

February was a positive month for most investors. This might be a surprise to anyone glued to the American-dominated business media which might have over-emphasized the negative impact of Artificial Intelligence on the stock market and on the labour force. For instance, the fear that A.I. could make many software companies obsolete has caused a sharp decline in most software stocks. But what has mostly been ignored by the business news media is (1) the immense capital spending plans associated AI boom is contributing to the growth of the economy, (2) many 'old economy' (e.g. transportation) companies will benefit from cost savings relating to AI, (3) the overall strength of the U.S. economy is helping economically-sensitive small & medium-sized companies, and (4) the Canadian and international markets have continued to do well.

While I would not all be surprised to see a pullback in the stock market at some point in calendar 2026, I remain optimistic on the end of the year outlook, mainly due to (1) my belief that interest rates will trend down, and (2) corporate profits are expected to continue growing at a healthy above-historical average rate.

Given that the geo-political landscape has changed since February 28th due the Middle East conflict, I recognize that the markets now face a greater element of uncertainty. For this reason, in addition to our March Global Insight, I am also attaching an RBC GAM Market update entitled 'War in the Middle East injects meaningful risk to favourable macro outlook'. My personal opinion is that investors would be best served by concentrating more on the most 'likely/highly probable' scenarios as to where things might be in six months from now, as opposed to paying too much attention to the 'most disastrously possible' scenarios being laid out by the media. For instance, I would not be surprised to see oil prices lower in six months from now.

For a copy of our most recent Monthly Global Insight , please send us a request at wade.brown@rbc.com or Patrick.freel@rbc.com

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