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July Market and Economic Update

August 6, 2026



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Data as of: July 31, 2026

For the Exclusive Use of RBC Dominion Securities Clients

Key Takeaways

- Diversification is helping to protect investors from individual company blow-ups.
- The economy remains strong in part because unemployment remains low.
- Fundamentals have kept up with the stock market over the past year.

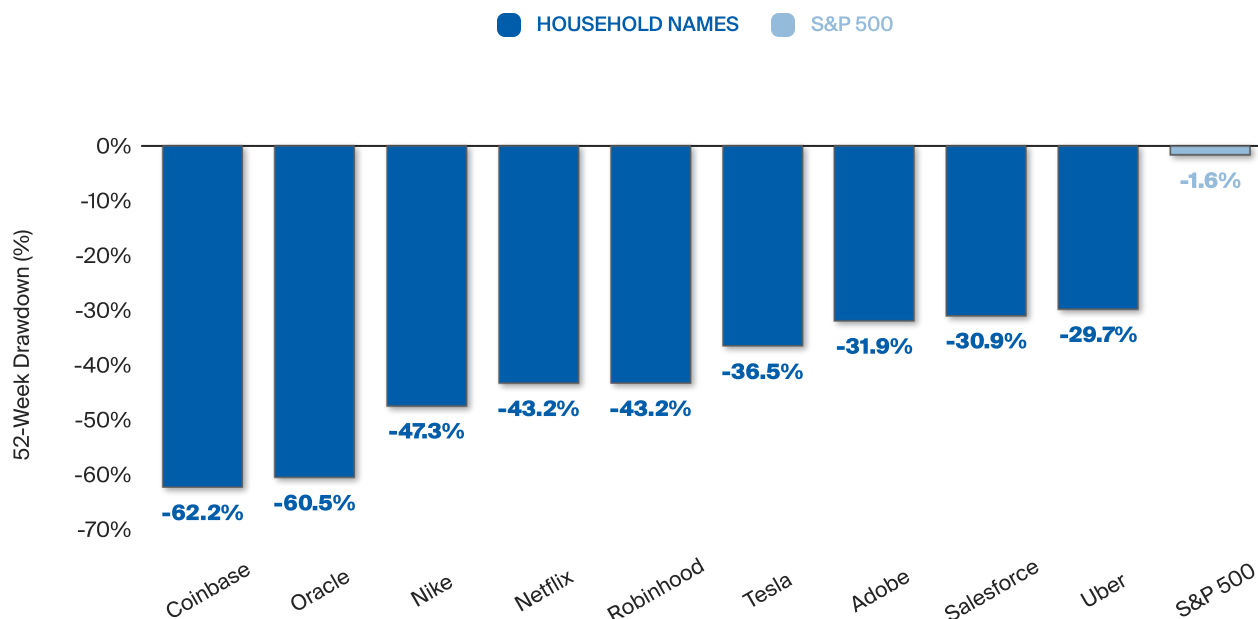
The S&P 500 remains near new all-time highs even while many well-known companies are in the midst of massive drawdowns.

Exhibit A

A Comparison of Recent Drawdowns

52-Week Drawdown: Household Name Stocks vs. The S&P 500 (%)

As Of Recent Trading Day's Close.



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-07-31

Coinbase, Oracle, Nike, Netflix and Robinhood are all down more than 40% from their 52-week highs, but there are plenty of other stocks picking up the slack this year. Diversification doesn't shield you from every market risk, but the beauty of spreading your bets is that it helps you offset big losers with big winners to give you a smoother ride.

The bull market is now global

For the second year in a row, foreign stocks are working. The good news is that this is now a global bull market. Through the end of July, stocks in emerging markets, developed foreign markets, Europe and the United States were all up double digits. For years, American large cap stocks were the only game in town. Many stock markets around the globe are now reaching new all-time highs, with emerging markets leading the charge in both 2025 and 2026.

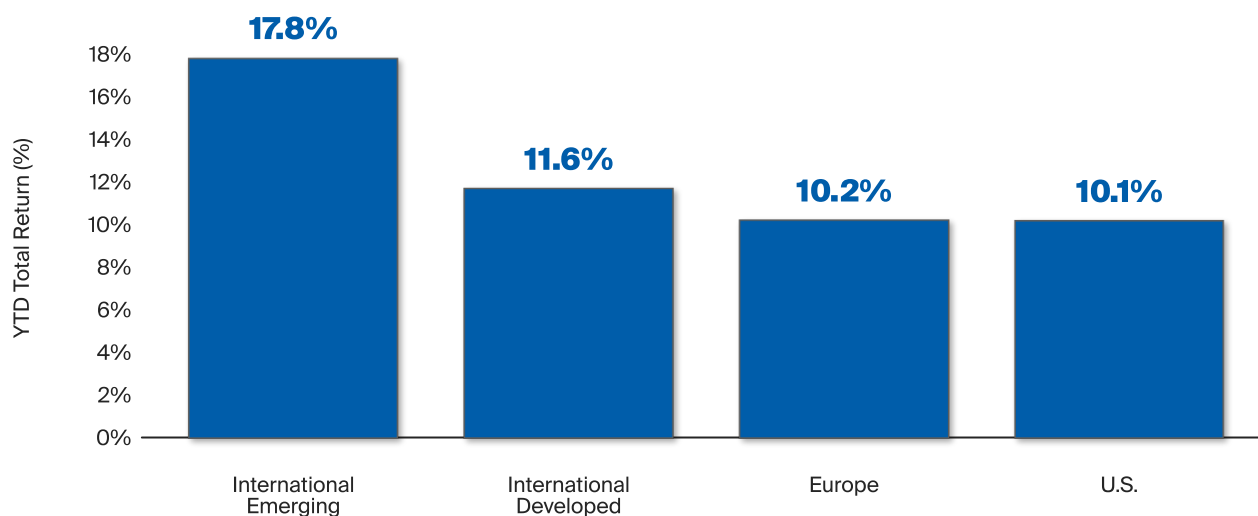
Exhibit B

Regional Equity Performance in 2026

International (Developed & Emerging), U.S., and Europe Year-to-Date (YTD) Equity Total Return (%)

YTD 2026

YEAR-TO-DATE EQUITY PERFORMANCE BY REGION



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-07-31



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The fundamentals remain strong

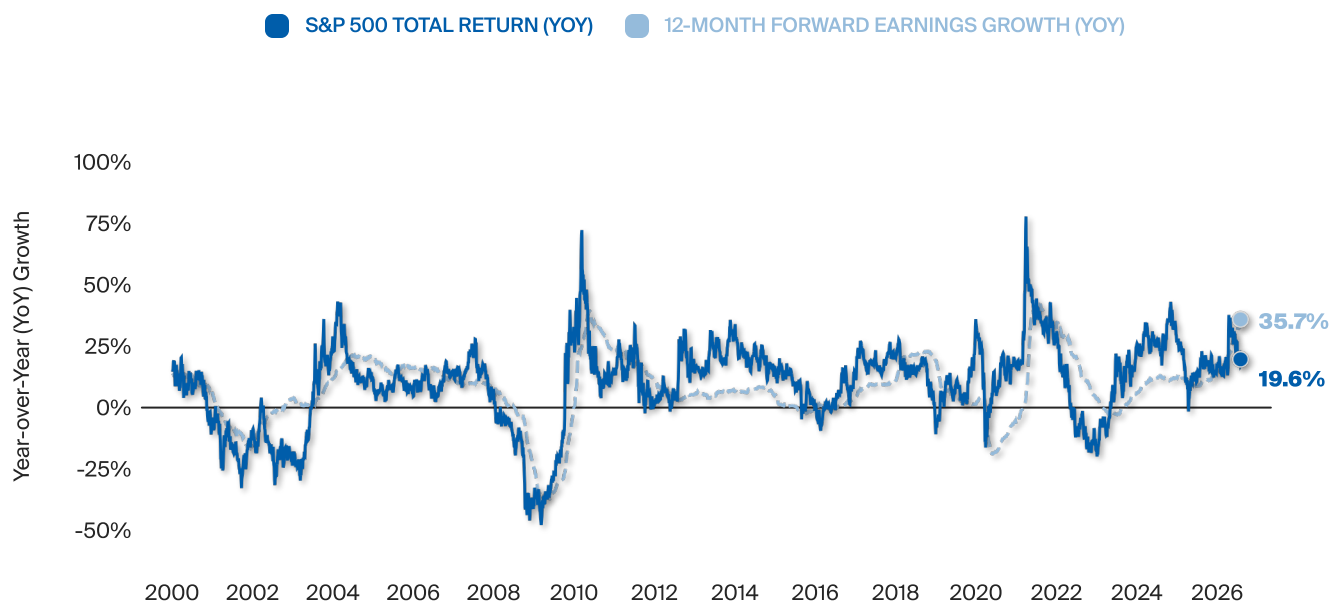
Timing the stock market is always difficult. This is true even when you try to apply some context around current market levels using valuations. The earnings picture can change rapidly, which is exactly what has transpired in the past 12 months or so. In the 12 months ending July 31, the S&P 500 gained 19.6%, but forward earnings grew 35.7% over the same timeframe.

Exhibit C

Tied at the Hip: Stock Prices and Earnings Growth

S&P 500 Total Return (YoY) vs. 12-Month Forward Earnings Growth (YoY)

Since 2000



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-07-31



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Sometimes the market looks fairly priced, but earnings come in lower than expected. Sometimes the market looks overpriced, but earnings come in higher than expected. This is why the stock market is forward-looking and extremely difficult to predict.

Nvidia's valuation has fallen

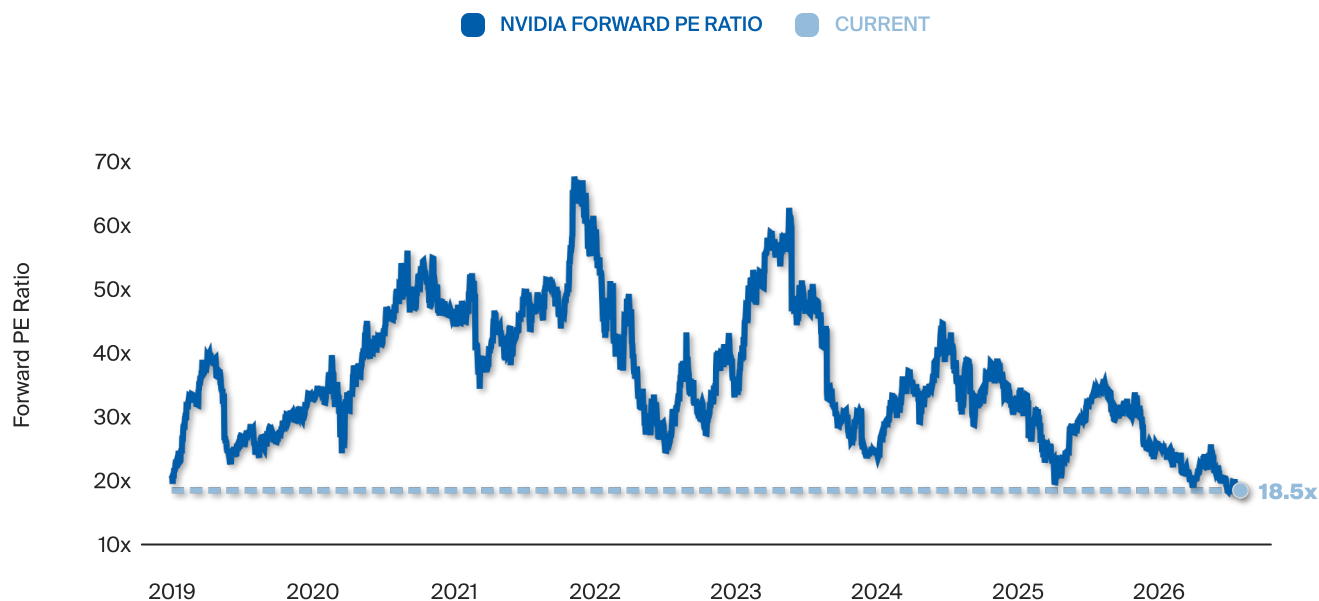
Nvidia is arguably the most important AI company on the planet in that it matters to the entire AI ecosystem. Nvidia supplies the picks and shovels in the form of GPUs. The world's largest cloud computing companies spend hundreds of billions of dollars on AI infrastructure through Nvidia. And it's also one of the largest publicly traded companies in history, with a market capitalization of roughly \$5 trillion. However, as the AI bubble debate rages on, it's worth noting that Nvidia's valuation has fallen.

Exhibit D

A Bubble? Not in Nvidia's Valuation

Nvidia Forward PE Ratio

Since 2019



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-07-31



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The forward PE for the company is now at its lowest level since 2019. Nvidia is one of the best performing stocks this decade, but earnings have kept the valuation in check.

The economy is still growing

There has been a lot thrown at the economy this decade between the pandemic, supply chain shocks, a tight labor market, tariffs, high inflation, energy price spikes and more. In the face of these challenges, the economy has remained resilient. There have been some ups and downs, but consumers keep spending money.

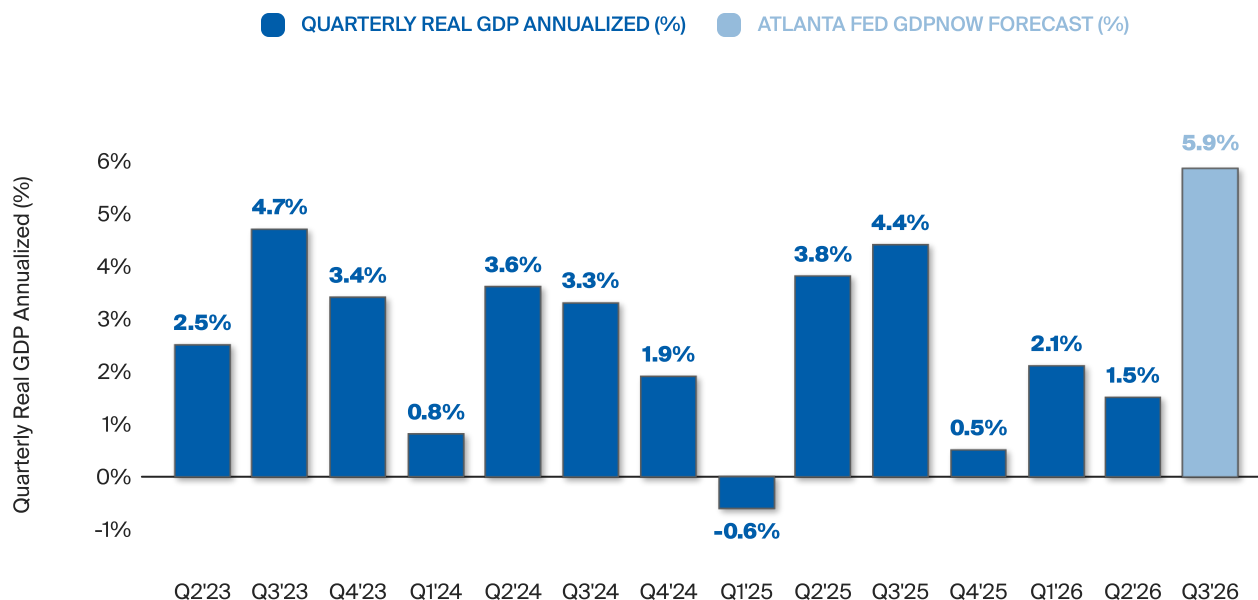
The Atlanta Fed's GDPNow model is forecasting 5.9% real GDP growth for Q3 2026. That number will likely change between now and quarter-end, but it's important to remember that the U.S. economy is bigger, more diversified and more dynamic than ever before.

Exhibit E

How Is the U.S. Economy Performing?

Past 3 Years and Upcoming Quarter Forecast (When Available From Atlanta Fed)

Past 3 Years and Upcoming Quarter Forecast



Source: © Exhibit A, U.S. Bureau of Economic Analysis, Federal Reserve Bank of Atlanta via FRED | Latest: 2026-07-01



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Over the past three years the U.S. economy has grown in every quarter except one. Some quarters were stronger than others, but the trend has been positive.

This is why consumers keep spending

The U.S. economy produces more than \$32 trillion in goods and services each year. It is one of the biggest, most diverse economies in the entire world. So trying to pinpoint the exact reason for specific outcomes in the economy can be challenging. It's rarely one data point that makes or breaks an economy of this size and scope. But if you wanted to drill down to some of the main reasons why consumer spending has been so resilient in the face of many economic challenges in the 2020s, look no further than the labor market.

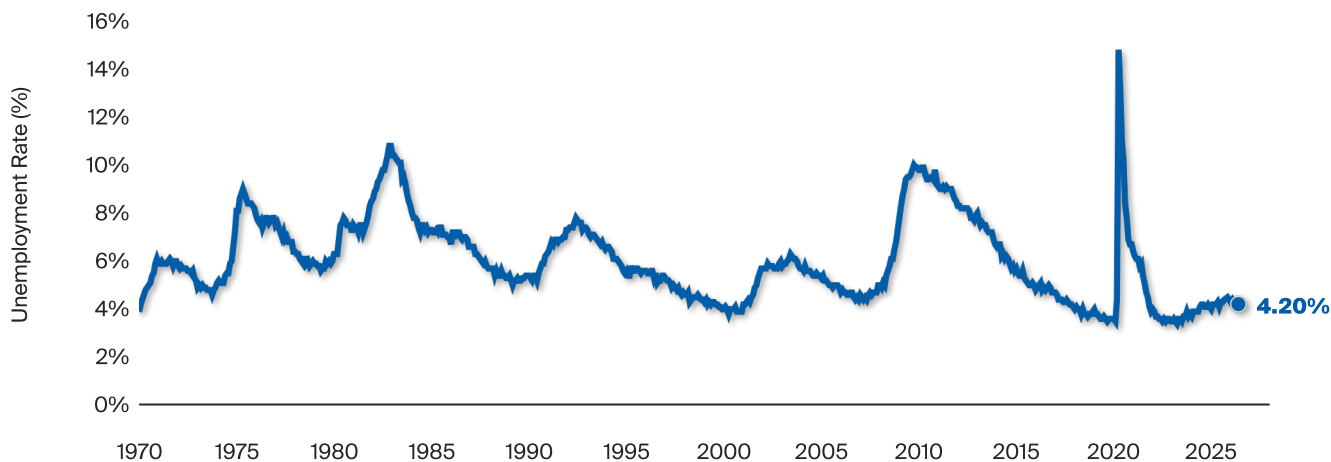
Exhibit F

Unemployment Rate in the U.S.

Unemployment Rate (%)

Since 1970

UNEMPLOYMENT RATE



Source: © Exhibit A, U.S. Bureau of Labor Statistics via FRED | Latest: 2026-06-01



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The unemployment rate has been below 5% for almost five years. Inflation, tariffs and higher energy prices have all been headwinds, but people tend to still spend money as long as they have a job and a steady paycheck.

The yield curve is normalizing

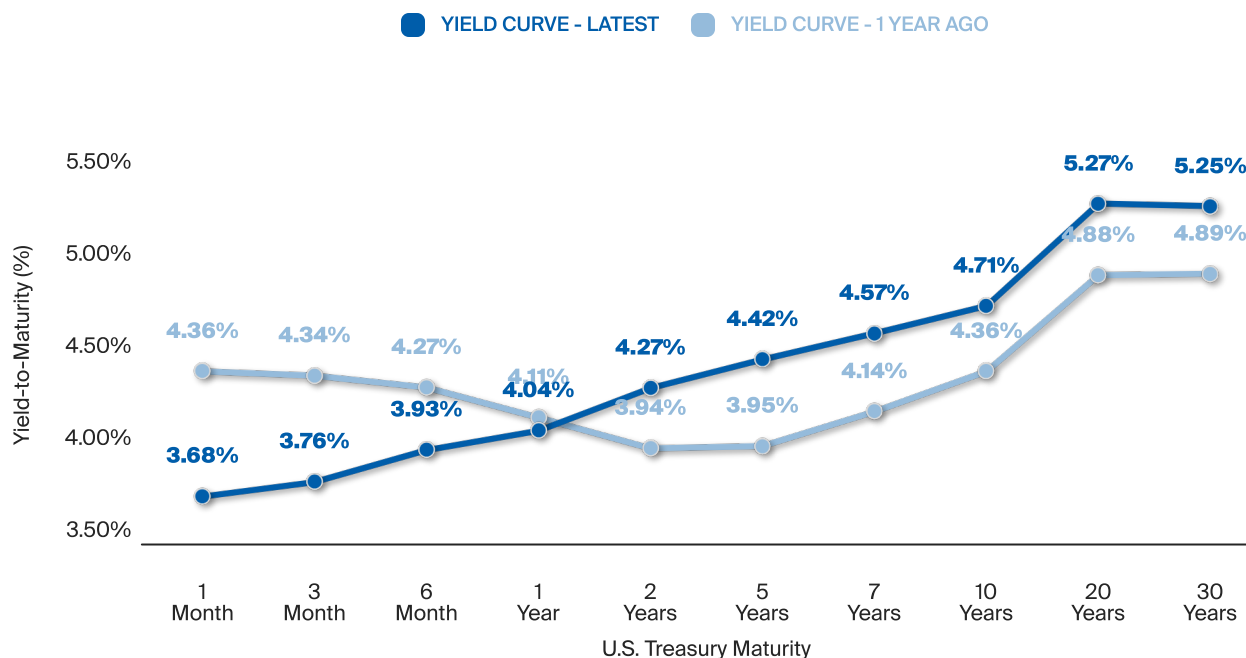
Finance 101 teaches you that, all else equal, the longer the maturity on a bond, the higher the interest rate should be to compensate you for the risks involved. But sometimes market forces and central banks upend this relationship when they have to jack up short-term rates. And that's exactly what happened in 2022 when inflation spiked to 9%. The Fed raised short-term rates to deal with inflation, but longer-term rates didn't budge much. That meant the yield curve was inverted, which isn't ideal. Today, the yield curve looks more normalized than it did a year ago as long bonds have higher yields than short-term T-bills. Bond yields in the belly of the curve have also risen by a substantial amount in the past year. Investors are now being compensated again for taking more risk.

Exhibit G

A Look at the U.S. Treasury Yield Curve

Yield-to-Maturity of the U.S. Treasury Yield Curve

Latest, 1 Year Ago



Source: © Exhibit A, FactSet Research Systems Inc., Federal Reserve | Latest: 2026-07-31



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As always, if you have any questions about any of this, please don't hesitate to reach out.

Chart Disclosures

Exhibit A: 52-Week Drawdown: Household Name Stocks vs. The S&P 500 (%): The 52-week drawdown measures the percentage decline from the highest closing price over the trailing 52 weeks to the most recent closing price, calculated from daily closing prices for each company shown and the S&P 500. The companies shown were selected as illustrative examples of widely recognized U.S.-listed companies and do not represent a recommendation or a complete list. Diversification does not ensure a profit or protect against loss.

Exhibit B: International (Developed & Emerging), U.S., and Europe Year-to-Date (YTD) Equity Total Return (%): The S&P 500 Index tracks the performance of 500 large-cap U.S. companies and serves as a benchmark for the U.S. stock market. The index is market-cap weighted. Returns shown represent year-to-date total return performance as of the current date. The following tickers are used as proxies for international equity markets: EFA (International Developed), EEM (Emerging Markets), and IEV (Europe). Total return includes dividends.

Exhibit C: S&P 500 Total Return (YoY) vs. 12-Month Forward Earnings Growth (YoY): The S&P 500 Total Return measures the price appreciation plus reinvested dividends of 500 large-cap U.S. companies, weighted by market capitalization. 12-Month Forward Earnings Growth (YoY) represents the year-over-year change in consensus analyst estimates for S&P 500 earnings over the next 12 months, aggregated from projections sourced from FactSet.

Exhibit D: Nvidia Forward PE Ratio: The forward price-to-earnings (P/E) ratio is calculated by dividing Nvidia's share price by the consensus analyst estimate of earnings per share for the next twelve months (NTM), sourced from FactSet. The chart shows observations since 2019, with the current value reflecting data through the latest date shown. Forward earnings estimates are projections and are not guaranteed to be achieved.

Chart Disclosures

Exhibit E: Past 3 Years and Upcoming Quarter Forecast (When Available From Atlanta Fed): Real GDP is Gross Domestic Product adjusted for inflation, representing the total value of all goods and services produced in the U.S. economy, serving as a measure of economic growth. The Atlanta Fed GDPNow Forecast is a real-time estimate of U.S. GDP growth provided by the Federal Reserve Bank of Atlanta. It uses a dynamic model to update projections for real GDP growth as new economic data is released, offering a timely and data-driven outlook on the economy's performance. It can be found here: <https://www.atlantafed.org/cqer/research/gdpnow>. The chart shows the quarter over quarter annualized change in Real GDP along with the Atlanta Fed GDPNow's forecast for the upcoming quarter.

Exhibit F: Unemployment Rate (%): The Unemployment Rate measures the percentage of the U.S. labor force that is unemployed and actively seeking work, providing an overall measure of labor market health. The chart shows the unemployment rate in the U.S. since 1970.

Exhibit G: Yield-to-Maturity of the U.S. Treasury Yield Curve: The U.S. Treasury Yield Curve is a graphical representation of U.S. Treasury yields across different maturities, used to gauge expectations for interest rates, economic growth, and inflation. The chart shows the U.S. Treasury yield curve currently and as of 1 year ago. It illustrates the change in the yield curve over the past year.

Definitions

The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. Indices are unmanaged and investors cannot invest directly into them.

The Atlanta Fed GDPNow Forecast is a real-time estimate of U.S. GDP growth provided by the Federal Reserve Bank of Atlanta. It uses a dynamic model to update projections for real GDP growth as new economic data is released, offering a timely and data-driven outlook on the economy's performance. It can be found here:

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The Unemployment Rate measures the percentage of the U.S. labor force that is unemployed and actively seeking work, providing an overall measure of labor market health.

The U.S. Treasury Yield Curve is a graphical representation of U.S. Treasury yields across different maturities, used to gauge expectations for interest rates, economic growth, and inflation.

The 10-Year Treasury Yield measures the return on U.S. Treasury bonds maturing in ten years, frequently used as a benchmark for long-term interest rates and a gauge of economic growth expectations.

The 2-Year Treasury Yield measures the return on U.S. Treasury bonds maturing in two years, often used as an indicator of short-term interest rates and market expectations for economic conditions.

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Exhibit A Disclosures

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