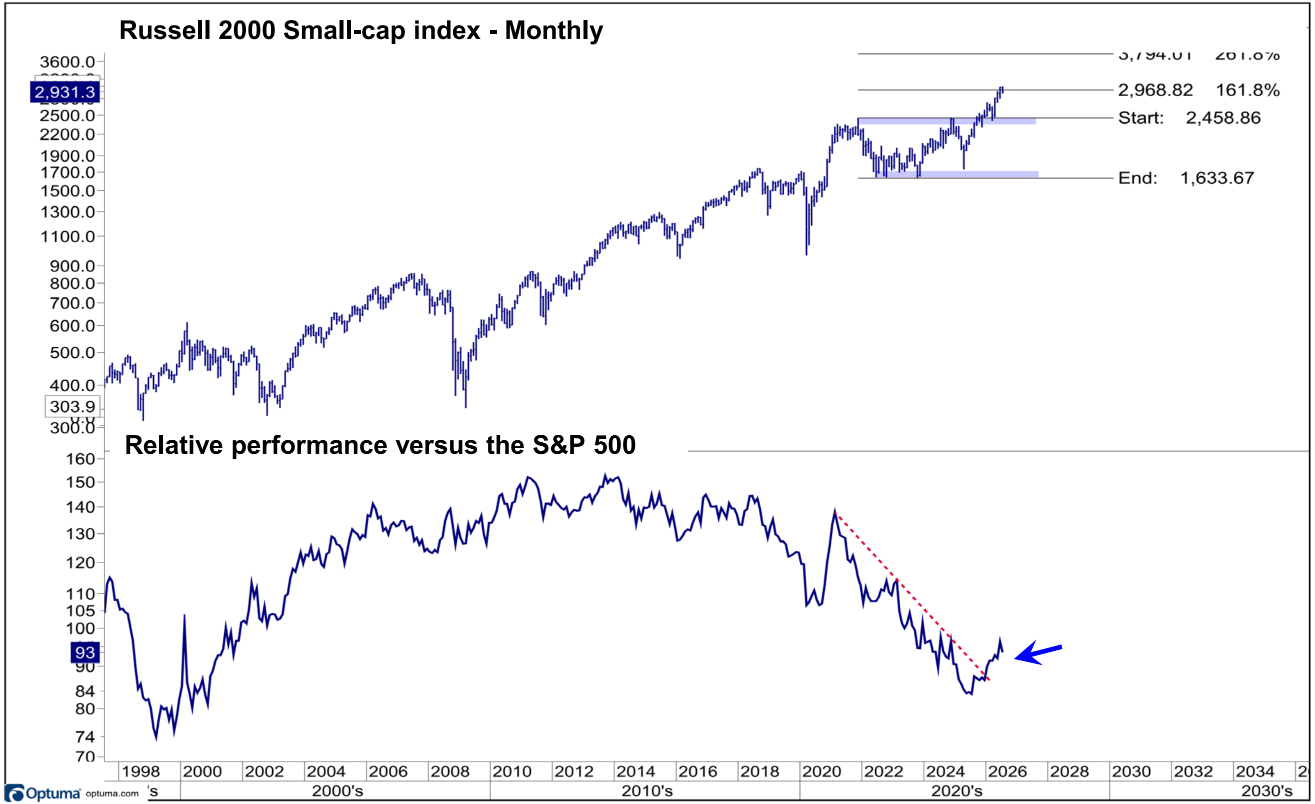
AAII US Bullish and Bearish Sentiment Survey



Source: RBC Wealth Management, Bloomberg, Optuma

- Bullish Sentiment readings have declined but are not yet at extreme levels that suggest a contrarian long entry level for stocks while…
- …Bearish Sentiment readings are rising moderately but also not at elevated levels to suggest pessimism is high enough to allocate new capital to equities.

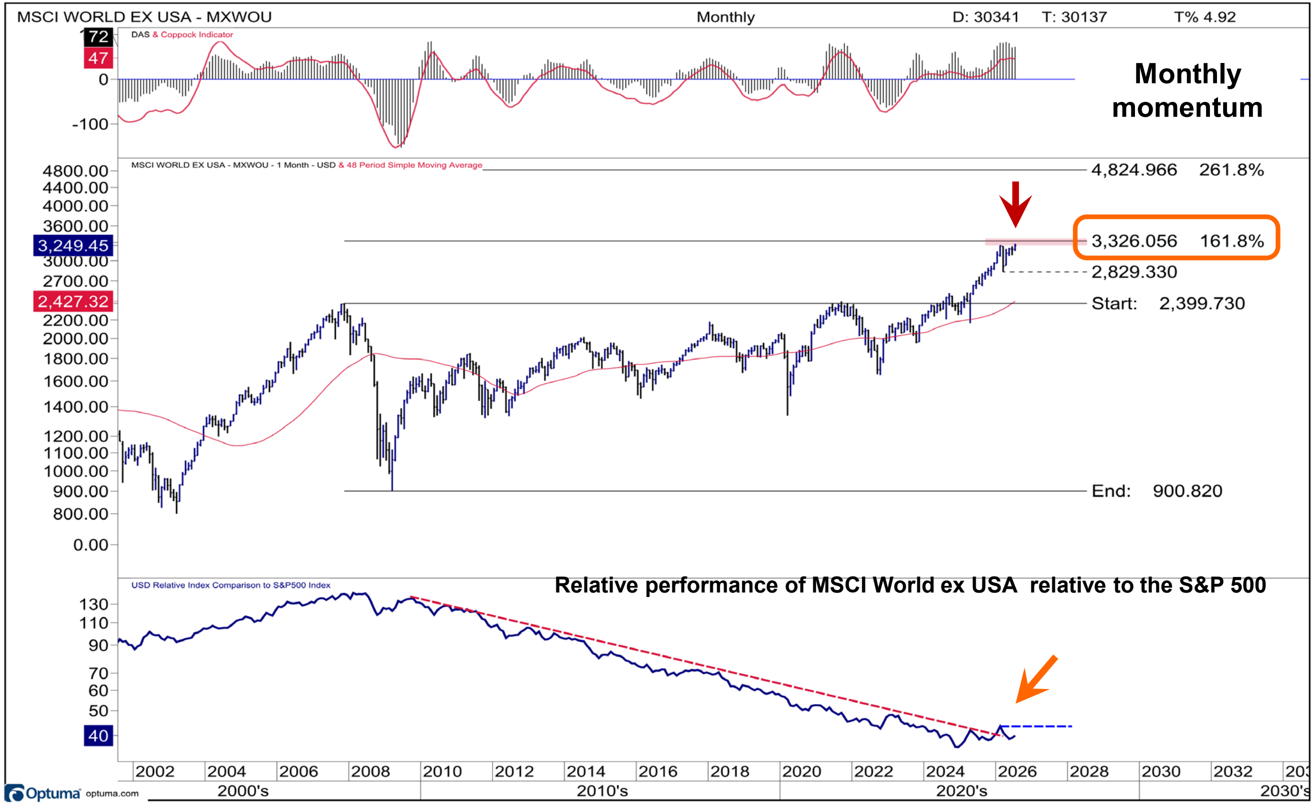
Russell 2000 - Monthly



- The Russell 2000 small-cap index continues to trend positively after breaking out of its 2021-2025 trading range.
- Tactically, after a strong rally from Q2 into Q3, the Russell 2000 is at its next extension level just below 3000 where a pause is likely.
- We view rising long-term interest rates as a risk for smaller-cap indices.
- Relative performance versus the S&P 500 has reversed its 2022-2025 downtrend as an indication that participation is broadening within equity markets. Short term, however, after the strong Q2-Q3 move, a pullback is likely.

Source: RBC Wealth Management, Bloomberg, Optuma

MSCI WORLD EX USA



Source: RBC Wealth Management, Bloomberg, Optuma

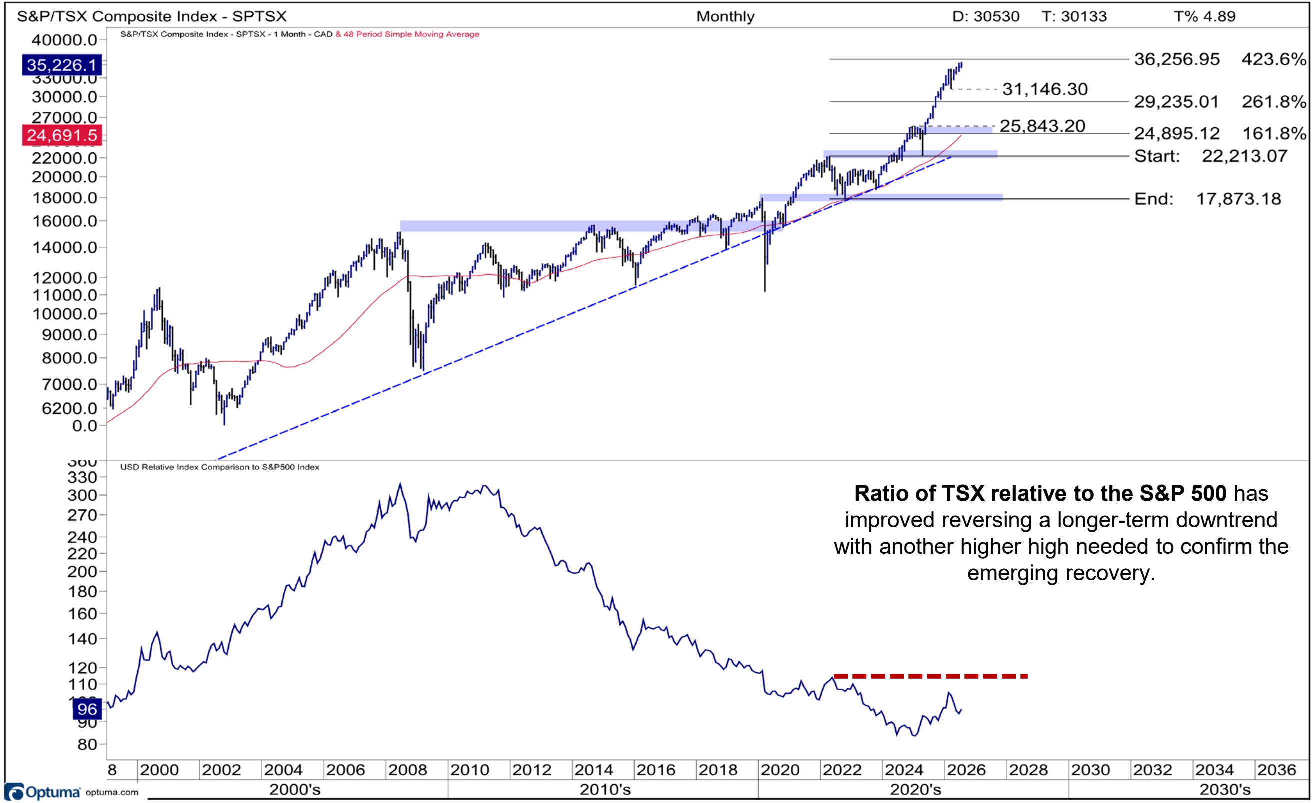
- **MSCI World ex USA** rallied to its next important resistance/ extension level at 3326 where it has paused since early Q1.
- We view the recent pause to be a healthy consolidation with support near 2830 that would need to be broken to signal a top is developing.
- Our expectation is that pullbacks will hold at or above 2800 with upside breakout likely in 2H 2026.
- Relative performance vs the S&P 500 remains in a long-term downtrend with a move above the recent Q1 highs needed to signal a longer-term trend reversal.

MSCI Emerging Market (EM) Index and relative performance vs S&P 500

Source: RBC Wealth Management, Bloomberg, Optuma

- MSCI Emerging Market index has resolved its 2008-2026 trading range to the upside but a pullback is underway from its 162% extension level near 1827.
- Investors should note that only a handful of mega-cap technology stocks now dominate this index's market capitalization, so adding Emerging Market exposure in a portfolio may not provide the diversification emerging market indices have provided in the past.
- Relative performance is improving but has yet to reverse its 2011-2026 downtrend versus the S&P 500.

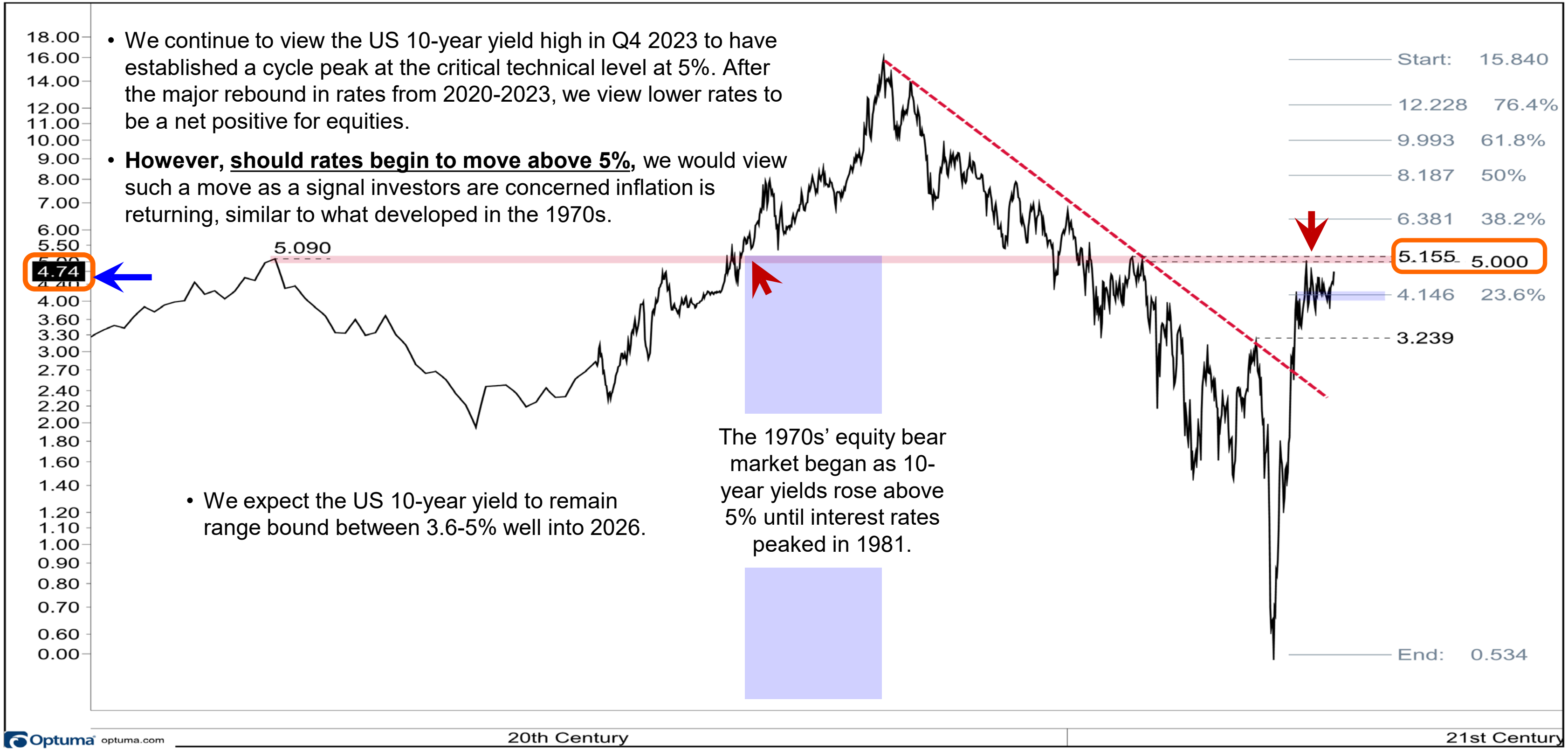
S&P/TSX Composite – Monthly



- The long-term trend for the TSX remains positive, as represented by the blue dashed uptrend line that starts in the 1970s.
- However, after surging in 2025 into Q1 2026, the TSX is well advanced above its uptrend and nearing its next extension level at 36,257. Key support is around 32.5K near the 200-day ma followed by 29-30K.
- Relative performance versus the S&P 500 has improved, reversing its downtrend with a push above the prior relative high in early 2022 needed to confirm a new uptrend.

Source: RBC Wealth Management, Bloomberg, Optuma

US 10-Year Yield: Cycle peak likely in place but 5% remains a critical technical level.



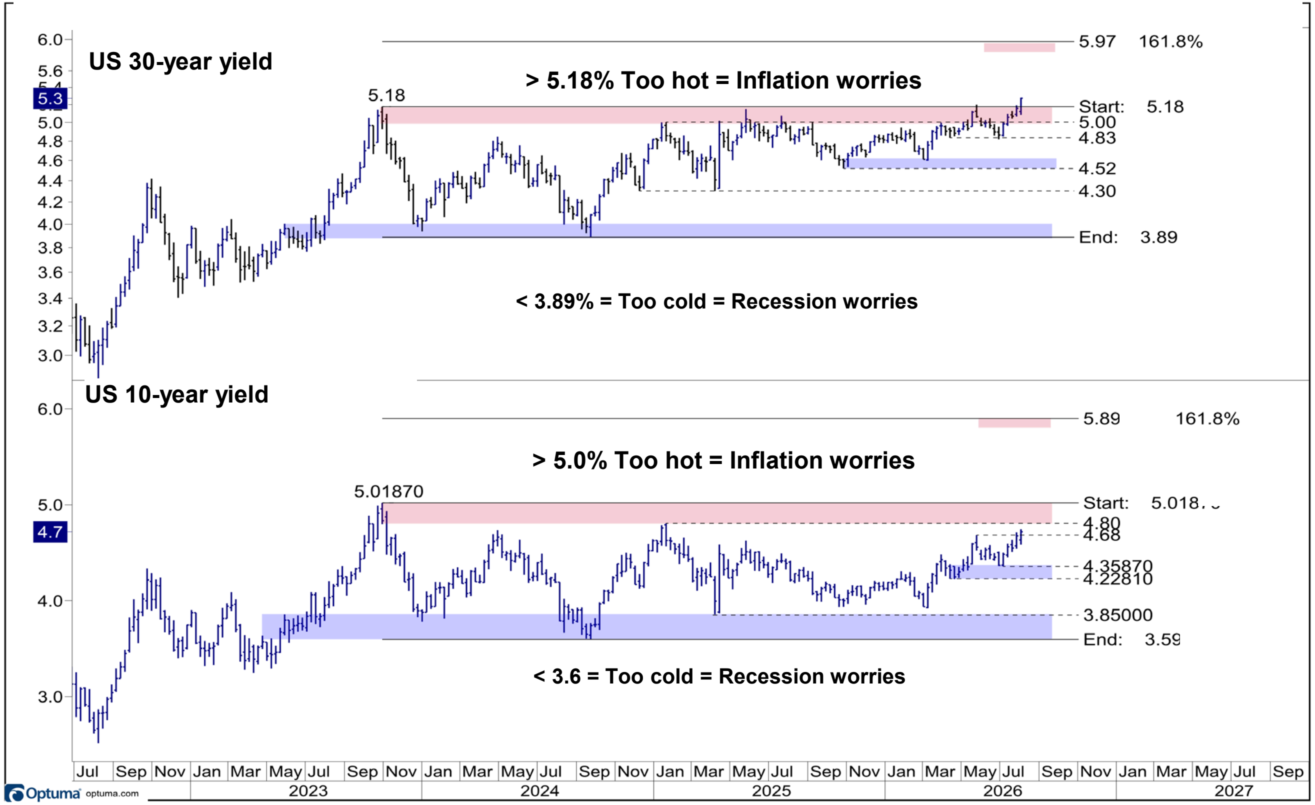
- We continue to view the US 10-year yield high in Q4 2023 to have established a cycle peak at the critical technical level at 5%. After the major rebound in rates from 2020-2023, we view lower rates to be a net positive for equities.
- **However, <u>should rates begin to move above 5%</u>,** we would view such a move as a signal investors are concerned inflation is returning, similar to what developed in the 1970s.

- We expect the US 10-year yield to remain range bound between 3.6-5% well into 2026.

The 1970s' equity bear market began as 10-year yields rose above 5% until interest rates peaked in 1981.

Source: RBC Wealth Management, Bloomberg, Optuma

US 30-year and 10-year yield – Weekly



Source: RBC Wealth Management, Bloomberg, Optuma

- After trading sideways since Q4 2023 the **US 30-year yield is** beginning to break out above a critical band between 5-5.18% while the **US 10-year yield** challenges its next key upside band between 4.8-5%.
- We view a push above the 2023-2026 trading ranges as a signal that bond investors are concerned inflation is accelerating which in turn is a risk to the equity cycle that began in Q4 2022.

US Dollar DXY Index – Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

- The US dollar DXY has bounced from key support near its 2011-2025 uptrend line trading in a range roughly between 95-96 support and resistance between 100-102.
- The recent bounce temporarily pushed to a new multi-month high but has since pulled back leaving the US dollar in its recent trading range.
- Our expectation is for the US dollar to remain range bound between 95-102 through Q3, but we would view a move below 95.5 as a signal that another downside move is underway with next support between 88-89.

Canadian Dollar / US Dollar - Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

- The CADUSD remains in a downtrend pulling back from resistance near 0.74 to challenge support near 0.70-0.71 where an oversold tactical bounce is attempting to develop.
- Key support is at 0.71 followed by 0.676.
- Overall, we view the Canadian dollar to be in a longer-term bottoming pattern but it will need to rally above resistance between 0.736-0.745 to signal a bullish trend change.

WTI Oil Future - Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

- After spiking through Q1 and Q2 during the Iran conflict, WTI oil declined to short-term oversold levels near 67-70 in early July only to bounce back to resistance near 93-102 in late July.
- WTI now remains volatile between those two ranges with our expectation being that 67-70 defines a new floor for WTI while 93-102 defines an upper band with a trade between those ranges likely through Q3.

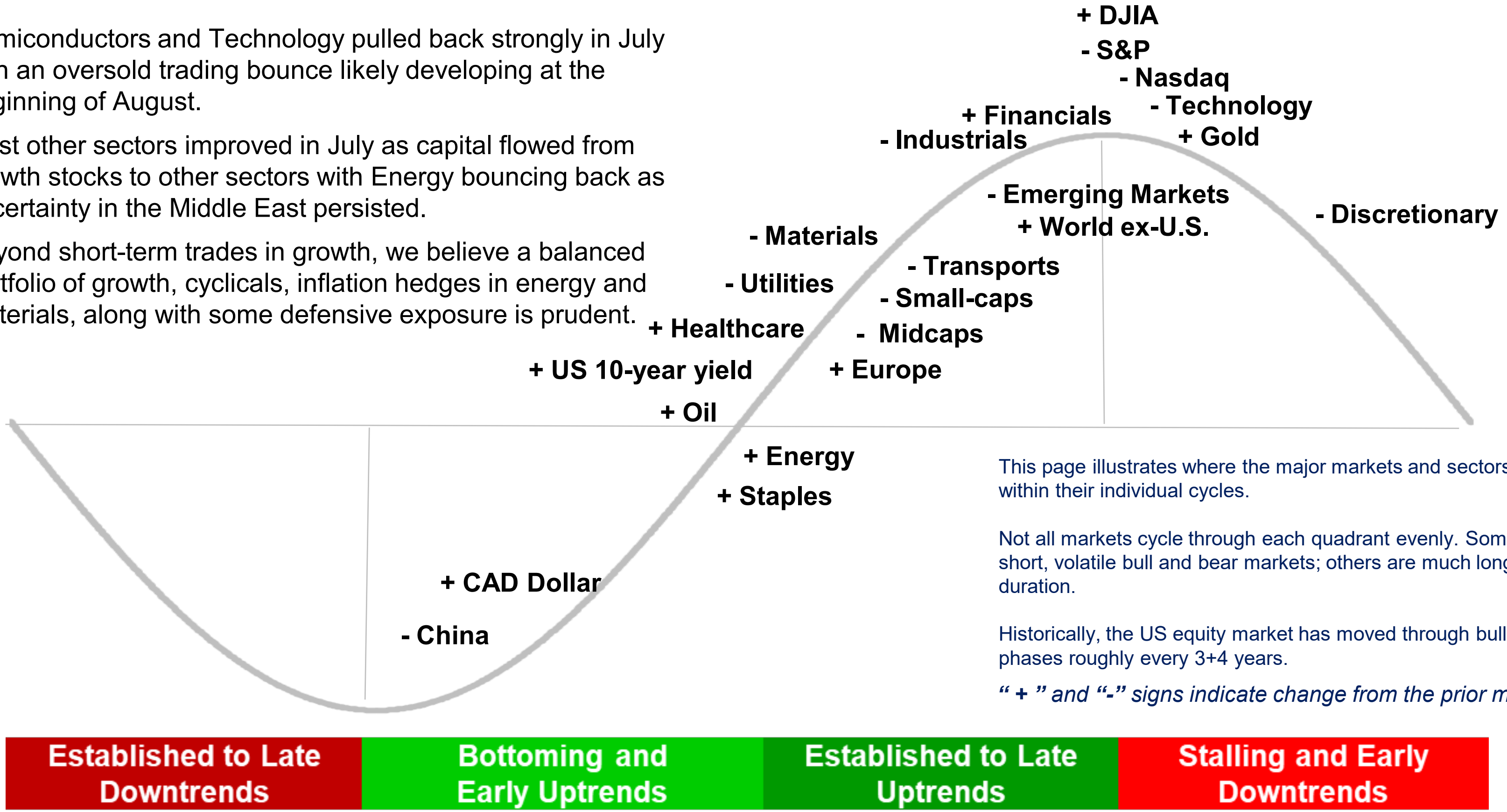
Gold – Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

- Gold remains in a longer-term uptrend but after surging into Q1, a steep pullback is underway that has broken below the widely watched green 200-day (10-month) moving average to test next support between 3858-4100.
- While it is premature to state an intermediate-term bottom is developing, weekly indicators, tracking 1-2 quarter swings (not shown) are becoming oversold suggesting gold is likely to bottom moving into mid-Q3.
- Below 3858, next support is between 3337-3500.

Major equity market and S&P sector cycles

- Semiconductors and Technology pulled back strongly in July with an oversold trading bounce likely developing at the beginning of August.
- Most other sectors improved in July as capital flowed from growth stocks to other sectors with Energy bouncing back as uncertainty in the Middle East persisted.
- Beyond short-term trades in growth, we believe a balanced portfolio of growth, cyclicals, inflation hedges in energy and materials, along with some defensive exposure is prudent.



This page illustrates where the major markets and sectors are within their individual cycles.

Not all markets cycle through each quadrant evenly. Some have short, volatile bull and bear markets; others are much longer in duration.

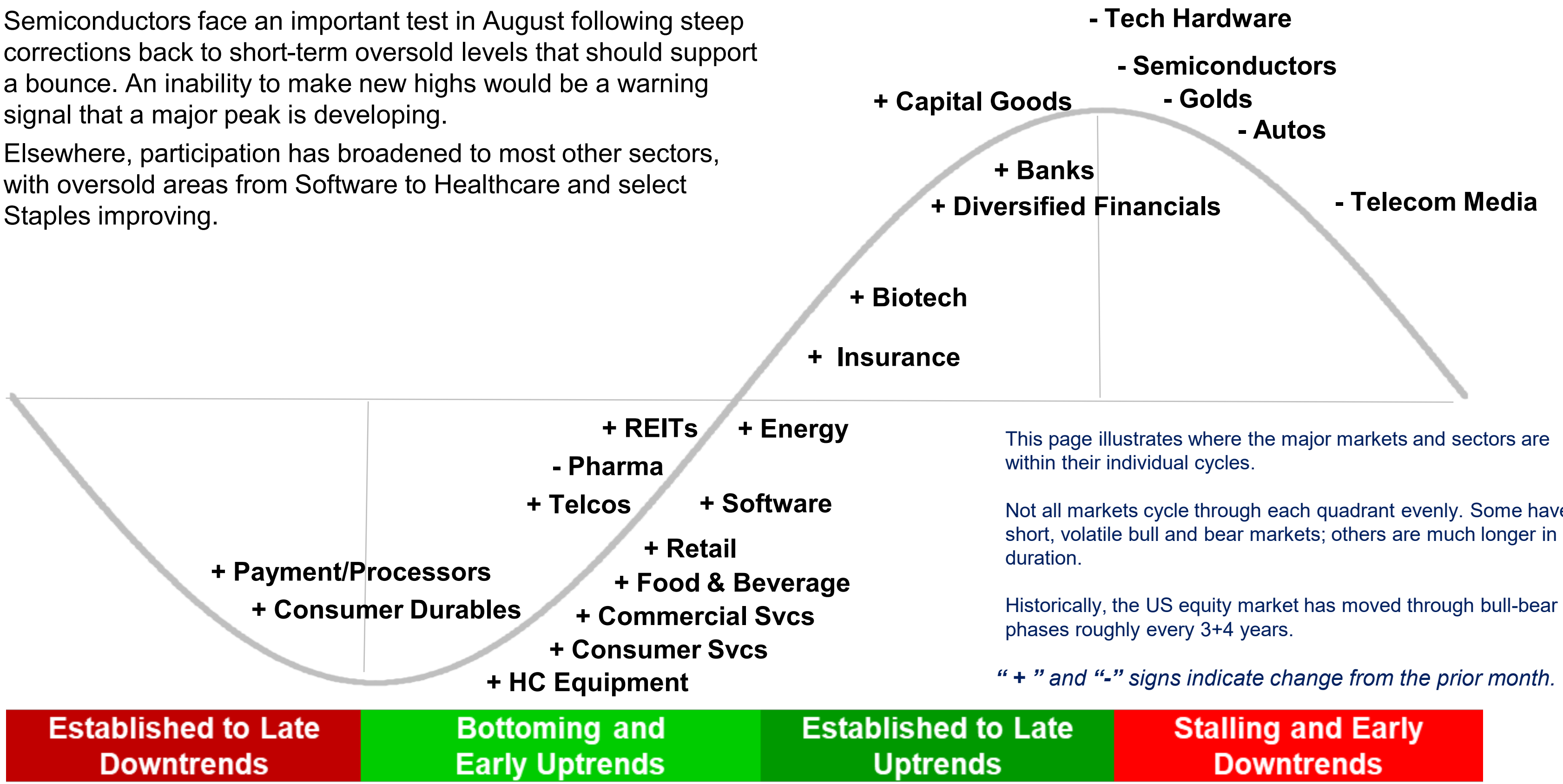
Historically, the US equity market has moved through bull-bear phases roughly every 3+4 years.

“ + ” and “-” signs indicate change from the prior month.

Source: RBC Wealth Management, Bloomberg, Optuma

Industry group cycles

- Semiconductors face an important test in August following steep corrections back to short-term oversold levels that should support a bounce. An inability to make new highs would be a warning signal that a major peak is developing.
- Elsewhere, participation has broadened to most other sectors, with oversold areas from Software to Healthcare and select Staples improving.



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