

WEEK ENDED JUNE 5, 2026

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Profile of a Bubble (How Worried Should We Be?)

“Television won’t be able to hold on to any market it captures after the first six months. People will soon get tired of staring at a plywood box every night.”

-Darryl F. Zanuck, famed Hollywood director and co-founder of 20th Century Fox

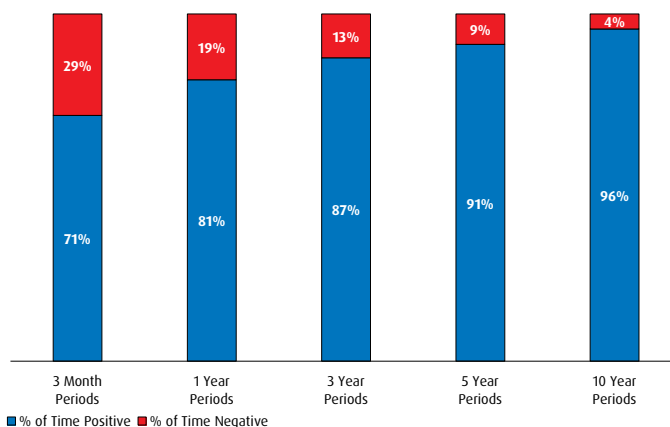
The Through Line: Equities pushed farther into uncharted terrain this week, exacerbating fears of an impending bubble. Comparisons to the 1995-2000 dotcom era are rampant but there are marked differences between the two periods. We compare and contrast, helping frame the sturdy fundamental base of the current advance while highlighting factors that could tee up increased interim market volatility.

The bubble-bursting bogey man

Now that most North American equity indexes are deep in all-time high (ATH) territory, investors are operating in split-screen mode. On one hand, they’re **afraid to stay in** a market that is grinding inexorably higher while dragging many potential weights in tow (inflation, tariffs, a global energy shock). The fear isn’t rooted in the upturn itself, of course, but in the memory of how that earlier bubble period ended: a market pullback that erased more than one-third of the S&P 500’s value and three-fourths of the NASDAQ’s value over three years. On the other hand, investors are **afraid to get out** and potentially miss accumulating more paper profits.

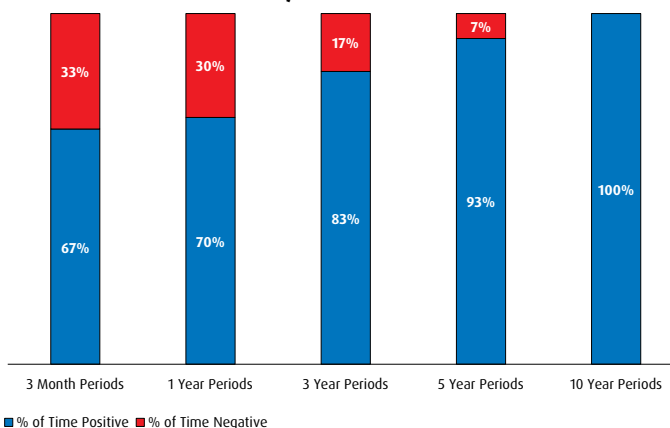
First off, let’s level set: *new highs are the norm, not the exception*. One-year returns have skewed positive more than two-thirds of the time; longer periods have increased the odds of constructive outcomes even more. While our compliance friends insist we remind you that “past performance is no guarantee of future results,” the trend has historically been in favor of long-term investors. **Being at or near ATHs has been the market’s default gear about 60% of the time.**

Percent of Time S&P 500 Was Positive 1970 - 2026*



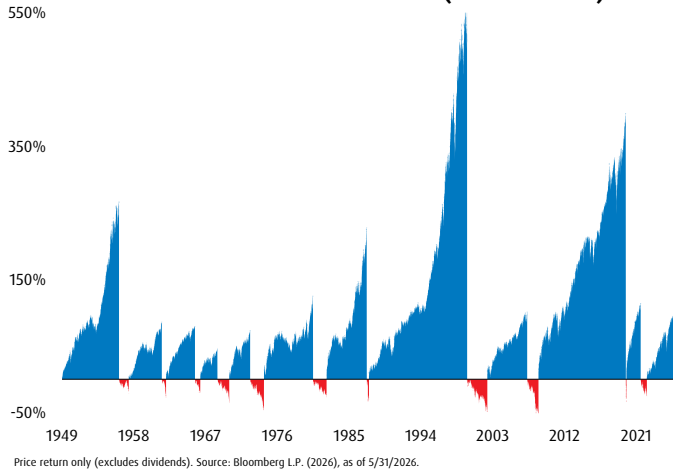
*Represents S&P 500 total returns over rolling monthly periods from 1/30/1970 - 5/31/2026
Source: Bloomberg L.P. (2026)

Percent of Time S&P/TSX Was Positive 1970 - 2026*

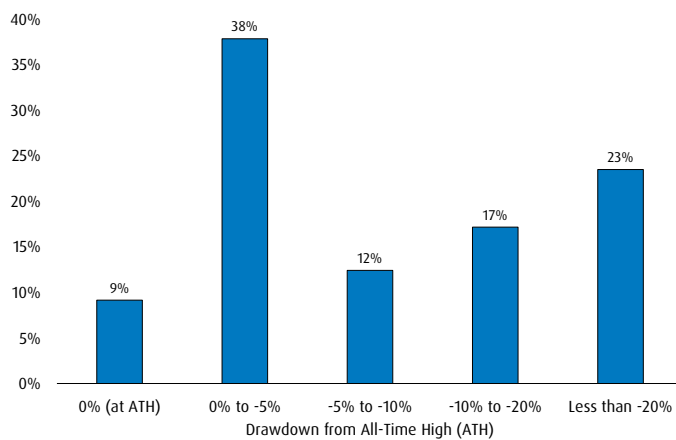


*Represents total returns of the S&P/TSX Index over rolling monthly periods from 1/30/1970 - 5/31/2026
Source: Bloomberg L.P. (2026)

S&P 500 Bull vs. Bear Markets (1949–Present)



S&P 500: % of Trading Days by Difference from All-Time High



The market and the economy are not the same

It can be tough to separate our reactions to inflammatory headlines from factors that are likely to influence markets. The nearly complete Q1 reporting season is a classic example. Despite a new hot war, energy shock, shifting tariff levies, and higher-than-hoped cost inputs (inflation), aggregate results were surprisingly strong: 11% revenue growth and a 27% increase in earnings. The progress in earnings allowed stocks to move up without materially expanding valuations because expectations for future earnings also moved up.

It's also important to remember that **the composition of various indexes is very different from the composition of the underlying economy**. Take the S&P 500, where consumer names make up less than 20% of the index, despite the fact that consumer spending accounts for nearly two-thirds of economic activity. All the angst over consumer attitudes garners headlines – but arguably has a much more subdued impact on indexes than the ongoing technology rewrite. Tech and communications services names now comprise more than 50% of the yardstick. Similarly, in Canada financials and materials make up over half the S&P/TSX Index; while the sectors are important to the Canadian economy their index representation differs substantially from their trade contribution.

Some of what's different this time

Having established that there are technical and fundamental reasons for the markets' constructive behavior, let's pivot to examining some of the many things that differentiate the current situation from prior bubbles:

- **The size and scale of the technological buildout dwarfs any other endeavor**, including construction of U.S. railroads or the interstate highway system ([WSP - A Brave New World](#)). Much of the initial activity has been focused on building and enhancing productivity capabilities – for example, data centers to house cloud computing, train AI models and run queries. Data center capacity is constrained and wait listed. This is the opposite of what occurred when much of the initial backbone (e.g., fiber) was laid for internet 1.0 – despite the early dearth of end-users and demand. This led to years of “dark” (unused) fiber and computing capacity, over-levered/capital-intensive companies, and lack of profitability.
- **End-user demand is scaling in tandem**, if not more quickly than the buildout can occur. In the years between 1995 and 2000, the internet was a novelty, undergirded by dial-up, slow speeds and super-expensive processing power. The infrastructure to facilitate adoption was not yet built. It wasn't until nearly a decade after the bubble burst that the first iPhone launched, facilitating adoption and widespread use.
- **A narrow list of well-heeled, mature tech companies is driving much of the buildout activity**. They boast deep balance sheets, solid cash flows and lofty margins. Their spending is motivated by an existential drive to both best one another and insure technological superiority against key competitors like China. Historically asset-light balance sheets (low debt, light fixed capital) have room to take on leverage while the operating structure and margins can sustain the massive capital build. Chief Financial Officers are watching carefully – guiding to more realistic plans, creative mixes of public and private funding, and redirection and focus of plans to optimize return on investment. This is very different from the dotcom days when venture capital was flowing freely and valuations had to be based on eyeballs and clicks – thanks to lack of earnings (or revenue in some cases).
- **Venture funding has been well disciplined** – Another tier of companies – AI innovators like OpenAI, Anthropic and Perplexity – have scaled thanks to substantial funding from private capital. Their rapid demand pull of end-user adoption is moving them toward profitability/maturity quickly. Hundreds, if not thousands, of mature companies are housed in venture-capital portfolios, waiting for a more welcoming time to exit (either via IPO or merger and acquisition activities). Public markets to date have advanced largely without substantial help from IPO or M&A activity – in sharp contrast to the dotcom days.
- **Valuations are getting cheaper with each earnings cycle** – Using the MAG 7 as a proxy for the hyperscalers, for example, their stocks are up over 300% relative to the 85% S&P increase since November of 2022 when ChatGPT was launched. The group's aggregate earnings *more* than tripled over the same time frame.

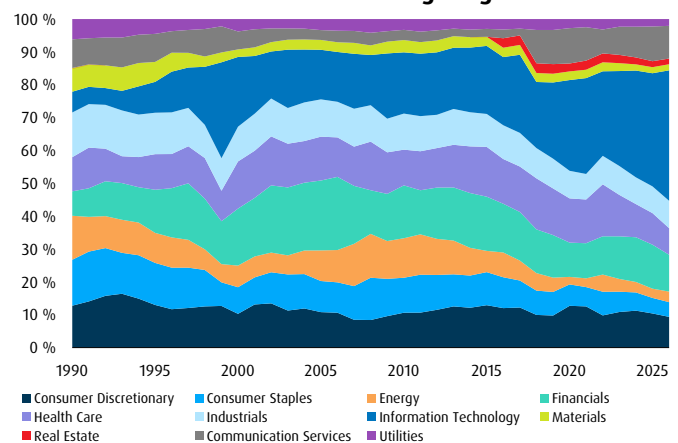
- **They're more than one-trick ponies** – Many of today's hyperscalers are already at work on the next big thing – IBM and Nvidia are building quantum chips. HPE, Dell, AAPL and others are working on advancing PC and other hardware (virtual glasses, necklaces, rings) that support "on prem" (on premises) processing.

What could prove challenging

Setting aside constructive fundamentals and key differences versus the first internet bubble, we are watching several factors that could introduce interim volatility and/or business risk:

- **New IPOs need to be absorbed** – The SpaceX IPO slated for as early as next week is record breaking on many fronts – from the size of offering to implied market cap, governance and the large amount earmarked for individual (versus institutional) investors. Index providers (e.g., NASDAQ and Russell) are outlining ways to fast-track inclusion in various indexes within a matter of days rather than months. Any one of these could introduce market volatility when trading commences and a different set of buyers/sellers/holders interplays. Indexes and focused ETFs will need to reposition to absorb. It's an open question where the funds to purchase will come from. Some observers believe that the recent downdraft in crypto is one potential source.
- **Regulatory oversight is "complicated"** – President Donald Trump issued an executive order earlier this week suggesting that newly developed frontier large language models (LLMs) be reviewed by the government first. To date, Congress has not been able to come to terms on digital legislation, leaving states and municipalities to adopt a set of very patchwork rules, regulations and moratoriums on everything from child access to social media sites to pauses on data center development. Florida is suing OpenAI and Sam Altman. Colorado has passed legislation re use of AI in hiring decisions and a number of states have data center moratoriums on the ballot. Lack of a consistent regulatory framework could distract managements from focusing on innovation and the path forward.
- **Anything you say (to a Chatbot) can and will be used against you in a court of law** – Businesses and consumers are moving quickly to explore, adapt and adopt new technologies. However, we've seen from factory robots/automation and autonomous vehicles that it takes time to work through technological bugs and integrate into laws, rules and structures.
- **Anx-AI-ety is growing** – We're seeing pushback against AI and tech in general (which is advancing faster than the human brain can keep up). Expect politicians on both sides to aggravate the philosophical debate by flame-throwing headlines to win votes.
- **Debt financing is increasing** – Though it's containable to date relative to the under-levered starting point. Longer term, we could see pressure on balance sheets and margins when more capital intensity and the costs to support it return.
- **Relaxation of market regulation installed after prior market meltdowns is being considered** – A similar relaxation of rules happened prior to both the bursting of the dotcom bubble and the GFC.
- **Data center pushback is mounting** – By some estimates nearly half of what has been announced has been withdrawn, redistributed or deniedⁱ – a hiccup or substantial spending slowdown could send markets spinning. Nvidia and others may already be subtly trying to address this by changing reporting-segment protocols and focusing on other areas like CPUs, personal computers and quantum process units.
- **Index composition has changed over time** – This makes comparison to prior periods difficult and also means there's a lot riding on the fates of a handful of names.

S&P 500 Sector Weightings



Implications for Investors

We get it. Markets at new highs feels scary. Navigating uncharted territory makes our pattern-seeking brains scream in frustration (or tremble in fear). **Predictions – like the one made by Mr. Zanutta re the long-term viability of TV "screen time" – often don't pan out. Therefore, leaning into observed fundamentals becomes that much more sensible.** The first internet (market) bubble blew up because there were few fundamental underpinnings. Those that were in place (e.g., fiber investment) were mismatched against nascent demand – a situation that is entirely reversed today.

Secular transitions never happen smoothly or in a straight line. The one(s) we are in the midst of – given their magnitude and breadth – are likely to inspire volatility, particularly moving into the summer months, which are normally slow with fewer regular fundamental readings. We're six weeks out from next earnings season and Congress is only a few weeks away from recess. *A combination of weaponized lame-duck politicians and mid-term elections guarantees that headlines will devolve and mud-slinging will commence. Keep your wits firmly about you and sights set on long-term potential.*

In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

This week

Green shoots in U.S. manufacturing data – This week both the Institute for Supply Management (ISM) and S&P Global released reports gauging the strength of the U.S. manufacturing sector in May. Manufacturing indexes from both providers saw solid month-over-month improvement; headline readings reached their highest levels since the spring of 2022, but so did input-cost inflation. In both surveys, strength in new orders and production was accompanied by some improvement in employment. S&P Global attributed the recent strength to stockpiling, reflecting customers' ongoing concerns about the impact of the Middle East conflict on global supply chains. Both reports noted continued slowing in supplier delivery times. Another potential factor is that importers may be taking advantage of the current 10% Section 122 tariff rate before the Trump administration initiates new Section 232 and Section 301 duties this summer. **At a recent sell-side industrial sector conference, company management teams pushed back on the stockpiling narrative and took the view that the sector was in the early stages of a growth cycle.** At the same time, presenting companies highlighted growing supply-chain constraints and accelerating cost pressures. Select commentary from ISM survey respondents stressed concerns over economic and geopolitical events, supply-chain resilience, higher fuel costs, and the availability of semiconductors and critical materials. The ISM Manufacturing Index has now been in expansion territory for five consecutive months, but cycle durability remains a key topic of debate.

U.S. CEO sentiment under pressure – The Conference Board's most recent quarterly survey of 141 leaders of large firms saw the Q2 Confidence Index fall to 47 from 59 in Q1. CEO views of their own industries also trended lower in the Q2 survey. In an interview with CNBC, Business Council Vice Chair Roger Ferguson, Ph.D., said inflation has proven stickier than many had anticipated, and hopes for additional Federal Reserve rate cuts in 2026 are dwindling. Major concerns for CEOs included cyber risk, geopolitics, energy prices, supply-chain constraints and falling behind in the AI race. In the "special questions" section, more than half of CEOs said they did not believe AI would fundamentally transform their industries and most anticipated a need to upskill their workforces to advance AI adoption. Despite increasing clouds on the horizon, **capital spending expectations remained relatively stable.** On a separate expert-panel call with large-company chief technology officers (CTOs) last week, continued AI spending was suggested as one reason investment plans have remained resilient.

Canadian trade deficit grows – Canada's current account deficit widened to C\$7.2 billion in Q1, following a shortfall of C\$1.0 billion in the fourth quarter. A wider trade deficit of goods drove the deterioration amid significant tariff uncertainty. The late-February

outbreak of the Iran war marked a shift in trade flows by driving up prices for key Canadian exports, especially energy, in March. High oil prices will continue to support merchandise exports through Q2. Meanwhile, an improvement in the services trade surplus was driven by commercial (largely from an increase in financial services exports) and travel services. Foreign direct investment (FDI) into Canada slipped to \$22.0 billion in Q1, largely directed to energy and mining. At the same time, domestic companies' direct investment abroad jumped to \$39.2 billion. That resulted in a net FDI outflow of \$17.2 billion, the third outflow in the last four quarters. Although the energy price shock will support Canadian trade flows over the short term, the current account remains under pressure while significant trade and tariff uncertainty persists.

U.S. labor market remains resilient – That was the key takeaway from job reports out this week from the Bureau of Labor Statistics and ADP. Employers posted 7.6 million job openings in April according to Tuesday's Job Openings and Labor Turnover Survey (JOLTS) report. Openings rose 731,000 on a month-over-month basis and the April number was well ahead of the Bloomberg consensus forecast at 686,000. While the headline figure was positive, employers were slow to fill open positions and employees were not yet persuaded the grass was greener elsewhere. The ratio of available positions to job seekers rose above one for the first time since June 2025. Despite an increase in the number of jobs available, the hiring rate fell to 3.2% from 3.4% in March. The quits rate dropped to 1.9% from 2.0% in March. ADP signaled improvement in private-sector hiring activity in May. Employers added 122,000 jobs in the month and hiring was broad based from the perspective of both company size and end market. ADP Chief Economist Nela Richardson, Ph.D., said, "The labor market continues to show sustained momentum going into the summer hiring season." Continued stability in the labor market has a downside: investors now see virtually no chance of a Federal Reserve rate cut in 2026 while the odds of rate hikes have risen further on the back of these two new data points.

Canadian GDP registers technical recession – Canada's real GDP fell at an annualized rate of 0.1% in Q1, well below consensus expectations, and missed the flash estimate of 1.5% growth, the second consecutive quarterly decline. The economy has contracted in three of the last four quarters, and real GDP was down 0.1% from a year ago last quarter. Weakness in Q1 was largely driven by a surprise decline in government spending and investment. Consumer spending was okay at +1.5%, while business investment continues to struggle, contracting 3.2%. Overall, this GDP print should really throw a wet blanket on rate-hike talk since the economy is in no condition to deal with higher rates.

Next week

The Bank of Canada will make a rates decision and hold a press conference on Wednesday. In the U.S., consumer and producer inflation data plus a few sentiment indexes are on the docket. The SpaceX IPO formal launch is anticipated for Friday.

Monday 6/8 – None scheduled

Tuesday 6/9 – U.S. NFIB optimism index, U.S. trade balances, Wholesale inventories | Canada Balance of Trade

Wednesday 6/10 – U.S. Consumer price index and related reports, U.S. Federal Spending | Canada Bank of Canada rates decision and press conference

Thursday 6/11 – U.S. Initial jobless claims, Producer price index reports | Canada Building permits

Friday 6/12 – U.S. June consumer sentiment, SpaceX IPO to begin trading on NASDAQ | Canada Capacity utilization, vehicle and wholesale sales

Data scorecard as of June 3, 2026

Equity Market Total Returns							
	6/3/2026 Level	WTD	YTD	2025	2024	5-Year*	
S&P 500	7,554	-0.3%	10.9%	17.9%	25.0%	14.4%	
NASDAQ	26,854	-0.4%	15.8%	21.2%	29.6%	13.4%	
DOW	50,687	-0.6%	6.2%	14.9%	15.0%	11.6%	
Russell 2500	5,088	0.0%	18.3%	11.9%	12.0%	7.3%	
S&P/TSX	34,802	0.1%	10.8%	31.7%	21.7%	16.1%	
MSCI EAFE	11,536	-0.5%	8.8%	31.2%	3.8%	8.9%	
MSCI EM	983	2.1%	28.2%	33.6%	7.5%	4.2%	
Bond Market Total Returns							
		WTD	YTD	2025	2024	5-Year*	
Bloomberg U.S. Aggregate		-0.2%	0.1%	7.3%	1.3%	-0.4%	
Bloomberg U.S. Treasury		-0.2%	-0.2%	6.3%	0.6%	-1.0%	
Bloomberg U.S. Corporate		-0.3%	0.4%	7.8%	2.1%	-0.1%	
Bloomberg U.S. High Yield		-0.2%	1.5%	8.6%	8.2%	4.5%	
Bloomberg 1-10 Year Munis		0.2%	0.8%	5.1%	0.9%	1.2%	
Bloomberg Canada Aggregate		-0.1%	1.6%	2.4%	4.0%	-0.4%	
Bloomberg Canada Treasury		-0.1%	1.2%	1.4%	2.9%	-0.8%	
Bloomberg Canada Corporate		0.0%	1.7%	4.4%	6.9%	1.5%	
Government Bond Yields							
	6/3/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average	
U.S. 10-Year Treasury	4.50%	4.44%	4.32%	4.17%	4.57%	3.37%	
Canada 10-Year Government	3.43%	3.41%	3.47%	3.43%	3.23%	2.81%	
U.K. 10-Year Gilt	4.93%	4.81%	4.91%	4.48%	4.56%	3.16%	
German 10-Year Bund	3.03%	2.94%	3.00%	2.85%	2.36%	1.66%	
Japan 10-Year Government	2.63%	2.66%	2.35%	2.06%	1.09%	0.65%	
Currencies & Real Assets							
	6/3/2026 Level	WTD	YTD	2025	2024	5-Year*	
USD Index	99.53	0.6%	1.2%	-9.4%	7.1%	1.8%	
CAD:USD	\$0.72	-0.7%	-1.2%	4.8%	-7.9%	-1.5%	
Bitcoin	\$64,913.69	-11.8%	-25.9%	-6.5%	120.5%	24.8%	
Gold	\$4,434.81	-2.3%	2.7%	64.6%	27.2%	17.9%	
Oil (WTI)	\$96.02	9.9%	67.2%	-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 2500™ Index is a market-cap-weighted index that tracks the performance of approximately 2,500 small to mid-cap companies in the U.S. equity market.

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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¹ U.S. AI Data Center Delays: 7 GW Capacity Crisis [2026]