GLOBAL
Insight

September 2026

Perspectives from the Global Portfolio Advisory Committee

Midterm mindset seeping into the U.S. stock market

Voter concerns leading up to the election are wide-ranging. RBC Capital Markets equity analysts seem mostly unfazed by the election scenarios. We assess the state of House and Senate control and recommend investors focus on what matters more.

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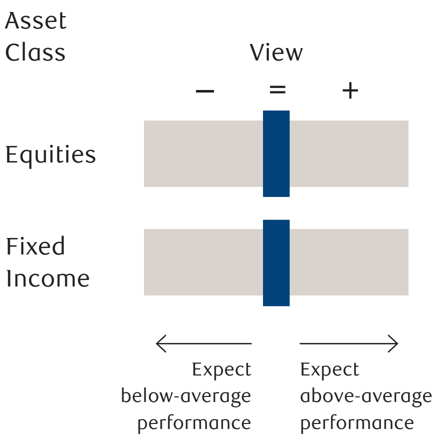

(+/=/–) represents the Global Portfolio Advisory Committee's (GPAC) view over a 12-month investment time horizon.

+ **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

- The U.S. and other equity markets have moved into high ground on the back of strong earnings growth and better prospects for future earnings. Market breadth—the proportion of stocks moving higher—remains positive. This factor, combined with robust consensus earnings growth forecasts and RBC's expectation of stable U.S. and global economic growth, sets the stage for more new highs in the coming months, in our assessment.
- But the advance from here may be more moderate and prone to bouts of volatility due to a list of concerns ranging from the Strait of Hormuz predicament to policy uncertainty, the U.S. midterm election, currency volatility, and the difficulty of gauging just where things stand or are headed next in the headlong AI race.
- We continue to recommend portfolios retain a full, targeted commitment to equities (equivalent to a Market Weight position) but not an over-commitment. As always, a plan for becoming more defensive if/when conditions warrant, would be a useful adjunct.

Fixed income

- While global longer-term sovereign bond yields have reached fresh decade highs, yields could rise even further. The Treasury's recently announced plan to increase long-maturity bond purchases could push yields lower in the near term, but we continue to believe there is a strong fundamental case for higher yields. Deficits, inflation, and AI infrastructure investment needs all argue for high borrowing rates, we believe. An economic growth slowdown or recession could push rates lower, but we see few signs of such an environment in the data.
- We remain Underweight U.S. Treasuries and continue to favor short-duration exposure based on the potential for higher long-term bond yields. Credit valuations remain rich globally, in our view, so we remain Underweight on investment-grade corporate bonds given their dual exposure to rising Treasury yields and wider credit spreads. We maintain our exposure to short-duration credit products and preferred securities.

MONTHLY
Focus

Midterm mindset seeping into the U.S. stock market

The list of voter concerns leading up to the election is wide-ranging, with cost of living a major focus. RBC Capital Markets equity analysts seem largely unfazed by the various election outcome scenarios. We assess the state of House and Senate control and recommend investors focus on what matters more.

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Key Points

- **For control of the House of Representatives, Democrats currently have the momentum. For the Senate, it's a closer call.**
- **"The economy, stupid" still rings true today as voters seem fixated on cost of living. AI data center buildouts are also drawing ire.**
- **Regarding political party control of Congress, RBC Capital Markets equity analysts see little overall impact on S&P 500 sectors. But there are nuances if Democrats win the House and Senate, especially for Consumer Staples and Utilities.**
- **Even if U.S. stock market volatility rises in the near term, we believe other issues matter more to the market's medium- and long-term performance than elections, including Fed policy and innovation.**

House control could flip

Less than two months away from the midterm election on November 3, multiple polls and other indicators point toward the Democrats winning control of the House of Representatives.

Republicans currently hold a slim 218–214 majority; one Independent caucuses with Republicans and two seats are vacant. Despite all 435 seats being up for grabs and the lowest number of incumbents running for reelection since records have been kept in 1930, only 42 seats are in contention (defined as "toss up," or "lean Democratic" or "lean Republican"), according to poll aggregator 270toWin.

To retain House control, Republicans would need to defy history. Since 1906, the president's party has added House seats in only three of the past 30 midterm elections, and those additions were skimpy, ranging from only five to nine seats.

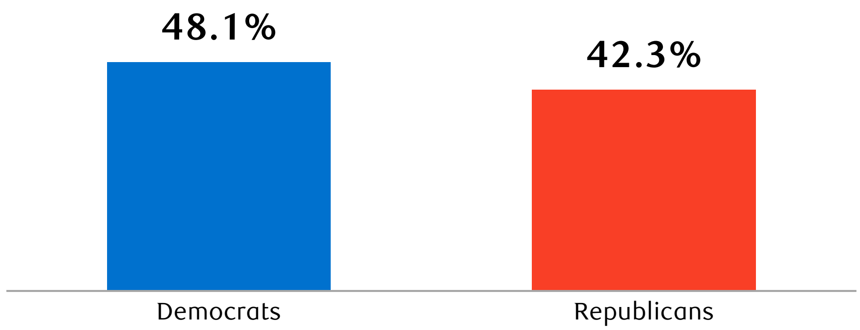
The track record for the president's party was worse when presidential approval was below 50 percent. President Donald Trump's job rating currently stands at 39.6 percent, according to the RealClear Polling (RCP) average of 11 polls.

Importantly, Democrats have a 5.8 percentage point advantage in the "generic ballot" poll, RCP's aggregated data indicates.

MIDTERM MINDSET

Generic party preference polling for Congress tilts Democratic

Poll respondents were asked which of the two major political parties they preferred (aka “generic party preference”) in the upcoming midterm Congressional elections, without indicating specific candidates.



The RealClear Polling averages shown here represent an aggregate of 15 independent poll results. Because the results of individual polls are independent of one another, scores for Democrats and Republicans may not add up to 100%.

Source - RealClear Polling (RCP) averages; polling data gathered from July 22 through Sept. 2, 2026

There are caveats to what seem like Democrats’ advantages, however. Republican campaign structures lead their Democratic counterparts in funding and Elon Musk, the world’s wealthiest man and first trillionaire, financially backs the Grand Old Party (GOP).

In addition, pollsters could be underestimating Republicans’ recent election cycle “get out the vote” successes and the president’s ability to mobilize supporters. The impact of gerrymandering (redrawing districts to suit political objectives) and GOP efforts to change voting rules in certain states is also difficult to gauge.

Senate control unpredictable

While the Senate power balance seems close at this stage, control of the upper chamber could conceivably flip to the Democrats as well—an unlikely prospect earlier this year.

Republicans hold a 53 to 47 seat majority, and they need 50 seats to maintain power given the vice president’s constitutional role as the tie breaker. In other words, Democrats need to flip four Senate seats to gain control.

Among the 35 of 100 Senate seats up for election in November (including two that will be decided by special elections), 11 are considered “safe” Republican seats, nine are labeled “safe” Democratic seats, and 15 seats are in play (either toss up or likely/leaning toward one party or the other), according to 270toWin. The six toss-up states are currently Texas, Maine, Ohio, Iowa, Alaska, and Michigan.

Voters laser-focused on cost of living

The most famous words in modern American politics, “the economy, stupid,” coined 34 years ago, still apply today. That phrase was marked on a whiteboard by James Carville, then-Governor Bill Clinton’s aggressive and colorful presidential campaign manager, to keep the campaign focused on what mattered the most to voters.

MIDTERM MINDSET

Today, inflation is the most important overall issue and economic issue, according to The Economist's tracking poll based on YouGov data.

Blame for the high cost of living is mainly falling on the party in power and President Trump specifically.

The Consumer Price Index (CPI) year-over-year inflation rate has risen to 3.4 percent from 2.9 percent on Inauguration Day in January 2025, despite campaign promises to reduce inflation.

Cost-of-living angst has been renewed by the spring 2026 inflation resurgence sparked by the U.S./Israeli military attacks on Iran, near halt to Strait of Hormuz shipping, subsequent constraints on Red Sea oil shipments, and the related energy price spikes.

Even if inflation comes down to the Federal Reserve's target rate of two percent next year, we think Americans' attitudes about the cost of living will remain sour for quite some time.

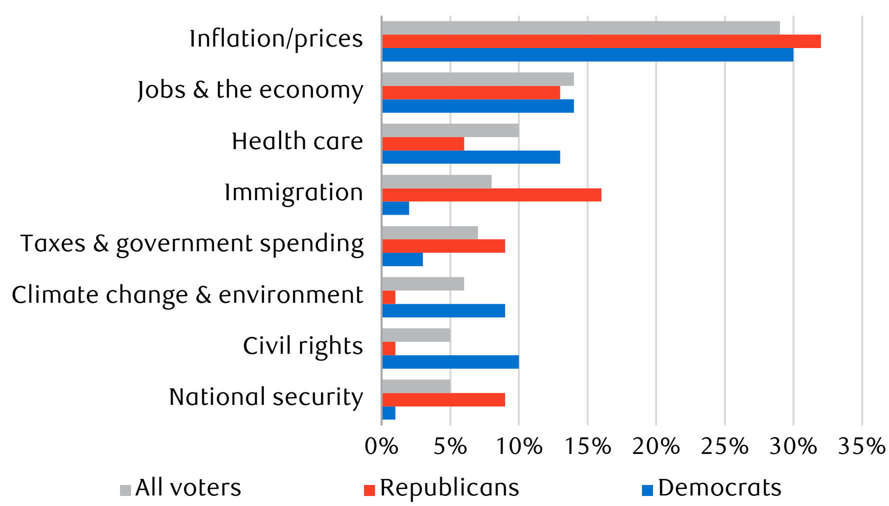
Cumulative consumer prices are about 28 percent higher today, on average, than they were in early 2020, just before the COVID-19 crisis began. The population needs more time to absorb and adjust to this large price spike, in our view.

In previous inflation waves in the mid-1970s and early 1980s (granted, bigger inflation episodes), unease and fears about inflation lasted much longer than was rational in hindsight, into the mid-1990s. All the while inflation rates declined dramatically during that period.

We think the cost of living will once again be among the top voter issues during the 2028 presidential election regardless of whether consumer inflation data comes back down to the Fed's target by then. Most voters care more about the prices they see at the grocery store than what the government reports as year-over-year inflation data.

Inflation is the most important issue to Americans

Top issues of concern to adults ranked in order



Issues ranked by the "All voters" category, which includes Republicans, Democrats, and others. Three additional issues registered smaller proportions than national security: abortion, education, and civil liberties.

Source - The Economist, "Tracking the presidency," which tracks YouGov polling, as of 9/1/26

MIDTERM MINDSET

AI data centers drawing "NIMBY" ire

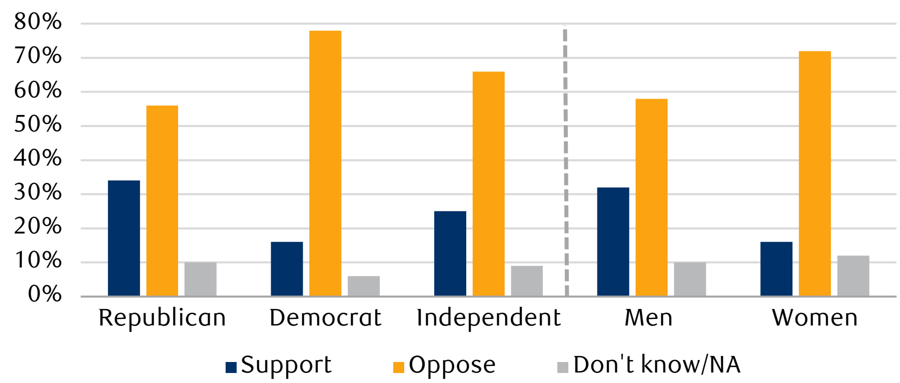
An issue that does not show up as being among the most important in polling data may end up impacting some statewide and local races, and possibly even a small number of House and Senate races: The buildout of AI data centers. Over the past year, opposition has mounted.

From an investment perspective, AI and the related infrastructure buildout have been extremely positive stories since AI technology took off in late 2022.

However, the permitting and construction of AI data centers is increasingly being opposed in local communities and even on a statewide level, in some cases. Public opinion polls indicate that Americans overwhelmingly oppose having data centers built in their communities or nearby mainly due to concerns about higher electricity and water prices and potential noise implications. The anti-AI data center attitude prevails regardless of political affiliation, gender, income, age, etc. It's what Americans call a NIMBY issue: Not In My Backyard!

Opposition to AI data centers is widespread

Poll question: Would you support or oppose the building of an AI data center in your community?



Source - Quinnipiac University poll of American adults; data published in March 2026

Many Americans, like others around the world, are also concerned that AI will displace jobs. This too is reflected by all age groups, and when the data are sliced and diced into other categories such as political affiliation, race, income bracket, and gender, according to Quinnipiac polling.

Does party control matter for S&P 500 sectors?

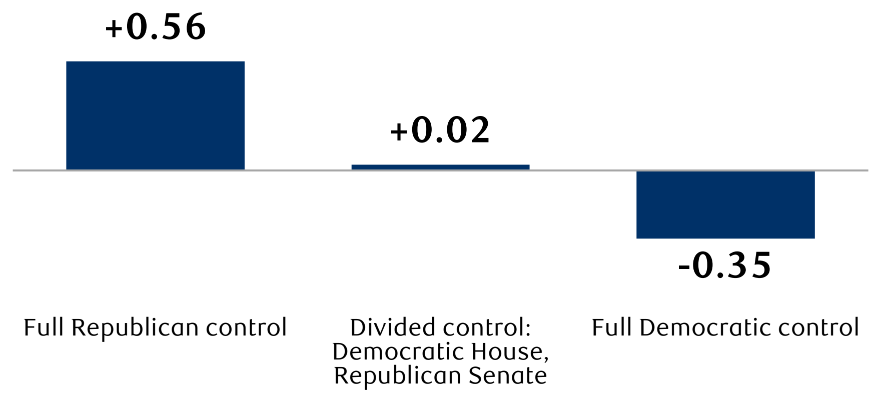
Despite voter anxiety about AI and economic issues, and the increasing likelihood that party control could shift partially or fully in the next Congress, RBC Capital Markets, LLC's equity analysts don't foresee much impact on their industries under coverage, according to a study by the firm's Head of U.S. Equity Strategy Research Lori Calvasina.

When all sectors are combined, the analysts forecast a modestly positive performance bias if Republicans retain control of both chambers, a neutral impact if Democrats win the House and Republicans maintain the Senate majority, and a modestly negative performance bias if Democrats win control of both chambers.

MIDTERM MINDSET

RBC equity analysts see a small range of potential market impacts

RBC Capital Markets equity industry analysts' combined assessment of 2026 midterm election scenarios for Congressional control



The RBC equity analyst survey points to a modestly positive performance bias for stocks in a Republican control scenario (due to views of friendlier regulation), a neutral view in a Democratic House / Republican Senate scenario, and a modestly negative performance bias for stocks in a Democratic control scenario.

A higher number is generally more constructive, a lower number generally more negative. Scale is +2.00 (very bullish) to -2.00 (very bearish).

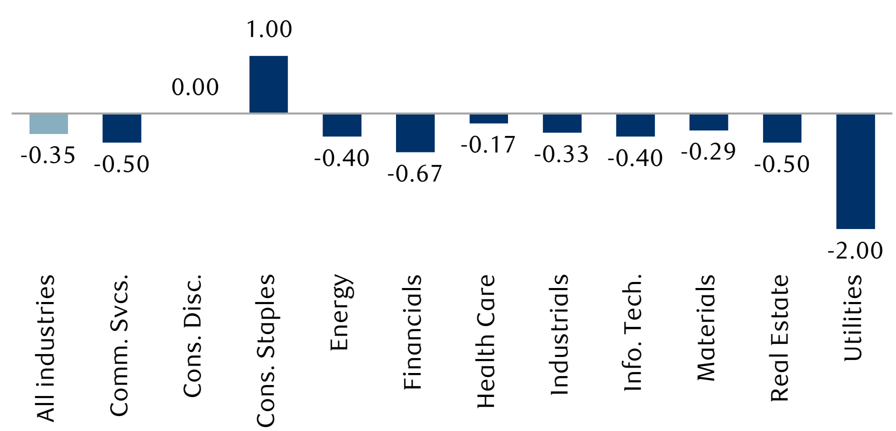
Source - RBC U.S. Equity Strategy, RBC Capital Markets based on a survey of industry analysts; results published on 8/11/26

But there are nuances associated with the latter scenario. While the overall assessment is slightly negative for Democrats winning the House and Senate, viewpoints vary by sector.

For example, there is a positive assessment for the Consumer Staples sector, a very bearish assessment for the Utilities sector, and variation in between with most sectors scoring slightly negatively, as the chart below shows.

RBC equity analysts see full Democratic control of Congress as modestly negative for all industries combined, but there are differences by sector

RBC Capital Markets equity industry analysts' assessment of Democratic control of the House and Senate



A higher number is generally more constructive, a lower number generally more negative. Scale is +2.00 (very bullish) to -2.00 (very bearish).

Source - RBC U.S. Equity Strategy, RBC Capital Markets; based on industry analyst survey results published 8/11/26

MIDTERM MINDSET

Perhaps this explains one reason the Utilities sector has sold off 7.4 percent since late July, at the same time the S&P 500 has risen 4.1 percent—significant underperformance in such a short timeframe. The "NIMBY" attitude about AI data centers could be contributing to concerns about increased Utilities sector regulations should Democrats win both chambers. Also, we think the sector has traded lower because bond yields have jumped; the latter is considered a competing investment.

The sector details associated with all three midterm election scenarios are shown in the table below with red representing Republicans retaining control, purple indicating divided control, and blue representing Democrats winning the House and Senate.

RBC equity analyst survey results based on three midterm election scenarios, by sector

S&P 500 sectors	Full Republican control	Divided control: Democratic House, Republican Senate	Full Democratic control
Communication Svcs.	0.50	0.00	-0.50
Consumer Disc.	0.14	-0.14	0.00
Consumer Staples	-1.00	0.00	1.00
Energy	0.80	0.20	-0.40
Financials	1.00	0.00	-0.67
Health Care	0.00	0.50	-0.17
Industrials	0.78	-0.11	-0.33
Info. Technology	0.80	-0.20	-0.40
Materials	0.29	0.00	-0.29
Real Estate	0.50	0.00	-0.50
Utilities	2.00	0.00	-2.00

A higher number is generally more constructive, a lower number generally more negative. Scale is +2.00 (very bullish) to -2.00 (very bearish).

Source - RBC U.S. Equity Strategy, RBC Capital Markets; based on industry analyst survey results published 8/11/26

Note that for this survey's scale, the very bullish reading is +2.0 and the very bearish reading is -2.0. The overwhelming proportion of the designations are not close to those extremes, and this is relevant from a portfolio-positioning perspective. We don't think individual investors with a long-term time horizon should make major sector changes in anticipation of or because of the election outcome.

For portfolio construction, focus on what matters more

Typically, midterm election years bring volatility with them. It's common for the S&P 500 to pull back notably at some point in the year preceding the election, and if it doesn't, a pullback can happen right after the election.

The S&P 500 has experienced an average 21 percent correction surrounding midterm election years since 1934, as we pointed out in this report.

MIDTERM MINDSET

Given the market already endured a brief nine percent pullback last spring, this begs the question: Has the usual midterm election-year performance hiccup been satisfied? Maybe, but we can't exclude the possibility that another pullback could occur, especially if the Strait of Hormuz remains largely closed, Treasury yields continue to rise due to inflation risks, and/or outright angst materializes surrounding the midterm elections.

In the 2018 midterm election year, during Trump 1.0 when Republicans lost the House to the Democrats, a sharp selloff occurred right after the election—which was rare. In the 2022 midterm year, the low point for the market occurred in mid-October, just ahead of the election. Republicans narrowly took back House control, although the number of seats gained was far less than pollsters expected.

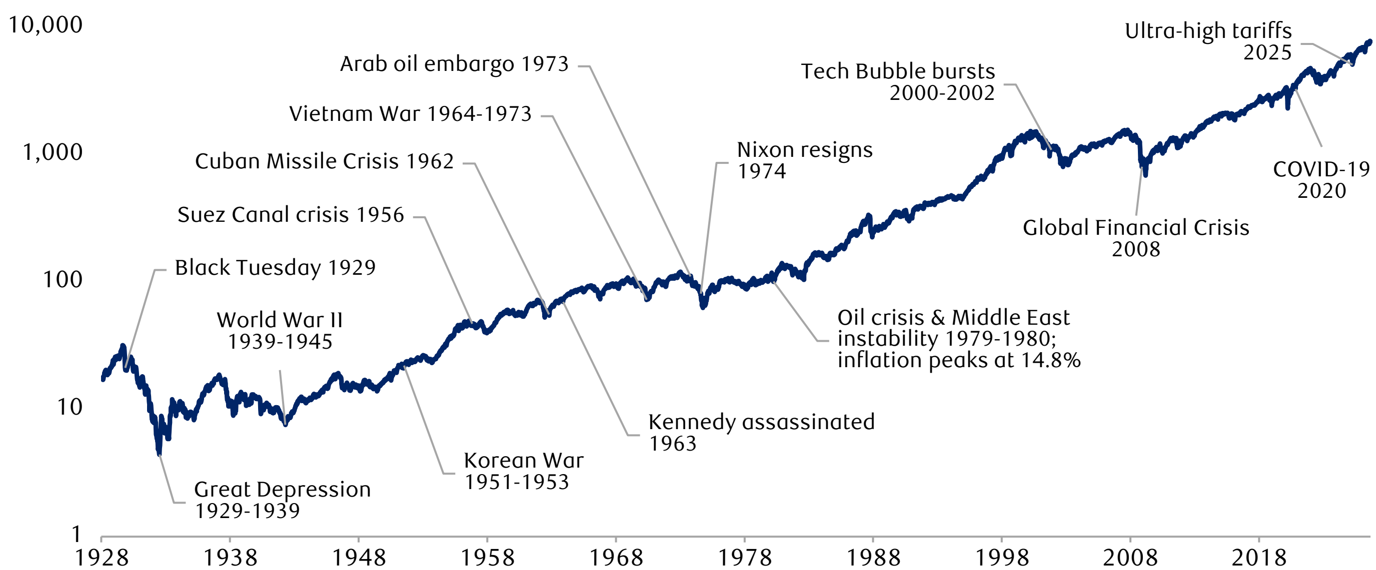
Regardless of whether the midterm mindset seeps further into the U.S. stock market and volatility rises in the near term, we firmly believe other issues matter more to the market's medium- and long-term performance than elections:

- Corporate innovation trends;
- The Federal Reserve's monetary policy decisions;
- The natural ebb-and-flow of the business cycle and economy; and
- Related corporate earnings trends.

For additional thoughts about historical equity market performance surrounding midterm elections, and what this might be—or might not be—suggesting for this year and next, see our article titled, "Midterms, the market and what matters."

The market has battled through multiple challenges that were much greater than any election

S&P 500 Index performance and key events



Source - RBC Wealth Management, RBC Rochdale, Bloomberg; weekly price data from 1/1/1928 through 8/28/2026 shown in logarithmic scale

GLOBAL

Equity

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Good, but not as good

Key points

- **Earnings prospects for this year and next have risen markedly after a much stronger-than-forecast first half, setting the stage for more new highs in the coming months.**
- **Reasonable price-to-earnings (P/E) levels, makeable GDP growth forecasts, and the powerful earnings setup sit beside a well-thumbed list of concerns ranging from the Strait of Hormuz predicament to extreme policy uncertainty, the U.S. midterm election, currency volatility, and the difficulty of gauging just where things stand or are headed next in the headlong AI race.**
- **We expect the worry list could generate bouts of volatility but are unlikely to seriously knock earnings or equity markets off course over our one-year forecast horizon.**

With very few exceptions, global equity markets moved into new high ground over the past couple of months. And they did so in style: participation broadened further with advance-decline lines and unweighted versions of the major indexes all posting new highs. Some did so days or weeks ahead of the more closely followed capitalization-weighted indexes such as the S&P 500. Strong breadth is a hallmark of a healthy market.

So too is the fact that the move higher in share prices has been driven by broad-based gains in reported and projected earnings for this year and next. As we discussed in last month's Global Insight, the direction and magnitude of equity market travel over the course of a year is largely determined by the change in index earnings.

In this case, earnings growth has been extremely good for much of the Information Technology sector, elevated for Energy, and more moderate for most other sectors. There are other aspects of the investment landscape that argue for a further advance for equity markets over the coming 12 months.

Valuations have moderated

At the start of this year, the S&P 500 (at 6,846) was trading at 22x forward earnings (of $313). Today, with the index at 7,660, the price-to-earnings (P/E) multiple on estimated earnings 12 months out has reached a somewhat more comfortable 20x. In other words, while equity prices have risen over the past eight months, earnings have risen even faster, allowing P/Es to subside from "rich" to "less worrying" levels. And that boost in forward estimated earnings was in large part due to the earnings for the first half of this year being up a much-better-than-forecast 32% based on Bloomberg data, while guidance for rest of 2026 and for 2027 was generally upbeat.

We note that while P/Es for the large-cap S&P 500 are slightly north of 20x, they are markedly lower for Canada, the UK, Europe, and Japan (in the mid-teens), while China, Hong Kong, and South Korea are lower still.

Positive projections

RBC Capital Markets' multi-model S&P 500 forecast projects moderate positive returns over the coming 12 months.

RBC Capital Markets, LLC's Head of U.S. Equity Strategy Research Lori Calvasina, projects the S&P 500 will trade at 8,150 in Q3 2027. Assumptions include two interest rate hikes by the Federal Reserve, a 10-year Treasury yield of 4.75%, and Consumer Price Index inflation at 3%. Consensus index earnings estimates 12 months

Equity views

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

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

GLOBAL EQUITY

out currently sit at $374 for the S&P 500. Calvasina points out that, on average, year-ahead estimates typically erode by 8% over those 12 months. She has applied a more conservative 10% “haircut” utilizing $337 for forward earnings in her forecast.

The model-derived index target of 8,150 equates to a 6.2% return (7.3% including dividends), which Calvasina characterizes as “higher but not heroic.”

One of the factors figuring into RBC Capital Markets’ approach looks at what S&P returns, on average, have been delivered by different levels of U.S. GDP growth. RBC Economics is estimating that growth will come in at 2.0% over the coming 12 months, while the consensus figure is slightly higher at 2.2%. Historically, GDP growth in that range has been associated with S&P 500 returns between 5% and 10%.

Investor sentiment is neither here nor there

Measures of investor sentiment are mostly useful at extremes. No such extreme readings are present today. Equity positioning of asset managers is elevated but well below past peaks and has been sliding downward for several months.

The proportion of respondents to the University of Michigan Consumer Sentiment Survey who expect stocks to move up over the next year jumped noticeably higher from moderately depressed levels in the most recent report, but sits well short of satisfying levels. Meanwhile, the widely followed American Association of Individual Investors Sentiment Survey has been oscillating between slightly bullish and slightly bearish for some time.

Things look great … what could possibly go wrong?

Corrections can happen at any time, are unpredictable, and are a regular part of the investment landscape. Longer, deeper declines usually happen in response to a more serious economic/financial market dislocation, for which one can read “recession.”

At the moment, a U.S. recession is not appearing in any of our forecasts. And, historically speaking, we think it would take a lot to get from here to there. First, at least 100 basis points (bps) of Fed tightening would be needed to get short-term interest rates above today’s 10-year Treasury yield, thereby “Inverting” the yield curve—a precursor to every recession of at least the past 80 years. And it would probably take a lot more than 100 bps, because bond yields would likely be rising at the same time. At some point, the federal funds rate would also have to climb above the nominal growth rate of GDP (currently 6.5%).

Other indicators we follow are also some way from recessionary levels. Unemployment claims would need to surge dramatically higher from the very low range in which they’ve traveled the past five years. And the unemployment rate would need to climb to at least 5% over just three or four months. These last two shifts are unlikely to arrive soon in an environment where profits are growing and labor shortages remain an issue for many businesses.

Volatility on the way to higher ground

So, investors are left to navigate the potentially problematic issues equity markets have been contending with for some time: shipping through the Strait of Hormuz; uncertainties around U.S. trade/tariff policies; the historical propensity of U.S. midterm elections to induce corrections, usually before election day; the potentially destabilizing impact of yen weakness on the bond market; and, the possibility that something could seriously alter the trajectory of the AI spending wave.

GLOBAL EQUITY

All of the above have the potential to roil equity markets from time to time over the next 12 months as the major indexes work their way toward eventual higher ground. Some could act to alter the economic and interest rate backdrop in ways that materially change the return prospects for equities in either direction. As things stand, in our view, the probabilities favor higher share prices enabled by reasonable revenue and earnings growth.

We recommend portfolios retain a full, targeted commitment to equities but not an over-commitment. As always, we believe a plan for becoming more defensive if/when conditions warrant, would be a useful adjunct.

GLOBAL

Fixed income

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The long and short of it

Key points

- **The market's focus shifted sharply from short-term policy rate expectations to rising long-term bond yields as the U.S. Treasury Department announced a surprise move to stem the tide.**
- **The Treasury's plan to boost short-term bill issuance to fund repurchases of longer-term bonds might pressure yields lower over the near term, but we see risks it drives them higher over the long run.**
- **The decision to intervene now, at a point when the 30-year yield is high, but arguably not that high by historical standards, is a curious one. With the trend of rising global sovereign yields now stretching into year six, a technical intervention appears unlikely to change the fundamental story.**

We have kept our focus on rising global long-term government bond yields in recent months, even as much of the market's focus seems to have been pinned on central banks and what they may, or may not, do with short-term policy rates.

But the ongoing rise in long-term yields moved front and center in August, most notably attracting the attention of the U.S. Treasury Department and its secretary, Scott Bessent. In a surprising move, Bessent announced that the Treasury's liquidity-support buyback program for 10- to 30-year Treasury bonds—initially launched back in 2024—would see its quarterly operations "at least" double in size, implying an annual total of $64 billion or more. While the exact terms are still unclear, we think the likely goal is to further reduce the outstanding supply of long-dated bonds, funded by increased issuance of short-term Treasury bills. As a result, the program will not affect the total U.S. debt outstanding, only the composition of maturities.

We see a number of potential problems with this sort of intervention. At best, it could put a soft cap on yields, but it may also open up a can of worms that could be self-defeating and drive yields higher over the long run.

The uncertainty and reduced communications under U.S. Federal Reserve Chair Kevin Warsh have

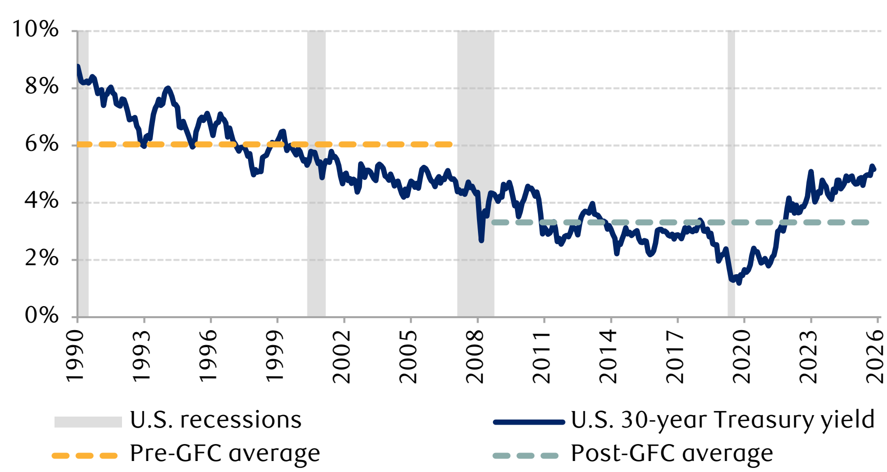
Fixed income views

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

Rising yields: Concerning, or simply a return to "normal"?

30-year Treasury yields before and after the global financial crisis



GFC = global financial crisis.

Source - RBC Wealth Management, Bloomberg

GLOBAL FIXED INCOME

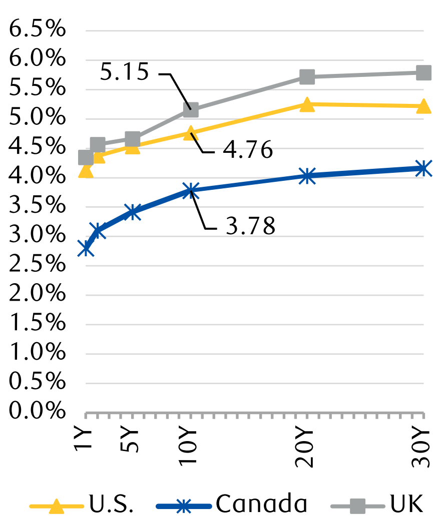
already pushed term premiums on longer-dated bonds—or the implied yield investors demand to buy those bonds—higher since his tenure began in May, and a more "activist" Treasury intervening in markets could add upward pressure to those very term premiums as well, in our view.

We think it's also curious that Bessent chose now as the time to focus on higher Treasury yields. As the chart on the previous page shows, the 30-year Treasury yield is certainly the highest in nearly two decades, but at roughly 5.2% it remains well shy of averages seen prior to the 2008 global financial crisis. Should yields keep rising, that could put pressure on him to deliver even more.

Most importantly, we think the U.S. Treasury is at risk of fighting a global war on bond yields it simply lacks the firepower to win. Germany, France, the UK, and Japan, among others, have all seen their long-dated bonds reach multi-decade highs this year, and the drivers of the rise are fundamental: debt burdens, deficits, deglobalization, de-dollarization, etc. Tweaking the supply of bonds against an uncertain demand backdrop can't be expected to seriously offset those dynamics, in our opinion.

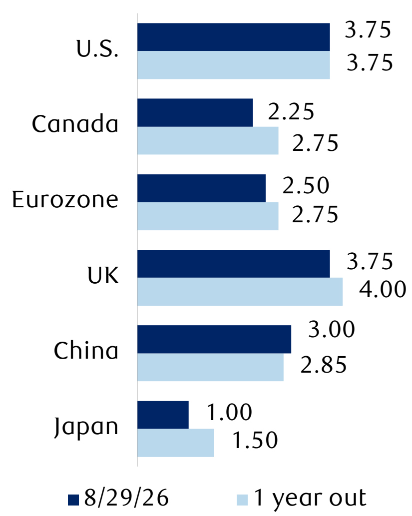
Where does it end? As we have noted in recent months, the rise in long-term bond yields has been both persistent and durable, now stretching into year six since the historic lows in the summer of 2020. Until we see changes in economic fundamentals, we think the tendency toward higher long-term interest rates can persist.

Sovereign yield curves



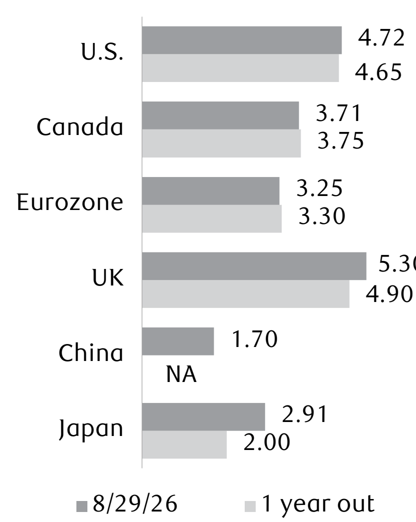
Source - Bloomberg; data through 9/8/26

Central bank rates (%)



Source - RBC Investment Strategy Committee, RBC Capital Markets forecasts, Global Portfolio Advisory Committee, RBC Global Asset Management

10-year rates (%)



Note: Eurozone utilizes German Bunds.
Source - RBC Investment Strategy Committee, RBC Capital Markets forecasts, Global Portfolio Advisory Committee, RBC Global Asset Management

Research resources

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