

WEEKLY STRATEGY Perspectives

WEEK ENDED MAY 1, 2026

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Wrangling Risk

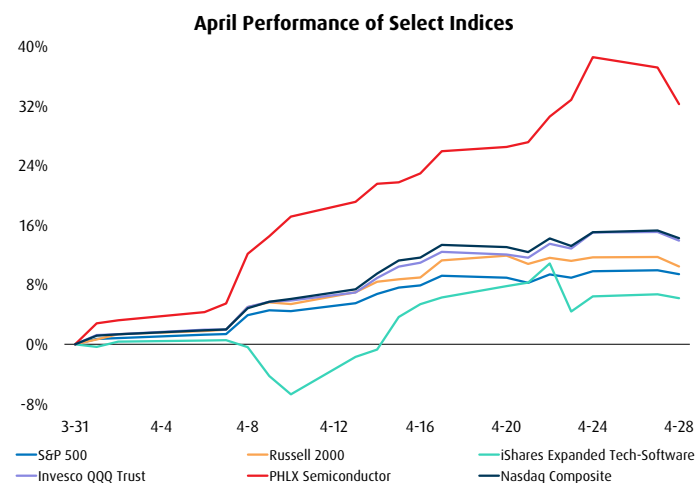
"The essence of investment management is the management of risks, not the management of returns."

– Benjamin Graham

The Through Line: With stocks near all-time highs despite a backdrop of concerning headlines, investor psyches are understandably disheveled by the dissonance. Economic fundamentals remain broadly supportive (for now), but a not-so-vague skepticism re the advance's durability remains. We examine a few of the most prominent fears under different lights, and highlight moves that can potentially help ease the discomfort.

The mother of all market rallies

Instead of showers, April brought solid market returns – stocks are set to exit the month near all-time highs (ATHs). Growth assets and risk-on trades are being celebrated with unique intensity; even software names snapped back after taking sharp hits in the month's early days. Semiconductor stocks (measured by the PHLX SOX index) had their best run since the dotcom boom of the late 1990s, advancing over 30%. The strong market performance came despite no discernable resolution of the Middle East conflict and the Strait of Hormuz still effectively shuttered. We've suggested for weeks that **investors just needed directional stabilization – not final resolution – in order to move on to other issues.**



Strongly advancing markets amid volatile headlines are once again teeing up a wall of worry. Clients are fretting about valuations, bubbles, all things AI, geopolitics, prices, market sentiment, consumer

wherewithal, employment trends and a mountain of other things. Friends are asking if markets have lost their minds: "How can stocks keep going up and bonds remain so calm when the news *feels* so dire?" And therein lies the conundrum: **investing well for the long run often requires uncomfortable decisions in the short run.**

Rebalancing, for example, means leaving the party early (with *some* of your assets): trimming winners to round up holdings in names/sectors/assets whose performance has recently been more challenged (assuming fundamental underpinnings remain intact).

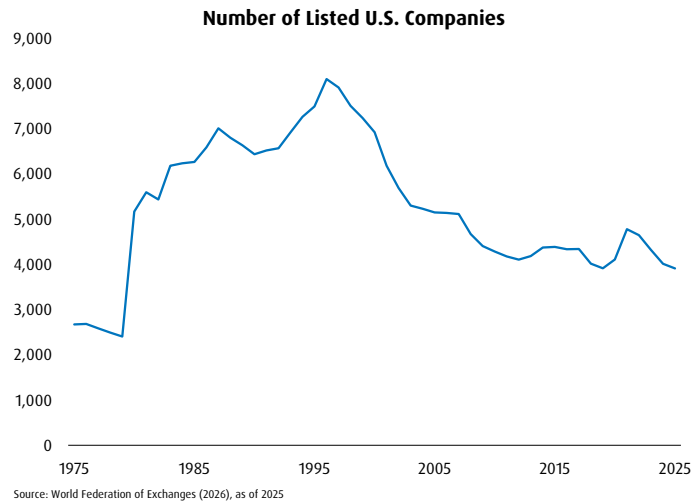
Diversification means holding a variety of assets that respond to different market forces. This potentially puts a governor on a portfolio's upside in runaway markets; it's the opportunity cost of hoped-for downside smoothing.

Keeping your sanity/wits about you means remembering the financial media live to generate clicks (if it bleeds, it leads), not to applaud your investment choices.

But far from your mother's market

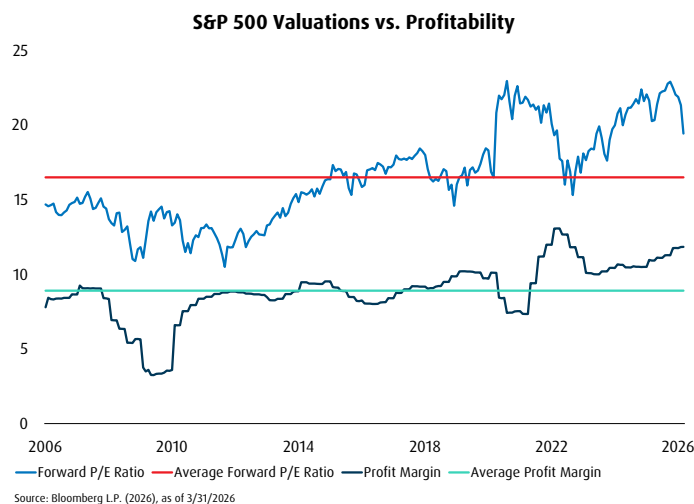
April's solid market performance has revived fears of a repeat of the late 1990s dotcom bubble. Although we are seeing rapid appreciation of stock prices and a compelling story line similar to that prior experience, there are also stark differences. The period from 1995 to 2000 saw untested companies spending profligately, hiring with abandon and crafting utterly untested business models. Initial Public Offerings (IPOs) were coming by the dozens if not hundreds. Many of these companies had no earnings – some had no revenue – yet investors eagerly lined up to buy, hoping to get in early on the next 10-bagger. Traditional valuation metrics morphed into "per eyeball" or "per click" valuations in order to support the narrative. The number of public companies in the U.S. peaked in 1997 at just under 8,000, a number nearly cut in half by 2020.¹ Despite a mini-IPO boom in the late days of the pandemic (and

a large increase in both daily trading volume and the number of active investors), the public company share count today remains far below the prior peak.



For the most part, the companies generating the bulk of today’s buzz (think Mag 7) are old-line companies that have double-digit revenue and earnings growth and substantial free cash flow from established business lines to divert to new technologies and growth areas. **To date, the companies themselves are underwriting much of the increased spending – not stock investors via IPOs.** While some are starting to issue debt selectively, most have “fortress” balance sheets; a number of them even borrow at rates equivalent to or below those paid by the U.S. government.ⁱⁱ

It’s important to remember that **stock prices aren’t moving up in a vacuum – earnings in aggregate have grown at double digits for the past five quartersⁱⁱⁱ.** Profit margins are also migrating upward as companies across the board (in most industries, not just tech) are substantially more discerning and carefully attending to costs.



Markets as a vital feedback mechanism

Investors, too, are being discerning – not simply rewarding data center spend, for example, but questioning returns, backlogs, the ability to access power to run facilities, overall indebtedness levels, etc. **There are few signs of overt ebullience** (in fact, investors’ pearl clutching over being in new high territory is a healthy sign). Traders who want to speculate have multiple ways to do so – leveraged exchange-traded funds (ETFs), options, futures, options on futures and prediction markets.

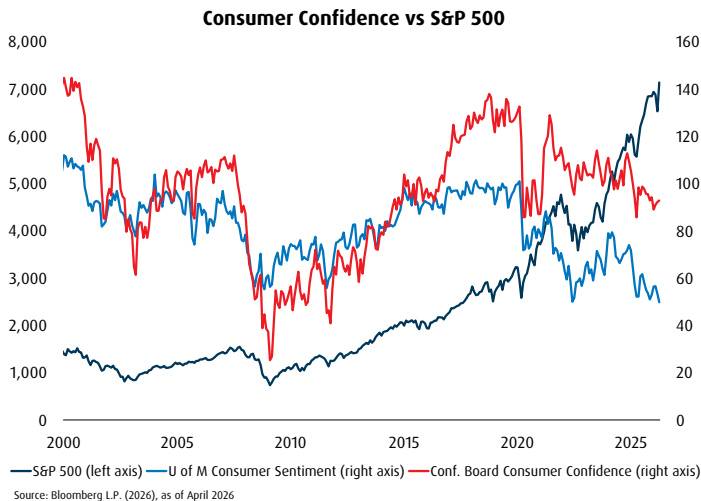
Wrangling the risks

Markets have been working hard to key in on the resilience and muscle memory that both the U.S. and Canadian businesses and economies have displayed in recent years. While we can point to additional constructive attributes in both countries, we appreciate the overwhelming desire of investors to try to prevent market gains in their portfolios from evaporating. A number of strategies can support this effort:

- **Identify risks most pertinent to you** – (and ideally codify them in an investment policy statement) quantify cash flow needed to support lifestyle; match specific assets to specific future liabilities; factor in strategies to accommodate inflation/maintain purchasing power, and so on.
- **Rebalance routinely** – do it either on a set calendar schedule or when a particular asset class has moved by more than a predetermined amount.
- **Revisit asset allocation** – this is especially timely now, given both the volatility experienced earlier and the fact that many assets are back at ATHs.
- **Understand it’s all about time in the markets NOT timing the markets** – many investors presume they can get all the way out or all the way back in, calling both moves accurately. Numerous studies refute this belief, however, typically because most of the market’s explosive moves happen in short bursts.
- **Get your self-talk in order** – revisit the economic and fundamental underpinnings of *what could go right*. Remember that bull markets don’t die of old age, they die from some fundamental disconnect. Keeping a list of all the things worrying the market from year to year and how they did (or more often didn’t) come to pass can be an instructive activity.

Reorganizing for a new future

We (and many other strategists) have long pointed out the disconnect between consumer sentiment (sour) and spending (steady). Even strongly rebounding stock markets have done little to buoy sentiment, which has been trending downward since the pandemic. This has gone on long enough now that we could almost surmise something (or some combination of things) “broke” during the pandemic and as a nation (arguably as a globe) we haven’t been the same since.



In theory, we could argue that consumers (and businesses, citizens, employees) are trying to find their footing in an environment that's in the early stages of recalibrating and rebalancing – even while investors home in on the growth-supportive potential. **Systemic change is afoot in virtually every area of the human condition: geopolitical, economic, technological, societal, governmental and demographic.** Swings in any single one of those areas would be unsettling, but so many moving parts shifting simultaneously can be intensely unsettling. **The old order is rapidly falling away and we are all forced to reimagine what the future will look like. How we plan to engage with it. How we invest in it. How much we are willing to pay to play.**

Implications for Investors

Investing skillfully demands carving emotion out of the equation and focusing on identifying the *real* (versus imagined) risk factors that are most pertinent to an individual's/family's circumstances. It centers on mitigating risk rather than chasing returns – which makes sense because we can't realistically control returns. But we *do* have some agency over the types of risks (time, liquidity, transaction costs) we are willing to accept.

Our advice: focus on the things you can control. The behavior of social media, politicians, your kids or your spouse is out of your hands. Nor can you control market performance. However, there are plenty of things in your purview – like the timing of transactions/realization of tax consequences; liquidity constraints you are or are not willing to accept; and the types of investments you allocate your dollars to. **Benjamin Graham, the father of value investing, pointed out this fundamental truth: management of risks – not management of returns – is key to investing success.**

In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

This week

Canadian government releases its spring economic update – Ottawa unveiled the mid-year economic outlook, which contains projections for a C\$65.3 billion deficit (1.9% of GDP) for fiscal year 2026/27 (largely unchanged from the previous estimate). A broadly stronger revenue environment has helped, but that improvement was fully soaked up by new program announcements. New economic initiatives impacting the deficit include: the temporary removal of the excise tax on gasoline; removal of the GST on new homes for all buyers; and expansion of the GST/HST credit under the Canada Groceries and Essentials Benefit banner. In the meantime, the debt-to-GDP ratio rises this fiscal year by 0.4 percentage points to 41.5%. There were few fresh details on the recently announced Canada Strong Sovereign Wealth Fund. This update confirms a C\$25 billion initial investment by Ottawa through government funding (i.e., borrowing), retail investment and asset sales. The cost doesn't flow through the operating statement and to the reported deficit. **Suffice it to say this not the sovereign wealth fund that many would think of (e.g., those who save a dedicated portion of certain revenues/surpluses for future generations). Rather, it looks like another borrowing vehicle that can be tapped to fund priority projects.** Ottawa is basing this fiscal update on a consensus survey from March, which was conducted when the conflict in Iran was heating up. The outlook assumes 1.1% real GDP growth this year, followed by 1.9% growth in 2027.

Strait talk – The Strait of Hormuz has been closed for over two months. Both investors and consumers have mainly focused on the ensuing shock to global oil markets and the potential downstream impact on inflation from rising fuel prices. Petrochemicals tend to get less airtime, perhaps because the end products are so ubiquitous in everyday life. Plastics, synthetic fibers, films and coatings are among the products used daily with little thought given to their origin. Ethylene is a simple base from which hydrocarbon chains are built to produce these and many other petrochemical products; by volume, it's the most widely used petrochemical in the world. Many producers in both Europe and Asia are dependent on naphtha from the Middle East as the primary input used to produce ethylene. Before the Iran conflict, Gulf states accounted for roughly 15% of global petrochemical production, and about 20% of global naphtha supply to petrochemical companies outside the region that is moved through the Strait of Hormuz. **Last week, Dow Inc. said around half of the global ethylene and polyethylene supply is either offline or constrained due to the Strait's closure.** This has led to supply deficits and rapidly rising prices across the ethylene value chain. Similar inflationary headwinds are likely to be felt across the consumer space, whether it is PET for beverage bottles, films used to wrap food, or polyester-based fibers in apparel. **U.S. petrochemical companies obtain ethylene from natural gas and ethane, which are currently both plentiful and low priced, affording a competitive advantage on the global stage.** But petrochemicals are global products, and higher pricing elsewhere has led to increased exports and higher domestic prices, meaning U.S. consumers still face similar inflationary risks. More importantly, petrochemical supply chains are slower to restart and more difficult to rebalance than crude oil flows. This suggests the inflationary impact could persist even after oil markets stabilize.

U.S. FOMC leaves rates unchanged – Expectations going into the Federal Reserve's Open Market Committee April decision were for a rather uneventful outcome; the odds of policy remaining unchanged stand at 100% and the stage set for incoming Fed Chair Kevin Warsh to lay out his policy vision. While directionally this was correct, there were more fireworks than expected punctuating what was likely current FOMC Chair Jerome Powell's final meeting. There will be no quick exit for Mr. Powell, who intends to remain on the Fed Board of Governors until he is convinced Fed independence is no longer at risk and Justice Department investigations of the institution have ceased. While the FOMC did elect to hold policy rates at 3.5% to 3.75%, three voting members dissented against the broader group's easing bias, taking the view that a neutral stance was appropriate since inflation is trending upward and the war in the Middle East is increasing uncertainty. In Mr. Powell's view, policy rates are within the bounds of neutral and in a good place to move either way in response to evolving economic circumstances. As he spoke, dated Brent crude (physical market) was above \$120 per barrel while average U.S. gasoline prices topped \$4.20 per gallon. Mr. Powell noted that when gas prices rise, disposable incomes contract, which weighs on GDP and threatens to bleed through to core PCE inflation. It is difficult for the Fed to look through this inflationary headwind while officials have no idea how long the current energy shock will last. The outgoing Chair noted that the FOMC would likely need to see energy prices peak before considering rate cuts. Positives highlighted by Mr. Powell included a stable labor market, continued economic expansion at a solid pace, a resilient consumer, and continued business investment. For now, it seems the closure of the Strait of Hormuz and the potential negative economic impacts are key impediments to the Fed eventually delivering the rate cuts called for by President Donald Trump.

Bank of Canada keeps rates steady at 2.25% – The BoC policy statement held to the facts, highlighting the uncertainty around the outlook for oil prices and trade. For the most part, the economy is performing predictably; growth is rebounding after the Q4 contraction and the labour market remains soft. The neutral range held steady at 2.25% to 3.25%. Potential growth was trimmed a tick for 2026 and 2027 to 1.2% and 1.3%, respectively, though the level was lifted largely due to historical GDP revisions. A huge number of unknowns remain for the rates outlook; oil and trade loom largest. Until we get more clarity, the BoC will likely stay on hold. However, it is apparent that policymakers want to push back on any second-round inflation effects, so CPI data over the next few months will be closely watched if energy prices don't retreat.

Canada retail sales tick up – Canadian retail sales increased 0.7% in February, a few tenths softer than the flash estimate. Seven of nine sectors posted higher spending, led by autos (+1.0%), general merchandise (+1.2%), clothing (+1.1%) and groceries (+0.9%). Spending rose 0.5% ex-autos, while sales ex-autos and gas were up 0.6%. Unfortunately, price increases took a chunk out of the headline rise – sales volumes were up just 0.3%. Meanwhile, the advance reading for March points to a 0.6% increase; higher energy prices, not volume, are likely driving the increase. Two months of rising retail sales highlight underlying consumer resilience in the face of significant headwinds, namely elevated economic uncertainty and outright population declines.

Conflicting reads on U.S. consumer sentiment – April consumer sentiment surveys from the University of Michigan and the Conference Board diverged, reflecting differences in survey construction and the ongoing economic bifurcation among income cohorts. The University of Michigan survey, which skews toward lower- and middle-income consumers, saw sentiment fall to levels last seen during the pandemic, while 12-month forward inflation expectations rose from 3.8% to 4.7% month over month. In contrast, the Conference Board survey, which is more heavily weighted toward higher-income households and labor-market expectations, delivered a slight uptick in April. This reflects the greater economic resilience of these income cohorts despite concerns about rising gasoline prices tied to the Middle East war. Inflation has recently run ahead of wage growth, negatively impacting affordability, while gasoline prices above \$4 per gallon are weighing on lower-income consumers. Expected OBBB-related tax refunds have come in below expectations and have been directed toward debt reduction and savings, limiting the anticipated boost to discretionary spending. Economic fortunes continue to define a K-shaped consumer environment; lower-income households are under increasing pressure while early signs of strain are emerging for middle- and upper-income cohorts.

Next week

Earnings season peaks (in the U.S.) and continues to ramp in Canada. It will be a relatively light eco data week featuring select ISM numbers and key employment reports in both countries on Friday.

Monday 5/4 – None scheduled

Tuesday 5/5 – U.S. trade balance, New home sales (Feb and Mar), ISM Services | Canada Balance of trade, S&P Global composite and Services PMIs

Wednesday 5/6 – U.S. | ADP employment | Canada Ivey PMIs

Thursday 5/7 – U.S. Initial jobless claims, productivity, Consumer credit, Construction spending (Feb and Mar) | Canada none scheduled

Friday 5/8 – U.S. employment report, preliminary Consumer sentiment, Wholesale inventories | Canada Unemployment rate

Data scorecard as of April 29, 2026

Equity Market Total Returns						
	4/29/2026 Level	WTD	YTD	2025	2024	5-Year*
S&P 500	7,136	-0.4%	4.6%	17.9%	25.0%	14.4%
NASDAQ	24,673	-0.7%	6.3%	21.2%	29.6%	13.4%
DOW	48,862	-0.7%	2.2%	14.9%	15.0%	11.6%
Russell 2500	4,773	-1.5%	11.0%	11.9%	12.0%	7.3%
S&P/TSX	33,318	-1.7%	5.9%	31.7%	21.7%	16.1%
MSCI EAFE	11,101	-0.7%	4.7%	31.2%	3.8%	8.9%
MSCI EM	888	0.5%	15.8%	33.6%	7.5%	4.2%
Bond Market Total Returns						
		WTD	YTD	2025	2024	5-Year*
Bloomberg U.S. Aggregate		-0.6%	0.0%	7.3%	1.3%	-0.4%
Bloomberg U.S. Treasury		-0.6%	-0.2%	6.3%	0.6%	-1.0%
Bloomberg U.S. Corporate		-0.7%	-0.2%	7.8%	2.1%	-0.1%
Bloomberg U.S. High Yield		-0.2%	1.1%	8.6%	8.2%	4.5%
Bloomberg 1-10 Year Munis		-0.3%	0.3%	5.1%	0.9%	1.2%
Bloomberg Canada Aggregate		-0.8%	0.0%	2.4%	4.0%	-0.4%
Bloomberg Canada Treasury		-0.8%	-0.2%	1.4%	2.9%	-0.8%
Bloomberg Canada Corporate		-0.7%	0.2%	4.4%	6.9%	1.5%
Government Bond Yields						
	4/29/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average
U.S. 10-Year Treasury	4.43%	4.32%	4.32%	4.17%	4.57%	3.37%
Canada 10-Year Government	3.61%	3.47%	3.47%	3.43%	3.23%	2.81%
U.K. 10-Year Gilt	5.07%	4.91%	4.91%	4.48%	4.56%	3.16%
German 10-Year Bund	3.11%	3.00%	3.00%	2.85%	2.36%	1.66%
Japan 10-Year Government	2.46%	2.35%	2.35%	2.06%	1.09%	0.65%
Currencies & Real Assets						
	4/29/2026 Level	WTD	YTD	2025	2024	5-Year*
USD Index	98.96	0.4%	0.6%	-9.4%	7.1%	1.8%
CAD:USD	\$0.73	-0.1%	0.3%	4.8%	-7.9%	-1.5%
Bitcoin	\$75,654.64	-2.7%	-13.7%	-6.5%	120.5%	24.8%
Gold	\$4,547.95	-3.4%	5.3%	64.6%	27.2%	17.9%
Oil (WTI)	\$106.88	13.2%	86.1%	-19.9%	0.1%	3.4%

*Annualized

5-Year data as of December 31, 2025. Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.

Index Definitions

Equity indices

S&P 500® Index is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

Dow Jones Industrial Average (“DOW”) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

S&P/TSX Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada’s primary stock exchange, the Toronto Stock Exchange (TSX).

MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

Fixed income indices

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Corporate High Yield Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+ or below.

Bloomberg 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Canada Aggregate Bond Index measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

Bloomberg Canada Aggregate Bond Index - Treasury is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

Bloomberg Canada Aggregate Bond Index - Corporate is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.



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Precious metal investing involves greater fluctuation and potential for losses.

ⁱ The Fed - The post-COVID stock listing boom

ⁱⁱ Why Microsoft Has Lower Borrowing Costs Than the U.S. - WSJ

ⁱⁱⁱ S&P 500 Earnings Season Update: April 17, 2026