

WEEKLY STRATEGY Perspectives



Private Wealth

WEEK ENDED JUNE 12, 2026

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Just the FAQs Part I – Market Mayhem

“Do not trust financial market risk models. Despite the predilection of some analysts to model the financial markets using sophisticated mathematics, the markets are governed by behavioral science, not physical science.”

- Seth Klarman

The Through Line: In recent days, we have been in the field a lot, connecting with clients and colleagues for a temperature check. (It’s tempting to prognosticate from a desk – but much more instructive to gather first-hand insights.) Instead of the upbeat mood we typically expect after two months of persistently rising markets and sturdy economic fundamentals, we found widespread anxiety about a variety of issues. There were too many factors to cover in one go, so this week we tackle the most pressing fears related to equity markets.

Teflon markets

Over the past few months, we have frequently discussed corporate, consumer and market resilience. Global stock markets recovered quickly from the early March pullback that was driven by the Middle East conflict and effective closure of the Strait of Hormuz. That’s changed in recent days, though, giving rise to a persistent line of questioning.

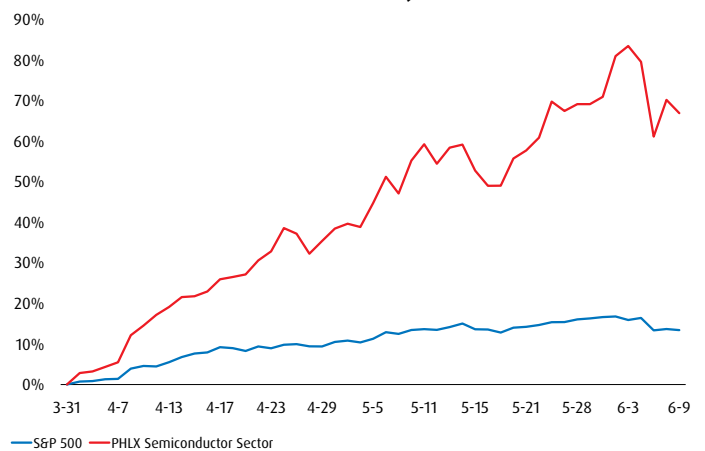
Q: What’s driving recent market volatility? Is current market action indicative of a more durable change in trajectory and fundamentals?

A: Lasting fundamental considerations rarely play into intraday trading, particularly when we see wide swings. Such volatile moves suggest emotional underpinnings and nervous trigger fingers. Recent pullbacks come after nine weeks of steady gains in broader markets – and even headier gains in chip-maker stocks (chart). With the end of earnings season and fewer fundamentals to focus on, traders found a reasonable opportunity to book some profits. It’s also likely that funds are being raised in anticipation of upcoming initial public offerings (IPOs), including that of SpaceX, which is scheduled to launch June 12. Institutional rebalancing – even in passive (market-tracking) portfolios/indexes – is likely to be needed as soon as next week, given that some index providers are fast-tracking the inclusion of SpaceX in their yardsticks.

Q: Markets rose to record highs despite the fragile ceasefire, rising inflation/interest rates and high oil prices. Were investors too optimistic, letting fear of missing out (FOMO) propel their positivity?

A: We were a bit surprised at the persistence of more than two months of steady stock gains and no pullback – though earnings season supported markets migrating up. A number of factors

S&P 500 vs. PHLX Semiconductor Sector Quarter-to-Date Performance

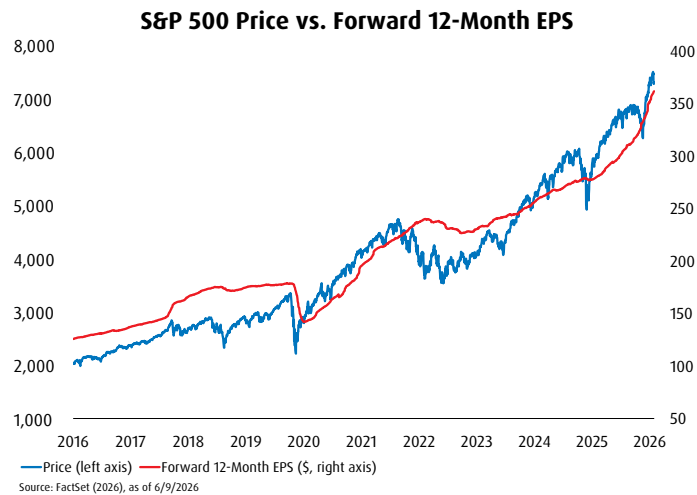


Source: Bloomberg L.P. (2026), as of 6/9/2026

created an undeniable secular demand pull: stable economic numbers that were buttressed by the rewiring of supply chains, distribution channels, and technological processes; and spending on infrastructure to power the new economy.

Q: Your thoughts on valuations?

A: Valuations (as proxied by price to future earnings) are full but have been for some time. Valuations in and of themselves are poor predictors of market action and can remain over- or undervalued for many quarters – or longer. In light of the surprising strength of the just-completed earnings season, aggregate valuations are less stretched than common lore would suggest and are actually similar to year-ago levels. Case in point: for the Q1 reporting season, we see that bottom-line (earnings) growth for the S&P 500 names in aggregate was more than 28% and was spread broadly across nearly all 11 industry subsectors. (chart)



That said, markets trading sideways for a few months (a.k.a. backing and filling) would help investors acclimate to new levels. The fundamental economic drivers are still largely intact, although we (like everyone else) are closely watching oil prices, inflation (and whether it spreads more broadly and durably to front-line consumer prices).

Q: Thoughts on upcoming high-profile IPOs? Could we FINALLY see a resurgence in IPO activity?

A: The first of three expected mega-IPOs (SpaceX) is set to launch by the time you read this piece. Demand is reported to be more than solid (i.e., requests to participate are running at more than four times the number of shares anticipated to go on sale as of this writing).¹ How it will trade immediately after launch is anyone's guess since a host of unique attributes will be in the mix: its size; ownership structure (aggregating over three-quarters of voting power in one individual); fixed initial offering price; and the significant proportion of shares that are directly earmarked for the retail channel. The allure (and polarizing nature) of the firm's founder, Elon Musk, may also factor into how it trades in the early days. Several index providers (e.g., Russell and NASDAQ) are altering rules in order to fast-track SpaceX's inclusion in their yardstick within a matter of days. This could exacerbate short-term volatility while portfolios are realigned to accommodate. However, any interim volatility should quickly straighten out when portfolios are repositioned and investors revert to focusing on fundamentals.

All in, we are not sure how many (if any) useful signals this specific IPO will bring for markets – or for other IPOs waiting in the wings. Still, there is hope that it may help usher in the long-awaited reawakening of the public offering market in general, which has been unusually quiet for more than four years.

Two additional high profile and historically large IPOs – Anthropic and OpenAI – are reportedly making plans to go public by the end of the year. Some questions remain about the market's ability to absorb the sheer size of these three. Recent announcements have highlighted fears that several already public technology companies (Alphabet and Meta) plan to issue additional shares to help fund their data center buildouts. A number of factors could counter-balance the absorption concerns: first, the "float" (number of shares being sold to the public versus the number held in reserve by company/founding members) is small relative to total reported market size; second,

by some estimates announced stock backs (which pull shares out of circulation) are running at a \$1 trillion rate this year.ⁱⁱ Record-breaking merger and acquisition (M&A) activity is also helping to balance potential new issuance by retiring shares.

The IPO market has been stalled since 2021. Bain and Company's mid-year industry update notes 32,000 companies in venture portfolios – over 40% of them there since before the pandemic.ⁱⁱⁱ On one hand, this means potentially thousands of challenge-hardened companies waiting in the wings. On the other, many of these companies were funded at much lower interest rates and valuations need to be carefully scrutinized. One encouraging trend we are seeing more of is shifting viewpoints from the General Partner community. For years, many were willing to fund growing companies through seemingly endless rounds of private market funding. Appreciation for the operational discipline demanded by the scrutiny of public markets is growing, however. This is a shift in sentiment that could push the pendulum back in support of more transactions.

Q: Are we in danger of a recession, considering the situation in the Strait of Hormuz?

A: The energy-induced fate of North America is different from the fate of the rest of the world (ROW). While the ROW may suffer slowing economic growth due to oil shock, net energy exporters (the U.S. and Canada) are more insulated. Both economies are also more diversified in energy sources than they were during prior energy shocks. We doubt the Strait would cause a recession here – though we are monitoring the path of inflation closely for its durability and potential spread through the system.

Q: What do you currently like about the markets, writ large?

A: Strong secular trends. The fact that in the U.S. we're moving to outline the ground rules (or even define the game) for key growth industries such as AI and digital currencies. The fact that we are talking about a tech sovereign wealth fund. Resilient companies, adaptive markets. Fixed income investors (especially in intermediate and long bonds) who are an important feedback mechanism and serve as the adults in the room.

Q: If you had to identify one risk that markets are most/still underpricing right now, what would that be?

A: Moves to relax financial services regulations and consumer protections. While easing regulations and protections creates an environment that is conducive to risk-taking (which would be supportive of more upside) it can encourage froth. If carried far enough, the result can be an environment where unexpected outcomes leave investors exposed to risks they didn't anticipate, with little recourse or ability to hold anyone accountable.

Implications for Investors

After three consecutive double-digit growth years (and despite recent market volatility), equity markets in 2026 are on track for another solid year based on powerful secular trends and still steady economic fundamentals. There are many valid questions re that sustainability and durability and a host of factors we are monitoring carefully. Short-term volatility is likely to linger for the foreseeable future. However, animal spirits should get continued support from growth fundamentals, innovative/competitive fervor, M&A tolerant (encouraging) policies and deregulation.

In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

This week

Bank of Canada leaves rates on hold – As expected, the BoC held policy rates at 2.25%, noting softer Q1 GDP growth and the ongoing stable labour market. In Q2, the central bank anticipates a growth rebound but an economy that will likely remain in excess supply. The bank will continue to look through the initial impact of energy prices on CPI but will not let higher energy prices become persistent inflation. BMO Economics continues to expect the BoC to stay on hold through the rest of 2026.

U.S. small business optimism fades – In May, the National Federation of Independent Business (NFIB) Small Business Optimism Index slipped 0.6 points to 95.6. The result was below both the long-term average and the Bloomberg consensus forecast of 96. Forward expectations fell for a fifth consecutive month and now reside at their lowest level since October 2024, when election uncertainty paralyzed decision making. Today, uncertainty over the economy, inflationary headwinds and pressure on margins continue to weigh on business sentiment. Sales volumes improved in May, helping support earnings in the month, but forward expectations for sales over the next quarter fell. The net number of small business owners who increased prices rose to the highest level since March 2023. Owners anticipating price increases over the next three months hit the highest level since July 2022. At that time, inflation had just peaked at 9.1%, the highest level in 40 years. The labor cost reading in the NFIB survey hit a new all-time high. Supply chain disruptions have also become more prevalent: 70% of survey respondents experienced some level of disruption during the month. **Job openings and hiring plans fell to their lowest levels since May 2020, when COVID-19 shutdowns forced business closures and end-market demand plummeted. The percentage of small business owners planning to make capital outlays over the next six months fell to the lowest level since March 2009, when the economy was in the midst of the Great Recession.** “Uncertainty is the enemy of growth and investment,” the NFIB notes. The survey suggests small business owners are responding to the current environment by raising prices, reducing hiring plans and delaying capital spending.

Global energy update – At the onset of the Iran war many market pundits forecast oil prices could rise to \$150 per barrel. While physical market prices briefly approached this level, the overall price impact to date has been significantly less. Around 20 million barrels per day (b/d) of oil and petroleum products supply was initially impacted by the closure of the Strait. Saudi Arabia was able to shift roughly five-to-five-and-a-half million b/d of incremental export capacity to its Red Sea port, while pipeline capacity allowed the UAE to get approximately 1.5 million b/d to global markets via the Gulf of Oman. Commodity trading house Vitol recently estimated that 14 million b/d of Gulf export capacity remains offline. IEA member countries opened Strategic Petroleum Reserve (SPR) taps with the U.S. release ramping in recent weeks to roughly eight-to-nine million barrels per week. Up to now, changes to both supply- and demand-side dynamics have helped offset production losses from Gulf countries. Looking ahead, there is concern that these inventory buffers will start to run out.

Strong Canadian employment – Canada added about 88,000 jobs in May and it appears that the economy is hanging in there despite the headwinds from trade and now energy prices. The big headline, plus a small (3,800) increase in the labour force, drove the unemployment rate down three ticks to 6.6%. Details were also pretty solid; we saw gains across sectors and regions. The private sector drove the majority of the increase (+56,300); gains were smaller in the public sector (+20,400) and self-employed (+11,200). This report should somewhat ease BoC worries about the economy after the negative GDP print.

Next week

On Wednesday, the U.S. Federal Open Market Committee will make a rates decision and newly appointed Chair Kevin Warsh will hold his first press conference. Expect key manufacturing data in the U.S. on Monday and Thursday. Producer Prices will be under the microscope in Canada on Thursday.

Monday 6/15 – U.S. Empire State manufacturing survey, Industrial production, Capacity utilization | Canada Housing starts, Manufacturing sales

Tuesday 6/16 – U.S. Import prices, Housing starts, Building permits | Canada Foreign securities purchases

Wednesday 6/17 – U.S. FOMC meeting and rates decision, Retail sales, Business inventories, Pending homes sales, Builder confidence | Canada New housing price index

Thursday 6/18 – U.S. Initial jobless claims, Philly Fed | Canada PPI

Friday 6/19 – U.S. None scheduled | Canada CFIB Business barometer, Retail sales

Data scorecard as of June 10, 2026

Equity Market Total Returns						
	6/10/2026 Level	WTD	YTD	2025	2024	5-Year*
S&P 500	7,267	-1.6%	6.7%	17.9%	25.0%	14.4%
NASDAQ	25,170	-2.1%	8.6%	21.2%	29.6%	13.4%
DOW	49,919	-1.8%	4.7%	14.9%	15.0%	11.6%
Russell 2500	4,953	-0.2%	15.2%	11.9%	12.0%	7.3%
S&P/TSX	34,151	-0.7%	8.8%	31.7%	21.7%	16.1%
MSCI EAFE	11,282	-1.4%	6.4%	31.2%	3.8%	8.9%
MSCI EM	917	-2.9%	19.6%	33.6%	7.5%	4.2%
Bond Market Total Returns						
		WTD	YTD	2025	2024	5-Year*
Bloomberg U.S. Aggregate		0.1%	-0.1%	7.3%	1.3%	-0.4%
Bloomberg U.S. Treasury		0.1%	-0.4%	6.3%	0.6%	-1.0%
Bloomberg U.S. Corporate		0.0%	0.1%	7.8%	2.1%	-0.1%
Bloomberg U.S. High Yield		0.0%	1.3%	8.6%	8.2%	4.5%
Bloomberg 1-10 Year Munis		-0.1%	0.8%	5.1%	0.9%	1.2%
Bloomberg Canada Aggregate		-0.1%	1.2%	2.4%	4.0%	-0.4%
Bloomberg Canada Treasury		-0.1%	0.9%	1.4%	2.9%	-0.8%
Bloomberg Canada Corporate		-0.1%	1.3%	4.4%	6.9%	1.5%
Government Bond Yields						
	6/10/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average
U.S. 10-Year Treasury	4.55%	4.44%	4.32%	4.17%	4.57%	3.37%
Canada 10-Year Government	3.49%	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	3.08%	2.94%	3.00%	2.85%	2.36%	1.66%
Japan 10-Year Government	2.68%	2.66%	2.35%	2.06%	1.09%	0.65%
Currencies & Real Assets						
	6/10/2026 Level	WTD	YTD	2025	2024	5-Year*
USD Index	99.95	-0.1%	1.7%	-9.4%	7.1%	1.8%
CAD:USD	\$0.72	0.0%	-1.6%	4.8%	-7.9%	-1.5%
Bitcoin	\$61,741.58	0.2%	-29.6%	-6.5%	120.5%	24.8%
Gold	\$4,072.31	-5.9%	-5.7%	64.6%	27.2%	17.9%
Oil (WTI)	\$90.03	-0.6%	56.8%	-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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Precious metal investing involves greater fluctuation and potential for losses.

ⁱ [SpaceX IPO demand is approaching four times oversubscribed, source says | Reuters](#)

ⁱⁱ [Find the Most Recent Stock Buybacks | Free Stock Buyback Tracker](#)

ⁱⁱⁱ [Control the Controllable, Weather the Rest: Private Equity Midyear Report 2026 | Bain & Company](#)