GLOBAL
Insight
WEEKLY

RBC Wealth Management

Perspectives from the Global Portfolio Advisory Committee

October 22, 2026

Middle East: Ongoing conflicts, inescapable effects

Kelly Bogdanova – Scottsdale, United States

While the Q3 earnings season is capturing investors' attention, we have one eye on the Middle East crisis as we believe it is the most underappreciated risk for equity markets and the economy.

"Soon" isn't soon enough

RBC Capital Markets, LLC's Helima Croft, head of global commodity strategy and Middle East and North Africa (MENA) research and long-time Middle East expert going back to her tenure as a Central Intelligence Agency analyst in the post-9/11 era, has been pointing out to institutional investor clients lately that "soon" is the most overused word in the Iran war.

Quite frequently since the war began in late February of this year, and even in the past few days, major media outlets have quoted "unnamed sources" saying that the war could end soon. Some cite a potential diplomatic agreement mediated by Pakistan and Qatar, and others in the "finish the job" camp cite the need for American shock-and-awe kinetic strikes with the hope this could end the conflict.

However, Croft sees no signs of the war ending in the near term. Instead, there are risks the Middle East crisis will intensify and widen.

First, the Trump administration continues to prosecute an expensive blockade on Iranian ports while pressuring Iran's neighbors to diminish or halt trade with Iran over land routes amid sanctions threats, and the U.S. Navy continues to build up assets in the region. At the same time, top Iranian officials have been crystal clear that if the country is hit hard again militarily, it will strike back at American and other infrastructure assets in the region. It has also signaled it will respond to ongoing financial pressures. In other words, the struggle will drag on.

Second, the conflict between the Saudis and Ansar Allah in Yemen (which includes the Houthis) is escalating militarily rather than deescalating.

While this war is related to the ongoing U.S./Israel-Iran conflict—Croft calls it a "second front" and cites evidence of weapons and financial support supplied by Iran to Ansar Allah—it's also a very separate dispute with its own history.

The Saudi-Yemen war has been going on for years over territorial and other grievances that have existed for many decades, especially since the 1930s.

Therefore, Ansar Allah functions less like a pure Iranian proxy, as it is often portrayed in the media. It has independent leadership and its own regional objectives.

Just like the Iran war, financial markets seem to be assuming the Saudi-Yemen conflict can be resolved soon. But we don't believe the main parties are ready to embrace realistic offramps in the near term.

In Croft's assessment, the longer these two conflicts persist, the longer energy prices will remain elevated, and the greater the economic pain.

For perspectives on the week from our regional analysts, please see pages 3–4.

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Priced (in USD) as of 10/21/26 market close (unless otherwise stated). Produced: 10/22/26 18:00 ET; Disseminated: 10/22/26 18:05 ET

And we think prolonged Middle East turmoil increases the risks of a Federal Reserve monetary policy error—perhaps Fed officials don't hike enough in the face of energy-induced inflation pressure or, conversely, they could end up hiking too much.

Cost of $1,083 per U.S. household and counting

High diesel and gasoline prices have hit Americans' pocketbooks hard and have strained the finances of many others around the world, whether in developed or emerging economy countries.

The Watson School of International and Public Affairs at Brown University—one of America's eight elite Ivy League institutions—estimates the Iran war has cost U.S. households $1,083, on average, so far. Its calculations are based on average fuel prices compared to what would have occurred had the war not started. This cost estimate climbs daily.

Since the Iran war began in late February, the aggregate excess energy cost has been $141.9 billion—$63.6 billion of that for diesel and $78.3 billion for gasoline, The Watson School estimates.

To put this big price tag in perspective, $141.9 billion exceeds the amount that Americans spend on personal care products and services each year.

It's no wonder the cost of living has become the most important issue for all major American voter groups ahead of the November 3 midterm election, according to multiple polls.

Maintain Energy holdings and be mindful of inflation risks

The potential that these two Middle East conflicts could intensify and expand further across neighboring countries seems underappreciated by financial markets, in our view.

As Croft points out, wars are easy to start but they usually take a long time—sometimes a very long time—to end, especially when coalitions of countries become involved.

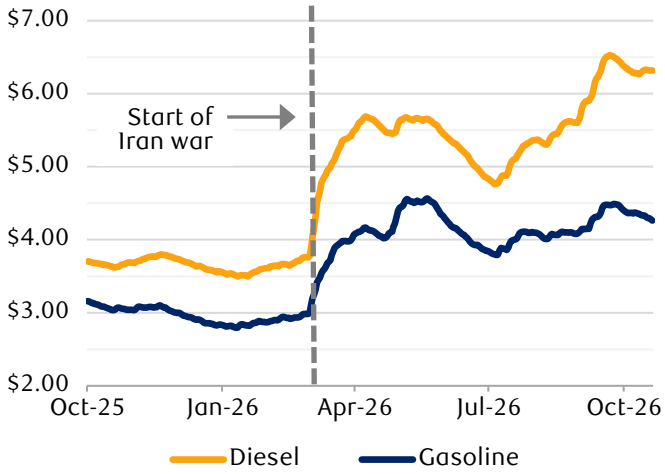
When unnamed and named sources have been cited in the press saying that the Middle East hostilities could end soon, we've been asked time and time again whether investors should trim or sell Energy stocks.

Each time, we've said hang on to them, as the Middle East crisis very likely will drag on and energy prices could remain elevated for longer than U.S. officials would like. This investment advice still rings true today.

Furthermore, we think investors should keep an eye on additional inflation risks associated with the prolongation and expansion of both the U.S./Israel-Iran war and the Saudi-Ansar Allah war.

Households, truckers, farmers, and more are bearing the brunt of higher fuel prices

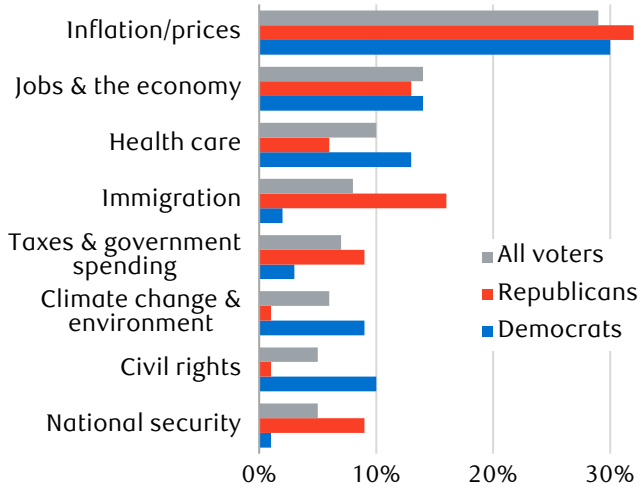
American Automobile Association daily national average fuel price data per gallon in U.S. dollars



Source - RBC Wealth Management, Bloomberg; gasoline is the regular unleaded grade; data through 10/20/26

Inflation is the most important issue to Americans

Top issues of concern to adults ranked in order



Source - The Economist "Tracking the presidency" results that track YouGov polling; data as of 9/1/26.

In terms of equities, this translates into holding no more than Market Weight exposure in portfolios and holding an outsized proportion of defensive stocks, particularly those that consistently grow their dividends year in and year out.

UNITED STATES

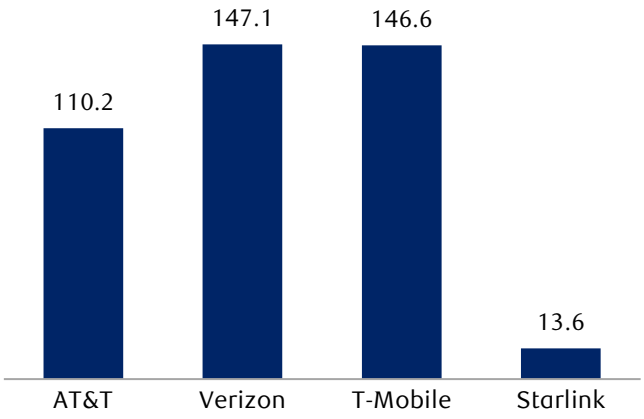
Miles D'Alessandro – Minneapolis

■ **Banks started earnings season last week with positive reports,** although results were somewhat muted versus a previously elevated quarter, and forward expectations appear relatively muted as well. This week, a slate of diverse companies reported earnings, including SpaceX, Netflix, Meta, and Tesla, although another 75 S&P 500 companies reported as well. According to FactSet, S&P 500 earnings growth is at 31% y/y so far, with Energy, Information Technology, and Communication Services projected to lead sector-wise. Strong returns in Energy should be driven by higher commodity and fuel prices from the Middle East conflict. Tech companies seem to still be experiencing elevated demand and are spending significantly on AI, which we think has benefited a variety of companies across semiconductor manufacturing, memory, computing capacity, networking, and general AI development. As more quarterly reports come out, we will be monitoring key themes across industries, such as tariff impacts, AI spending and demand, and consumer health.

■ **Potential merger on the horizon.** Some of the more notable earnings season developments so far came from SpaceX, which reported quarterly results on Tuesday. The company confirmed its Starlink networking arm will push toward becoming a domestic telecommunications competitor. Currently, AT&T, Verizon, and T-Mobile make up a longstanding trio (apart from Sprint, which was acquired by T-Mobile in 2020) that has ruled the telecommunications network in America. SpaceX founder and CEO Elon Musk has put added pressure on these stocks in recent weeks, as he continues to hint at a Starlink expansion, such as when he noted the need to utilize terrestrial towers as opposed to satellites to build out a country-wide network on the recent earnings call. We believe that a fourth player in this industry would be detrimental to the legacy telecom providers but could be a positive for consumers as prices would likely fall due to elevated competition. Separately, Musk continues to suggest that a merger between his two companies, SpaceX and Tesla, could be coming. On the earnings call, Musk said there are ongoing meetings to discuss this potential opportunity, but he has noted that a merger is far from certain. Higher correlation between the two stocks lately shows that investors may view the merger as likely. We would continue to watch both the telecom space and Tesla for further developments.

Looking for a fourth player?

Total subscribers for major U.S. telecom companies (millions)



Source - RBC Wealth Management, FactSet; data as of 10/22/26

CANADA

Matt Altro, CFA & Elizabeth Grant – Toronto

■ **Canada's inflation rate increased to 3.1% y/y in September after holding at 3.0% for the two prior months.** This came in lower than consensus estimates of 3.2% y/y but slightly higher than RBC Economics' forecast. The rise was driven by a 19% y/y increase in energy prices, with gasoline increasing 27.8% y/y. Meanwhile, food inflation decreased 0.5% y/y. The Consumer Price Index (CPI) excluding food and energy remained unchanged at 2.1% y/y, while the Bank of Canada's (BoC) preferred measures, CPI-trim and CPI-median, came in at 1.8% and 1.9% y/y, respectively. The economy is gradually improving but remains soft. Employment decreased in August and September, and unemployment is holding around 6.5%. While policymakers remain alert to risks, given that elevated oil prices can lift inflation expectations or generate broader second-round pressures, BoC Governor Tiff Macklem acknowledged that "the risk that inflation broadens and becomes more persistent has gone up." RBC Economics' base case assumes the BoC will hold rates throughout 2026 before gradually raising them in 2027, since softer labour market data gives policymakers room to remain patient. However, recent BoC communications suggest to us that there is more urgency than the data suggests, adding risk that the BoC may raise rates pre-emptively.

■ **The S&P/TSX has had a strong year so far. With only a few months left, we are looking at mid-teen returns from the index.** These returns have not come easily, with plenty of volatility throughout the year. March's drawdown erased all the early-2026 gains as oil prices jumped due to Middle East tensions and gold tumbled amid expectations for higher interest rates. While energy stocks initially rallied, returns were weighed down by a double-digit decline in the Materials sector (which accounts for 20% of the index) along with weakness in other sectors. A strong spring and summer followed, with Financials, Technology, and Materials recovering lost ground as economic growth proved to be resilient in the face of the energy price shock. Today's environment is defined by continued geopolitical conflict and higher interest rates as markets price in numerous rate hikes through 2027, according to RBC Economics. While this environment has weighed on higher-yielding TSX stocks, we see opportunities emerging to invest in high-quality, well-managed businesses that continue to manoeuvre through the changing macro environment.

UK & EUROPE

Frédérique Carrier – London

■ **The encouraging news flow that had suggested the UK was weathering a difficult environment came to an abrupt halt.** In August, GDP growth of 0.1% had beaten consensus expectations of a contraction and unemployment had unexpectedly fallen to 4.7%. Meanwhile, the International Monetary Fund raised its 2026 UK growth forecast to 1.3%, the joint second-highest improvement in the G7.

■ **However, inflation rose to 3.5% y/y in September, above the consensus forecast.** Both core and services inflation increased, pointing to energy costs seeping into the wider economy. We think this strengthens the case for the Bank of England to raise interest rates. Markets are discounting around four increases over the next year. It is against this mixed backdrop that Chancellor of the Exchequer John Healy will deliver his first budget, or fiscal plan, on Oct. 28.

■ **In France, the government focused on containing civil unrest, while 10-year sovereign bond yields touched 5%, the highest level since 2002.** The debate continues in the fragmented parliament on the 2027 budget which seeks some €43 billion in savings. In our view, investors will follow these negotiations closely, as well as the strength of demand at French sovereign bond auctions.

■ **Meanwhile, German Chancelor Friedrich Merz kept an unusually high profile this week, perhaps to regain the initiative after the right-wing AfD party's gains in recent state elections.** On trade, he stressed that Europe was ready to defend its industry against aggressive practices with protectionist measures. This marks a notable shift for a country that had championed open trade for decades.

■ **Merz also hosted the government's first Invest in Germany Summit, announcing some €230 billion of investment pledges.** In our view, the summit and the country's planned pension overhaul form a dual-track strategy which aims at broadening the funding base for Germany's investment needs by attracting external capital while channeling part of workers' wages into capital markets. We believe the government recognises that private investment, not just public spending, is needed to sustain Germany's recovery.

ASIA-PACIFIC

Nicholas Gwee, CFA – Singapore

■ **China's mainland stock market is approaching bear market territory, with the Shanghai Shenzhen CSI 300 Index falling 1.7% on Thursday, a 20% year-to-date decline from its June highs.** The slump stems from insufficient fiscal stimulus and disappointing earnings, in our view, as policymakers opted for incremental measures rather than the substantial packages seen in 2024. The retreat accelerated after global AI-sector selloffs, compounded by evidence of persistent weakness in domestic consumption. Chinese tech stocks have been especially hard hit. The STAR 50 Index—composed of the 50 largest and most liquid securities listed on the Shanghai Stock Exchange's Science and Technology Innovation Board (also known as the STAR Market)—is down 40% this year. Valuations that surged on early AI optimism and state support now appear vulnerable to further corrections, in our assessment. Major firms—such as CATL, a leading Chinese battery maker—reported slower-than-expected profit growth, intensifying concerns about sustained earnings disappointment. Our research correspondent firms warn that without new policy or tech catalysts, volatile trading may persist into early 2027. While China's authorities have attempted state-backed market stabilization, market experts believe such measures may be insufficient to sustain a recovery.

■ **The Bank of Korea (BoK) on Thursday held its benchmark rate at 3%, after two consecutive increases, and maintained its tightening stance.** The central bank cited stronger-than-expected economic growth, suggesting more rate hikes ahead. Inflation remains elevated at 2.8%–2.9%, above the BoK's 2% target. The won strengthened against the U.S. dollar as markets priced in additional quarter-point increases. South Korea's export-driven economy is benefiting from global AI spending, with chip exports surging 222.5% y/y so far in October according to the Korea Customs Service. The BoK's six-month dot plot indicates one more hike this year, which would increase its benchmark rate to 3.25%. BoK Governor Hyun-Song Shin emphasized that preemptive tightening has given policymakers greater flexibility while supporting financial stability through currency stabilization, though some analysts expect additional tightening beyond the projected terminal rate.

■ **Indonesian equities rebounded as sovereign wealth fund, Danantara, announced it has been purchasing local stocks, lifting the Jakarta Composite Index after earlier losses.** The rebound followed Indonesia's worst equities rout in three decades, triggered by MSCI's warning of a potential reclassification (and downgrade) of the Indonesian equity market from emerging-market to standalone status due to what it describes as opaque shareholding structures and coordinated trading concerns. Indonesia's government pushed back on MSCI's handling of this issue and Danantara's chief investment officer confirmed buying Indonesian state-owned enterprises. While authorities have imposed fines and pledged reforms to combat equity market violations, our regional correspondent firms are cautious regarding MSCI-related uncertainty—despite valuations that appear increasingly attractive to them.

MARKET
Scorecard

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	7,757.17	1.4%	13.3%	15.2%	32.5%
Dow Industrials (DJIA)	52,856.09	3.8%	10.0%	12.6%	23.1%
Nasdaq	26,702.86	-0.6%	14.9%	16.3%	44.0%
Russell 2000	2,781.02	-0.6%	12.1%	11.8%	24.2%
S&P/TSX Comp	36,324.99	3.1%	14.5%	21.5%	46.9%
FTSE All-Share	5,795.87	1.2%	8.3%	13.8%	27.5%
STOXX Europe 600	644.49	1.5%	8.8%	12.4%	23.6%
EURO STOXX 50	6,207.52	-1.0%	7.2%	9.2%	25.6%
Hang Seng	23,651.87	-3.9%	-7.7%	-9.1%	15.5%
Shanghai Comp	3,713.03	-3.4%	-6.4%	-5.2%	13.6%
Nikkei 225	64,621.24	-3.2%	28.4%	31.0%	65.9%
India Sensex	73,709.69	1.7%	-13.5%	-12.7%	-9.2%
Singapore Straits Times	5,437.99	-4.2%	17.0%	24.1%	50.4%
Brazil Ibovespa	206,495.23	10.8%	28.2%	43.3%	58.4%
Mexican Bolsa IPC	70,289.33	9.5%	9.3%	15.7%	33.1%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	5.123%	-16.2	95.6	116.1	92.8
Canada 10-Yr	3.864%	-13.0	43.1	78.3	63.0
UK 10-Yr	5.378%	-4.6	89.9	90.0	124.1
Germany 10-Yr	3.421%	-16.5	56.6	86.9	113.9
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	5.44%	1.2%	-1.7%	-2.0%	4.3%
U.S. Investment-Grade Corp	5.95%	1.1%	-2.0%	-2.4%	4.5%
U.S. High-Yield Corp	8.44%	-0.2%	-0.1%	1.1%	8.9%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	4,132.65	-0.6%	-4.3%	0.2%	51.9%
Silver (spot $/oz)	57.83	-4.3%	-19.3%	18.7%	71.2%
Copper ($/metric ton)	14,591.25	1.0%	17.2%	37.7%	54.9%
Oil (WTI spot $/bbl)	97.74	8.1%	70.2%	69.0%	38.5%
Oil (Brent spot $/bbl)	109.64	5.9%	80.2%	78.8%	47.6%
Natural Gas ($/mmBtu)	2.77	-8.4%	-24.8%	-20.2%	19.9%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	101.6980	0.2%	3.4%	2.8%	-2.2%
CAD/USD	0.7121	1.3%	-2.3%	-0.1%	-1.5%
USD/CAD	1.4043	-1.3%	2.3%	0.1%	1.5%
EUR/USD	1.1233	-0.9%	-4.4%	-3.2%	3.9%
GBP/USD	1.3395	1.0%	-0.6%	0.2%	3.2%
AUD/USD	0.7028	1.2%	5.3%	8.3%	5.5%
USD/JPY	158.1500	0.5%	0.9%	4.1%	4.8%
EUR/JPY	177.6500	-0.4%	-3.5%	0.8%	8.9%
EUR/GBP	0.8386	-1.8%	-3.8%	-3.4%	0.7%
EUR/CHF	0.9260	-2.2%	-0.5%	0.2%	-1.1%
USD/SGD	1.2774	0.0%	-0.6%	-1.6%	-3.0%
USD/CNY	6.6759	-0.4%	-4.5%	-6.3%	-6.2%
USD/MXN	18.6867	3.4%	3.8%	1.4%	-6.5%
USD/BRL	5.0284	-2.8%	-8.2%	-6.7%	-11.7%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.71 means 1 Canadian dollar will buy 0.71 U.S. dollar. CAD/USD -2.3% return means the Canadian dollar has fallen 2.3% vs. the U.S. dollar year to date. USD/JPY 158.15 means 1 U.S. dollar will buy 158.15 yen. USD/JPY 0.9% return means the U.S. dollar has risen 0.9% vs. the yen year to date.

Source - Bloomberg; data as of 10/21/26

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As of September 30, 2026

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Outperform]	953	57.62	313	32.84
Hold [Sector Perform]	649	39.24	164	25.27
Sell [Underperform]	52	3.14	3	5.77

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