

WEEKLY STRATEGY Perspectives



Private Wealth

WEEK ENDED APRIL 10, 2026

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Portrait of the Consumer

"Consumption is the sole end purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer."

– Adam Smith

The Through Line: Personal consumption represents the largest single component of economic activity in both the U.S. and Canada, yet key factors that influence it are frequently mischaracterized or misjudged. Having an accurate read of consumer behavior offers a vital perspective on forces that could shape the trajectory of growth and specific industry outcomes in coming quarters. We examine some of the contradictions using a bit of logic and a healthy dose of pictures.

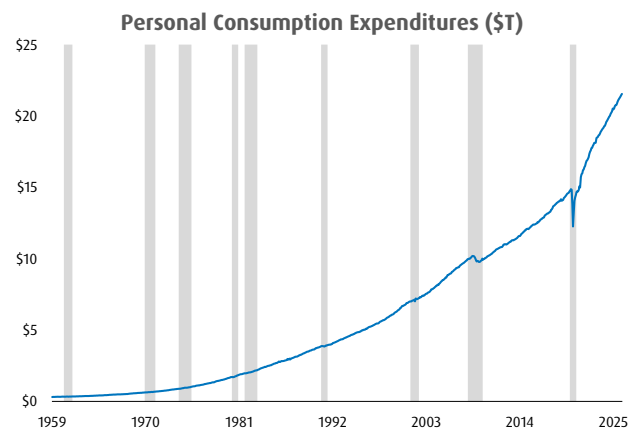
All roads lead to the consumer

Adam Smith, one of the earliest observers of North American business, suggested all industry exists for one basic purpose: to serve the consumer. Indeed, consumption is the staff of life for economic activity, driving over half of Canadian two-thirds of U.S. GDP.

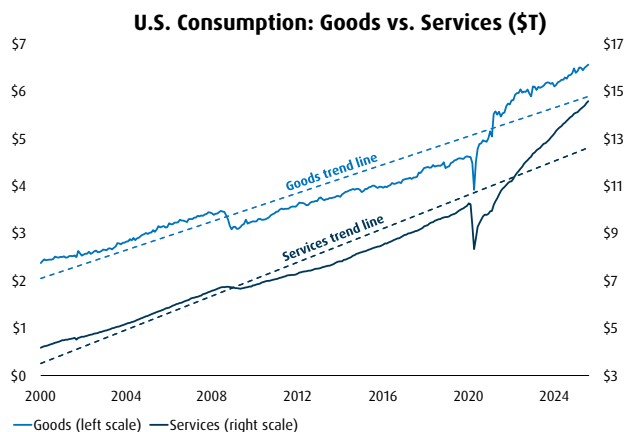
Many concerns re consumer spending – and the employment that undergirds it – have populated the headlines over the last few years. Fears including the prospect of an “imminent” spending halt (based on some combination of sagging sentiment, flagging wage growth, trepidation re an AI jobs apocalypse, and/or social media exhaustion), plus questions about the size of the labor pool (and even the usefulness of the numbers that measure it). Investors have had a *lot* to sort through in their search for a viable plumb line.

The little engine that ~~could~~ couldn't stop

Take spending, for example. Headlines often suggest that a serious pullback is overdue despite demonstrable consumer resilience through most economic cycles. True, it could be argued that in the U.S. at least, a reversion to pre-pandemic rates of growth is probably (long) overdue. But a dramatic or sustained downturn would be unusual.

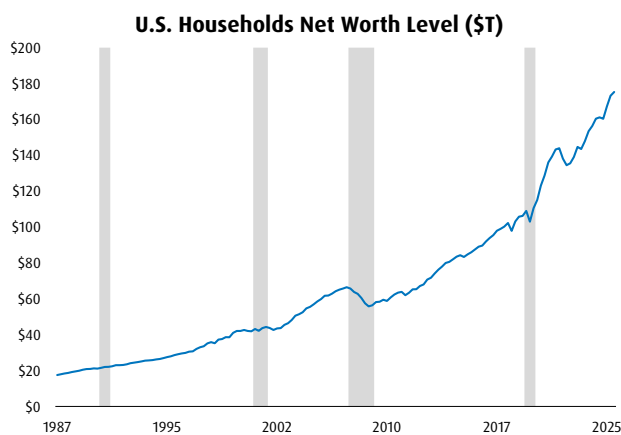


Gray bars indicate U.S. recessions. Source: Bloomberg L.P. (2026), as of January 2026.



Source: Federal Reserve Bank of St. Louis (2026), as of January 2026.

Part of what supports this spending (at least in theory) is a **persistent rise in total household net worth; note the near doubling since pandemic-era lows**. We suspect most people are unaware of this fact, given the dour sentiment that has prevailed since that time – particularly toward absolute price levels and the notion of affordability.

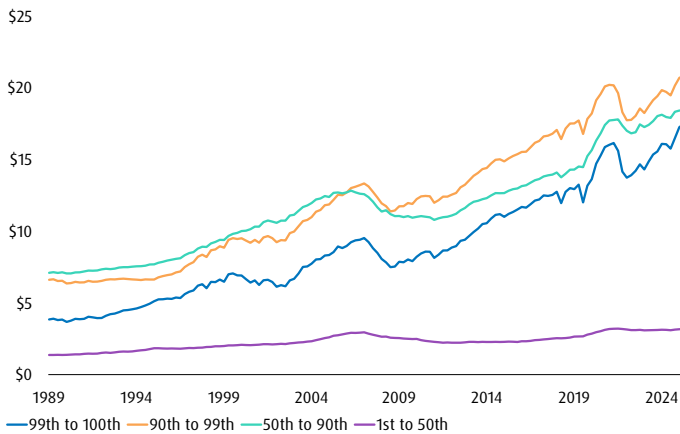


Gray bars indicate U.S. recessions. Source: Bloomberg L.P. (2026), as of December 2025.

K-shaped economy – or E-shaped?

Perhaps part of the disconnect comes from the perception that wealth is increasingly concentrated at the top. According to Federal Reserve Bank of St. Louis (FRED) data, in the U.S. the total financial assets owned by the top 9% exceed those of the bottom 50% of households.ⁱ This small elite group owns an estimated 45% of housing stock and nearly 90% of public market assets.

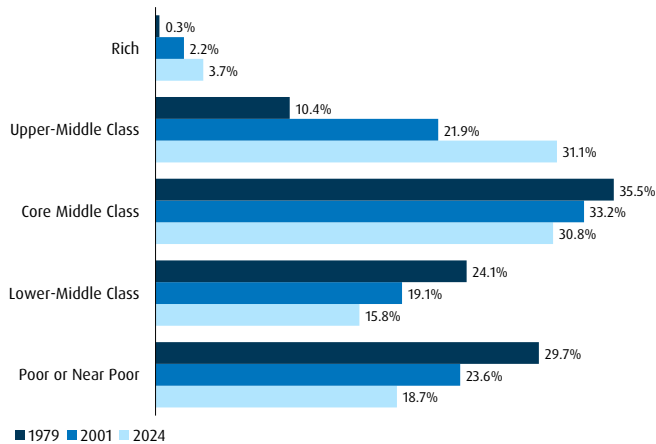
Real Asset Value Distribution by Wealth Percentile (\$T)



Source: Bloomberg L.P. (2026), as of 4Q2025.

That said, getting a true handle on things can be problematic. A recent Bloomberg article illustrates some of the problems that have arisen from differing data series trying to pin down the percentage of wealth owned by the top tier and/or the percentage of their spending. For example, it's commonly suggested that the top 10% do nearly 50% of the spending, but alternate measures put this number below 40%. It turns out that many of the statistics aren't adjusted for taxes (tax rates – especially for those living in the highest-tax states – can approach 45-50% for many in this tier). Another set of statistics from the American Enterprise Institute, for example, shows that there has actually been growth over time in the middle-income tiers of households.ⁱⁱ

Share of Families in Each Class



Source: American Enterprise Institute (2026)

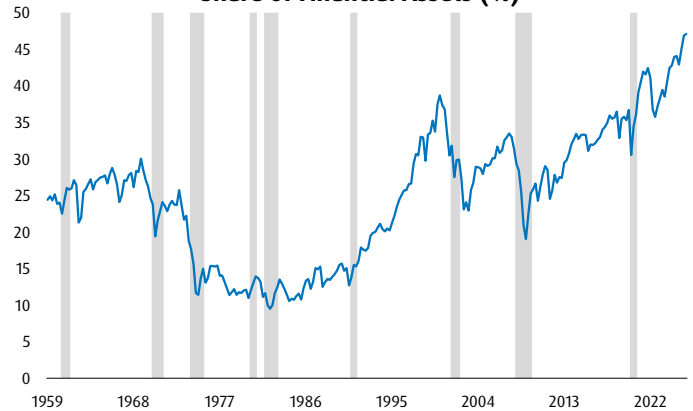
The Wealth Effect

The wealth concentration sword cuts both ways. Although top earners are often relatively impervious to broader economic swings (helping prop up the overall economy no matter what), that much wealth concentrated in so few hands brings its own challenges. Their incremental spend can be influenced more by rates of change

in key assets (e.g., stocks, bonds, housing stock) than by changes in underlying economic factors. This so-called wealth effect can potentially amplify what would otherwise be subtle changes in the underlying economy if these well-heeled consumers shift too suddenly or rapidly toward one extreme or the other (spend/not spend).

Then again, nearly one in two households now owns stocks – an all-time high. We believe this is due to two factors. First, changes in 401(k) rules that auto-enroll all new employees for those employers offering the plans (using the strong human tendency toward procrastination in our favor). Second, the increasing engagement in markets by younger, digital-native generations. **Bottom line: more individuals with more interest in market progress theoretically broaden the sphere of influence for spending decisions away from employment alone.**

Households & Nonprofits Corporate Equities as Share of Financial Assets (%)



Gray bars indicate U.S. recessions. Source: FRED, Federal Reserve Bank of St. Louis (2026), as of 4Q2025.

Absolute frustration

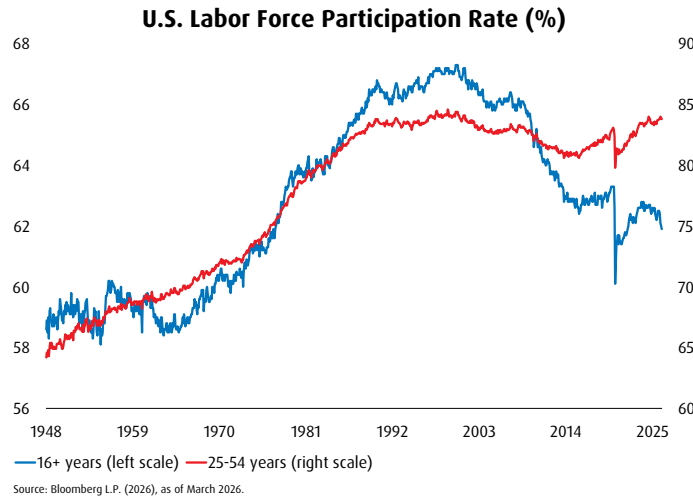
A lot of media ink gets spilled in assessing the progress of the bottom and middle tiers despite their small contribution to overall economic activity. What they lack in economic clout they make up in sheer numbers, meaning their voices – and votes – can swing election outcomes and influence policy.

These households are much more attuned to and impacted by changes in personal earnings, employment status, inflation and shifts in fiscal and monetary policy. For example, a strong argument can be made that the substantial stimulus distributed during the COVID-19 pandemic contributed to the accelerated rate of spending seen in the previous chart. When the stimulus wound down and prices spiked due to reopening and supply chain disruptions, consumers in all but the uppermost income strata had a hard time adjusting. This, in turn, led to mounting frustration illustrated by the growing disparity between the economic numbers (which continued to grow thanks to the top earners) and the sentiment data (which sank, heavily influenced by the rest). **The scars from the early 2020s experience are fresh. Thus, rapidly escalating gas prices caused by the Iran conflict could potentially hit hard if they are sustained past a short period or bleed through to increased prices elsewhere.**

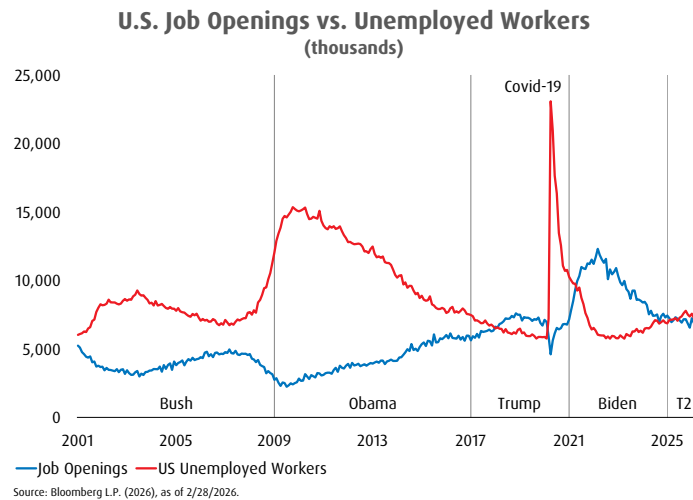
Labor market – true strain or overhyped rhetoric?

Last week's U.S. non-farm payrolls report showed more strength than most strategists had expected, producing a three-month run rate of 68,000 jobs created. Data from a variety of employment reports have been mercurial in recent months/quarters, whipsawed by an economy

that is in the midst of major technological retooling. For months, we have been saying that we expected the phrase “jobless growth” to rule the day. Various U.S. Federal Reserve members, including Chair Jerome Powell, have talked about the “curious balance” caused by companies slow walking hires/replacements while sorting through the implications of changing technology, tariff/trade/immigration policies and shifting regulations. Although hiring is careful, it’s set against a backdrop of substantially increased baby boomer retirements and zeroed out immigration. The results show up starkly when viewing the overall labor force participation rate relative to the subset of workers who are of prime working age between 25 and 54 years old.



The curiously balanced state also shows up in the picture of job openings relative to unemployed workers. After peaking in the U.S. at over two job openings for every seeker in the early post-pandemic era, the rate is now less than one.



In Canada, unemployment has dropped below 7%, where it sat for a large part of last year, but remains under significant pressure from trade and tariff threats, especially in the auto, steel, aluminum and lumber industries. Similar to the U.S., labor force growth has been tepid and the participation rate has declined, keeping the unemployment rate from drifting even higher.

AI and your job

There has been great gnashing of teeth about AI’s potential to be either an additive tool or a displacement threat in the days ahead. **Yes, we will likely lose wide swaths of job types – especially at more manual levels and for menial tasks.** In information-era terms, activities such as customer service, data entry, raw spreadsheet calculations and routine code writing are likely to be impacted; many of these jobs have already gone (customer service chat bots anyone?). Similarly, robots, sophisticated scanners and driverless forklifts have altered the nature of factory, picking/packing, fulfillment and warehouse work.

On the other hand, we will also create tens of thousands of jobs in careers previously unimagined while we build out new industries, use cases and skill sets – similar to what happened in each prior period of substantial technological change.

When Q1 of the 2026 earnings report season kicks off in earnest next week, it will undoubtedly generate many worrisome headlines over job losses that will be chalked up to AI, which will be a more politically acceptable rationale than trimming pandemic-era bloat or managerial-layer creep. **Key will be monitoring tech and financial services employment, which tend to be higher paying jobs. As AI use cases accelerate, the transition may be bumpy. This is entirely normal,** if uncomfortable for those directly impacted.

Implications for Investors

Headlines will undoubtedly continue to agonize about tepid job growth, AI displacement, wearying consumer sentiment and the like. In mulling over each report, however, investors need to tease out what truly matters for markets and economic progress. **What trends will influence growth, interest rates and ultimately central bank policy?**

The North American economy remains resilient: it features a host of constructive fundamental underpinnings plus sturdily and reliably spending consumers at its core.

In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

This week

Tentative, temporary Middle East cease fire – An eleventh-hour agreement forestalled President Donald Trump’s threat to destroy infrastructure across Iran and set the stage for direct peace negotiations between the two sides as part of a two-week ceasefire deal. President Trump’s initial post on Tuesday indicated the basis for this agreement was a 10-point plan put forward by the Iranians, a list that excludes many core U.S. security objectives on which the war was originally predicated. Narratives were shifting by early Wednesday when President Trump noted he had a different version of the 10 point plan. When asked by ABC about Iran’s demand that traffic through the Strait of Hormuz be coordinated with Iran’s armed forces, Mr. Trump suggested perhaps the U.S. and Iran could jointly control the Strait. Key administration officials will be traveling to Islamabad on Friday to begin more direct talks (versus the intermediaries both sides have been using to date). It is fair to say that significant points of contention remain. Even though the U.S. military has seen awe-inspiring tactical success on the battlefield, strategic success is open to interpretation. Iran’s leadership has changed, but regime 3.0 is more hard line than its predecessors. The Strait of Hormuz has historically operated under international freedom of navigation rules, but Iran has now proven its ability to shut the waterway and may gain control of daily goods flow from the Arabian Gulf going forward. Hopefully, this two-week ceasefire will provide time for the U.S. and Iran to advance a mutually acceptable framework that leads to a long-term deal. The initial market reaction to the ceasefire was euphoric with strong stock and bond rallies around the globe; oil prices fell close to 20%.

Defining the notion of U.S. energy independence – On Monday, in its daily *Today in Energy* post, the U.S. Energy Information Administration focused on U.S. crude oil imports from the Middle East Gulf. According to the agency, the region accounted for 8% of U.S. crude imports, or about 490,000 barrels per day on average in 2025. Total U.S. crude imports averaged 6.2 million barrels per day (bpd). **The U.S. produces about 13.6 million bpd of crude oil but consumes about 20.6 million bpd of petroleum products. These two figures can create confusion when the public hears claims of U.S. energy independence. It is important to recognize that oil and petroleum are not the same thing.** The EIA definition of petroleum covers a much wider slate of products than crude oil alone, and includes crude and condensate, refined products such as gasoline, diesel and jet fuel, natural gas liquids including ethane and propane, plus biofuels and refinery processing gain. Under this broader definition of petroleum, the U.S. is indeed energy independent, producing the equivalent of about 23.4 million bpd, but it remains dependent on crude oil imports. *Thus, any suggestion that the U.S. has no reliance on the Strait of Hormuz is technically incorrect.* **The U.S. still receives some crude imports that move through the Strait and, more importantly, global oil prices are set at the margin.** Certain regional markets, especially the U.S. West Coast, also rely on refined product imports from Asia that are derived in part from Middle East crude barrels. Although the U.S. is less exposed than Asia, it still has both direct and indirect exposure to disruption in the Strait of Hormuz.

Canada’s trade deficit widened – The deficit went to CAD \$5.7 billion in February from a revised \$4.2 billion in January. Exports rose 6.4%; autos (+24.2%) recovered from a longer-than-normal production stoppage on a model change and retooling in the previous month. Metal and non-metallic mineral products jumped 11.2% (driven by strong precious metals). Imports surged 8.4%; gold added some volatility here, too. Metal and non-metallic mineral products were up 45.6%. The services trade account improved a touch to a modest \$0.4 billion surplus. Despite a wider deficit and plenty of noise in both autos and gold, the broad-based increase in exports and imports is a positive for economic activity. The China deal highlights some upside from efforts toward market diversification; however, overall activity will remain under pressure while the Canada-U.S. relationship is subject to elevated uncertainty. Looking ahead, the war in Iran will boost demand for Canadian energy exports. In the meantime, USMCA negotiations are ongoing; the recent U.S. (Section 301) investigation into Canada adds yet another layer of uncertainty.

U.S. inflation outlook depends on who’s talking and/or which data source is being used – In a joint NPR interview, Cleveland Fed President Beth Hammack and Chicago Fed President Austan Goolsbee were asked to describe their current perception of inflation using a color scale ranging from green to red. After debating over shades of orange, the two landed on something close to burnt orange. Dr. Goolsbee pointed to rising gasoline prices and continued tariff-related inflation pressure that had been expected to fade. Ms. Hammack added that despite the good progress on reducing inflation in 2024, it has largely moved sideways since. The New York Fed’s March **Survey of Consumer Expectations** showed that consumers now expect inflation over the next year to run at 3.4%, up 0.4 points from February. Inflation expectations for gasoline, food and rent all rose from February levels. **The Institute for Supply Management’s March Services PMI** report showed the Prices Index rising 7.7 points to 70.7, the highest reading since October 2022. ISM Services Chair Steve Miller attributed the increased inflation pressure largely to the Middle East conflict, which has lifted fuel prices and supply chain costs. Last week’s **ISM Manufacturing survey** also showed a significant jump in the Prices Index, which rose 7.8 points to 78.3. ISM Manufacturing Chair Susan Spence labeled the combination of war-induced price gains and continued tariff uncertainty a “bad cocktail” for the manufacturing sector. The persistent specter of inflationary pressure on the U.S. economy helps explain why investors have sharply pared back expectations for Fed rate cuts in 2026.

Canadian office real estate vacancy rates continue to improve – The return-to-office mandates are having a real impact on the office real estate market: office vacancy rates dipped for a third straight quarter (although still elevated at 17%). In certain areas, supply is being absorbed pretty quickly. The picture is not so rosy for industrial real estate, which was heavily supplied in recent years. Multifamily is under pressure due to soft employment growth and restrictions on unemployment. On the residential side, Toronto’s benchmark price for housing is down 26% since the peak in 2022 – spring can’t come fast enough for home sellers.

Next week

FINALLY! Earnings season is upon us, bringing some meaty fundamentals to digest. The season's festivities begin with a smattering of large and mid-size bank reports in the U.S. A wealth of economic data on manufacturing, housing and inflation will also be released. The Fed's Beige Book (out Wednesday) always gives an insightful peek at regional/front-line activity.

Monday 4/13 – U.S. Existing home sales | Canada Building permits

Tuesday 4/14 – U.S. NFIB optimism index, Producer Price Indexes | Canada New vehicle sales

Wednesday 4/15 – U.S. Import prices, Empire State Manufacturing, Fed's Beige Book | Canada Manufacturing sales

Thursday 4/16 – U.S. Initial jobless claims, Philly Fed, Industrial production, Capacity utilization | Canada none scheduled

Friday 4/17 – U.S. Housing starts | Canada CFIB business barometer, Housing starts, Foreign securities purchases

Data scorecard as of April 8, 2026

Equity Market Total Returns						
	4/8/2026 Level	WTD	YTD	2025	2024	5-Year*
S&P 500	6,783	3.0%	-0.6%	17.9%	25.0%	14.4%
NASDAQ	22,635	3.5%	-2.4%	21.2%	29.6%	13.4%
DOW	47,910	3.0%	0.1%	14.9%	15.0%	11.6%
Russell 2500	4,615	3.6%	7.3%	11.9%	12.0%	7.3%
S&P/TSX	33,621	1.6%	6.7%	31.7%	21.7%	16.1%
MSCI EAFE	11,232	4.2%	5.9%	31.2%	3.8%	8.9%
MSCI EM	844	6.9%	10.1%	33.6%	7.5%	4.2%
Bond Market Total Returns						
		WTD	YTD	2025	2024	5-Year*
Bloomberg U.S. Aggregate		0.5%	0.4%	7.3%	1.3%	-0.4%
Bloomberg U.S. Treasury		0.4%	0.2%	6.3%	0.6%	-1.0%
Bloomberg U.S. Corporate		0.6%	0.2%	7.8%	2.1%	-0.1%
Bloomberg U.S. High Yield		0.9%	0.8%	8.6%	8.2%	4.5%
Bloomberg 1-10 Year Munis		0.5%	0.5%	5.1%	0.9%	1.2%
Bloomberg Canada Aggregate		0.4%	0.5%	2.4%	4.0%	-0.4%
Bloomberg Canada Treasury		0.3%	0.5%	1.4%	2.9%	-0.8%
Bloomberg Canada Corporate		0.4%	0.5%	4.4%	6.9%	1.5%
Government Bond Yields						
	4/8/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average
U.S. 10-Year Treasury	4.29%	4.32%	4.32%	4.17%	4.57%	3.37%
Canada 10-Year Government	3.46%	3.47%	3.47%	3.43%	3.23%	2.81%
U.K. 10-Year Gilt	4.71%	4.91%	4.91%	4.48%	4.56%	3.16%
German 10-Year Bund	2.94%	3.00%	3.00%	2.85%	2.36%	1.66%
Japan 10-Year Government	2.36%	2.35%	2.35%	2.06%	1.09%	0.65%
Currencies & Real Assets						
	4/8/2026 Level	WTD	YTD	2025	2024	5-Year*
USD Index	99.13	-0.9%	0.8%	-9.4%	7.1%	1.8%
CAD:USD	\$0.72	0.7%	-0.9%	4.8%	-7.9%	-1.5%
Bitcoin	\$71,378.81	6.8%	-18.6%	-6.5%	120.5%	24.8%
Gold	\$4,719.15	0.9%	9.3%	64.6%	27.2%	17.9%
Oil (WTI)	\$94.41	-15.4%	64.4%	-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 Comparing household assets across the wealth distribution | FRED Blog

ⁱⁱ The upper middle class is now the largest income group in the U.S., study finds - CBS News