



ATB INVESTMENT MANAGEMENT

GLOBAL MARKET 2026 OUTLOOK

Provided by the Multi-Asset Strategies Team

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MEET THE TEAM

Keeping an expert eye on your investments as markets change

Our portfolio management team accompanies our clients throughout their journey, managing risk and rebalancing investments to help them reach their goals.



Robert Armstrong,
CFA, MBA, MSc
Head of Multi-Asset Strategies

Robert Armstrong is Head of Multi-Asset Strategies at ATB Investment Management Inc. (ATBIM). A seasoned investment professional with over 25 years of experience, Robert has a proven track record of success in building and managing multi-billion dollar investment portfolios. He is responsible for leading and overseeing ATBIM's diverse suite of multi-asset investment solutions.



Steve Xu,
CFA, FRM, CAIA
Senior Portfolio Manager

Steve Xu is a Senior Portfolio Manager at ATB Investment Management Inc. (ATBIM), bringing experience in building and managing sophisticated investment solutions. He has a proven track record of success in the investment industry, with expertise in managing and scaling multi-billion dollar investment portfolios. At ATBIM, Steve is responsible for overseeing investment decisions and delivering strong outcomes for ATBIM's multi-asset investment strategies.

FOREWORD

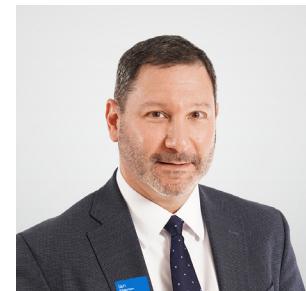
Welcome to the inaugural edition of the ATB Investment Management (ATBIM) Global Market Outlook.

At ATBIM, we take immense pride in our deep Alberta roots and the opportunity to serve investors across the province and beyond since our founding in 2002. We leverage the strength of ATB Financial—a pillar of the community dedicated to Alberta's prosperity for over 85 years—which, combined with our distinctive investment philosophy, allows us to deliver sophisticated investment solutions with a forward-thinking approach designed to unlock greater opportunities for investors.

Reflecting on 2025, it was the third strong year in a row for equity markets and the first time in a while we have seen strength and leadership from the Canadian equity market. We witnessed significant volatility at times, often driven by geopolitical uncertainty and the drumbeat and introduction of numerous new protectionist trade and tariff policies. While this all captured the headlines, the real story of the year was the continuing strength of corporate earnings. Investors who had the patience and conviction to stay in a diversified portfolio were rewarded both last year and over the last few years. We strongly believe in diversification of portfolios, focus on managing downside risk and volatility, and investing for long-term success rather than focusing on the short term or on the hot investment trend of the moment. Our conviction in this approach continues throughout market cycles.

In the pages that follow, our economics team will reflect on 2025 and the economic forces we had to contend with. The Multi-Asset Strategies Team will then look ahead and survey the macroeconomic landscape, detailing the forces driving global growth and sharing our house view on equities and fixed income for the year ahead. Our aim is to share our expertise, and provide a framework around what investors may need to understand looking forward.

Thank you for your continued confidence in ATBIM, and we trust that this outlook will prove to be helpful and insightful in the year ahead.



Ian Filderman
President,
ATB Investment
Management

EXECUTIVE SUMMARY

The positive fundamental alignment that drove markets higher in 2025 is expected to persist into 2026. While uncertainty is not going away and equity markets will never be a smooth ride up, the global bull market is alive and well. We encourage investors to maintain a fundamentally grounded framework, as corporate earnings remain the most powerful driver.

2026 macroeconomic predictions and market calls

- ▶ **Canadian equities:** Despite a strong 2025 performance driven by global factors, we remain neutral on Canadian equities. The nation is experiencing a “productivity emergency,” following a decade of policies that have deterred investment capital. Until meaningful policy changes are implemented in favour of growth—allowing Canada to play to its strengths in energy and resources—investor sentiment is stalled.
- ▶ **US equities:** We foresee the multi-year rally will be sustained by accelerating earnings growth. We also anticipate a broadening of market leadership, with growth moving beyond the mega-cap stocks. This outlook is supported by significant fiscal stimulus delivered via the *One Big Beautiful Bill Act* (OBBA), which could act as a tailwind—so long as it doesn’t cause too much growth too fast.
- ▶ **Emerging markets (EM) equities:** Emerging markets are primed for a significant catch-up period after a decade-plus of underperformance. Improved governance, strengthening earnings and the emergence of a wealthier EM consumer are driving this transformation. EM companies are pivoting to serve their own domestic middle class, positioning the region for sustained growth that rivals developed markets (DM).
- ▶ **Europe, Australasia, and the Far East (EAFE) equities:** While EAFE company valuations appear attractive, we require more evidence of sustained growth—particularly in Europe, which is saddled with structural headwinds like excessive regulation and slow dynamism. Low price-to-earnings (P/E) ratios are often low for a reason.
- ▶ **Fixed income:** Investment-grade credit remains attractive in a growing, non-recessionary economy. We expect minimal credit losses and stable coupon payments. The Bank of Canada (BoC) is on hold for now.

ECONOMIC REFLECTION: TRADE TURBULENCE

From ATB Financial's Economics Team

The economic landscape of 2025 was dominated by US tariffs. Although the damage has not been as bad as feared, the tariffs and the uncertainty surrounding them have held back growth and will continue to do so. Meanwhile, the trade turbulence has led to calls for Canada to build things faster, export more overseas and knock down internal trade barriers. Canada has avoided a technical recession (two consecutive quarters of negative gross domestic product (GDP) growth), but is growing below its potential. The inflation rate has come down, but the cost of living remains a key concern for many Canadians. Short-term borrowing costs have also come down, but the BoC is likely done cutting interest rates for now and has made it clear that the cuts are not a cure for Canada's economic challenges.

While not immune, Alberta is less exposed to US tariffs than other parts of the country. Trade uncertainty, however, has impacted the timing of the largest manufacturing construction project in the province—Dow's Path2Zero petrochemical facility. Alberta's agricultural sector is also dealing with Chinese tariffs.

Despite the tariff turbulence and an outflow of non-permanent residents, Alberta's economy grew significantly in 2025—slower than in 2024, but above the national average. A number of factors have been working in Alberta's favour. These include: improved energy market access via the Trans Mountain pipeline and the advent of liquefied natural gas (LNG) exports off the B.C. coast; slower but still robust population growth and a related residential construction boom; the relative affordability of housing compared to higher-priced markets in B.C. and Ontario; and strong activity across a diverse range of sectors such as tourism, petrochemicals, aviation, logistics, food processing, critical minerals, renewable fuels, emissions reduction and tech.

On the jobs front, Alberta's unemployment rate has been elevated in 2025 as employment growth has struggled to keep up with population growth. This is starting to turn around with a recent surge in employment putting a dent in the unemployment rate. This will continue to improve into 2026 due to slowing population growth.

Entering 2026, Alberta has a strong foundation with a relatively young and skilled workforce, recently improved energy market access and growth across a diverse range of sectors. Soft oil prices and muted oil and gas capital spending will weigh on growth, but ATB Financial's forecast is for the Alberta economy to expand by 2.1% in 2026, outpacing the 1.6% growth of Canada as a whole. Alberta's ability to capitalize on this momentum is dependent on Canada protecting its Canada-United States-Mexico Agreement tariff exemptions, unlocking the private investment needed to drive the next leg of productivity and growth and getting shovels in the ground on major projects.

MARKET REFLECTION

We have had three consecutive years of great returns coming from equities. The past year has turned out to be another strong one for equity investors. Thus far, the markets have rewarded investors who practice a patient and a fundamentally grounded approach to their portfolios. The question on everyone's mind for 2026 is: Will this rally continue?

Most indicators are increasingly aligned with a risk-on market backdrop. While volatility and uncertainty remain part of the market dynamic, we continue to take a measured approach to risk management and finding growth opportunities. Broadly, our views on the market continue to be constructive.

	1-year (%)	2-year (%)	3-year (%)	5-year (%)
Canadian equities	31.7	26.5	21.4	16.1
US equities	12.4	23.7	23.5	16.1
EAFFE equities	25.1	19.0	17.7	10.5
EM equities	27.3	22.1	16.8	5.7
Canadian bonds	2.6	3.4	4.5	-0.4

Source: Bloomberg. Indices above are S&P/TSX Composite TR, S&P 500 TR CAD, MSCI EAFE TR Net CAD, MSCI EM TR Net CAD and FTSE Canada Universe Bond. Returns are annualized as of December 31, 2025.

Canadian equities

Canadian equity performance surprised many, posting gains well over 20% even as its underlying domestic economy appeared to tread water. This rally was heavily dependent on global factors: soaring physical gold prices (over 50% year to date) significantly bolstered the Materials sector, while the strength of the large Canadian banks was largely a result of their globally diversified business units, a steepening yield curve and minimal domestic credit losses. While the headline performance was strong, the underlying domestic economy lacked a fundamental catalyst for local investment.

US equities

US equities posted double-digit gains on the back of exceptional earnings growth. The quest for productivity, concentrated around the artificial intelligence (AI) and data centre boom, allowed the mega-cap technology companies to significantly outperform all expectations when delivering on operating results. Even amidst persistent uncertainty over tariff policy, the strength of the US market's earnings machine enabled investors to overlook potential headwinds and continue paying a premium for growth.

Emerging markets equities

After more than a decade in a relative slumber, EM equities finally appeared to wake up, delivering significant gains, a big bounce off the “Liberation Day” lows. This strong performance marked a turning point, driven by early signs of strengthening governance, improving earnings and a palpable rise in consumer confidence across the regions. Investors began to recognize the structural shift underway, signalling that EM has earned its place in global portfolios.

Europe, Australasia, and the Far East equities

The EAFE complex also saw strong aggregate performance across its regions. Europe, which remains the largest component, benefited from strong fund flows as some investors shied away from US allocations. Meanwhile, Japan was a standout performer, directly benefiting from the AI wave as its companies grew on the back of global data-centre expansion. Despite the strong returns, the region remains fundamentally earnings-light, particularly in Europe, where many economies struggle with a difficult combination of low growth, high inflation and declining consumer spending.

Fixed income

Bond investors enjoyed a great few years as interest rates steadily came off their 2023 highs. Credit markets remained tight, reflecting the core belief that the global economy was not headed for a recession. This backdrop of steady growth and manageable credit risk reinforced the safety and appeal of investment-grade credit.

2026 OUTLOOK

The global outlook for 2026 is anchored by strong underlying fundamentals in the global economy—led by the US and emerging markets—and robust corporate earnings cycle. With no recession on the horizon, we maintain a constructive view on risk assets, prioritizing regions where earnings growth is accelerating and structural improvements are taking hold.

Equity outlook

Canadian equities

We remain cautious on moving too quickly on Canadian equities. The country faces a declared “productivity emergency” from BoC officials (see figures 1 and 2), an increasing impediment that has made it difficult to attract capital.

As a result, Canadian companies are eschewing domestic investments in favour of international expansion. This productivity overhang is keeping investment dollars away. We see the challenge of energy investment as central to this theme: Canada possesses world-class oil reserves, yet policy has been keeping it from capitalizing on this essential resource at a time when AI is pushing energy consumption globally to its physical limits.

Canada has not seen the same strength of capital investment as other markets, and while Canadian equities have done well this past year, the results were largely on the back of more global factors. Canada needs to focus on revitalizing domestic growth. Specifically, we need to see more corporate earnings growth backed by essential improvements in productivity, capital formation and economic growth. There is tremendous potential in Canada but until signs of improving growth prospects become more apparent, we are comfortable with the current market positioning of Canadian equities in our portfolios and remain neutral.

Figure 1: GDP per capita (US\$)

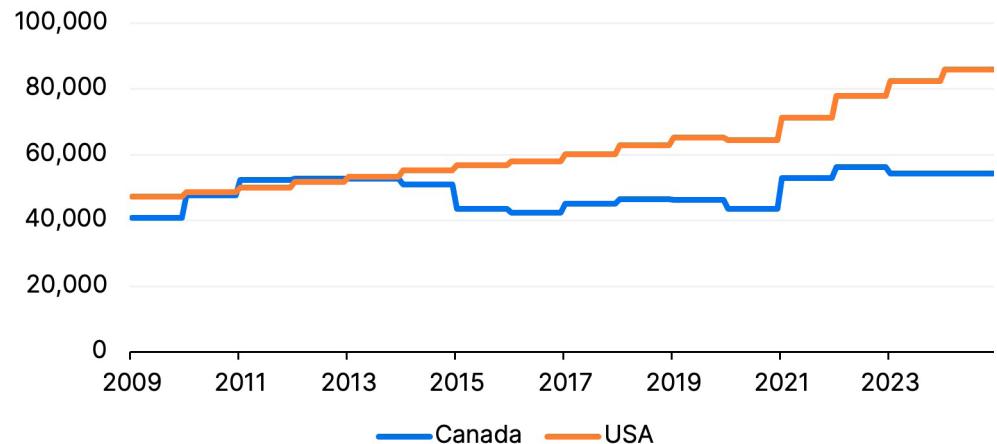
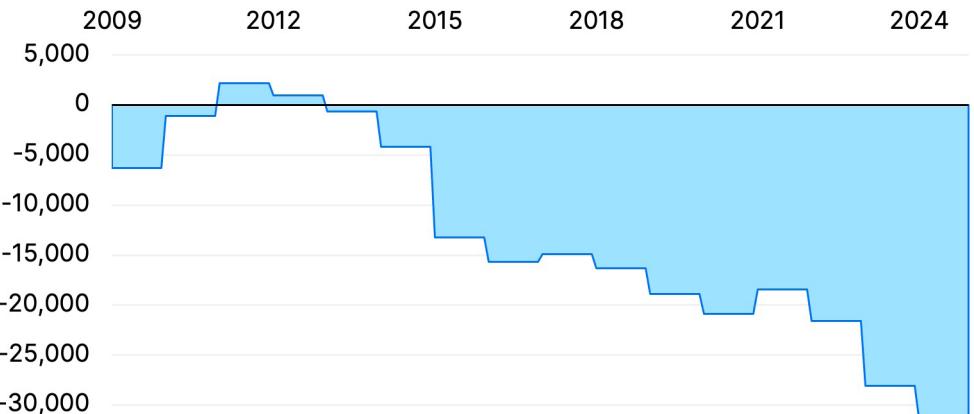


Figure 2: Productivity gap (US\$)



Sources: Bloomberg and ATBIM, as of December 2025. GDP/Capita data of Canada and US priced in US dollars.

US equities

The US has always been a magnet of investor attention. With President Trump, the spotlight is even brighter with the US administration's apparent "flood the zone" communication strategy to overwhelm the narrative. This administration delivers an endless supply of newsworthy items to draw our attention. At the end of the day, the one indicator above all else that we focus on is earnings, which has been supportive of the multi-year market rally.

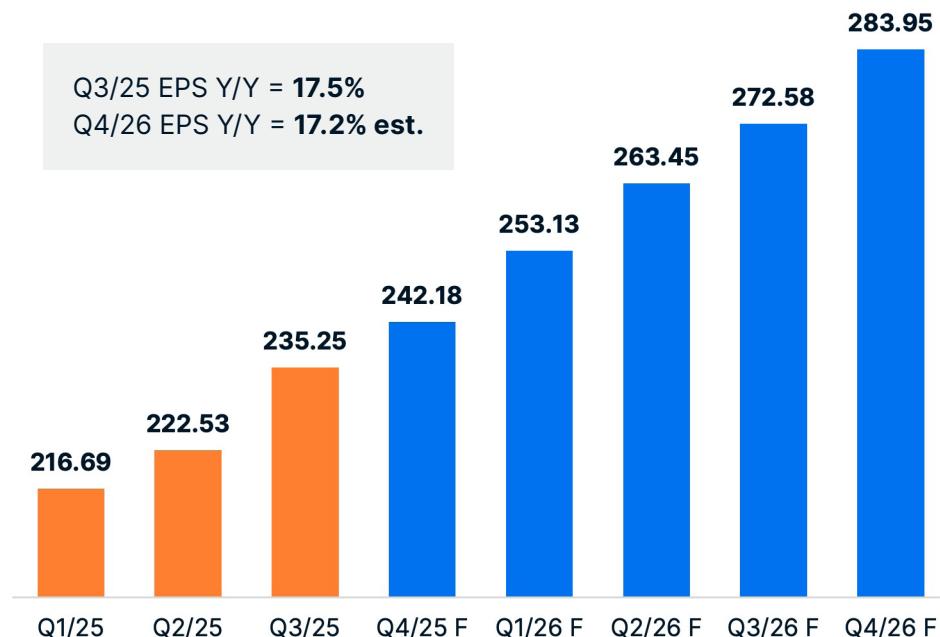
The US remains the earnings capital of the world (see figure 3). The quest for productivity, driven by the AI and data centre boom, has concentrated investment and earnings growth primarily within the mega-cap companies. While this level of growth may eventually moderate to more sustainable levels, those who have predicted imminent slowdowns have been premature.

We are encouraged by the expansion of market leadership. While mega-cap growth may eventually moderate, we are finding earnings growth in other segments. We believe this broader participation will help the S&P 500 Index maintain its upward trajectory through potential sector and factor rotation.

Furthermore, the market is bolstered by the injection of hundreds of billions in fiscal stimulus via the OBBBA, passed into law last summer and the encompassing tax refunds, stimulus cheques and tariff-revenue dividends. This acts as a powerful consumer tailwind throughout the mid-term election year. The risk to monitor is the pace of fiscal policy—too much stimulus too quickly may overheat the economy.

The US market continues to be driven by strong earnings, which is enabling investors to look past the news cycle and announcements from the administration. Our US market outlook remains positive, driven by increased fiscal spending, a looser monetary environment (US Federal Reserve interest rates finally under 4%) and the pause on quantitative tightening.

Figure 3: S&P 500 12-month earnings (rolling)



Sources: FactSet Research Systems and ATBIM. S&P 500 Index operating earnings actuals and forecast are as of December 2025.

Emerging markets equities

We are positive on the EM space as the stars align for a catch-up trade. After a decade-plus slumber relative to the US, things are moving in the right direction with governance, earnings and consumer confidence all ticking higher.

Emerging nations are transforming, with their economies and markets beginning to compete with (and in some cases surpass) developed markets (DM). The EM consumer has grown wealthier, with a handful of EM nations vastly outpacing DM in GDP per capita when it comes to growth (see figures 4 and 5).

Leading emerging markets are moving away from factories producing low-value goods to serve the West. EM companies have pivoted inward to serve their burgeoning domestic consumers as those economies incubate their own middle class. These individuals generally reside in the populous city centres, and they are increasingly demanding the same luxuries as their European and American consumer counterparts.

In some cases, the EM consumers are demanding even more as generational wealth has been created during the decades of rapid industrialization and development. This came at a time when DM consumers have seen their growth slow. As the income gap closes between EM and DM, it will be interesting to see the investment dynamic change.

It would not be hard to imagine a time in the future where the EM allocation in a global portfolio may increase dramatically. It is time to move EM out of the penalty box. They have earned their place in global portfolios.

Figure 4: GDP per capita (US\$)

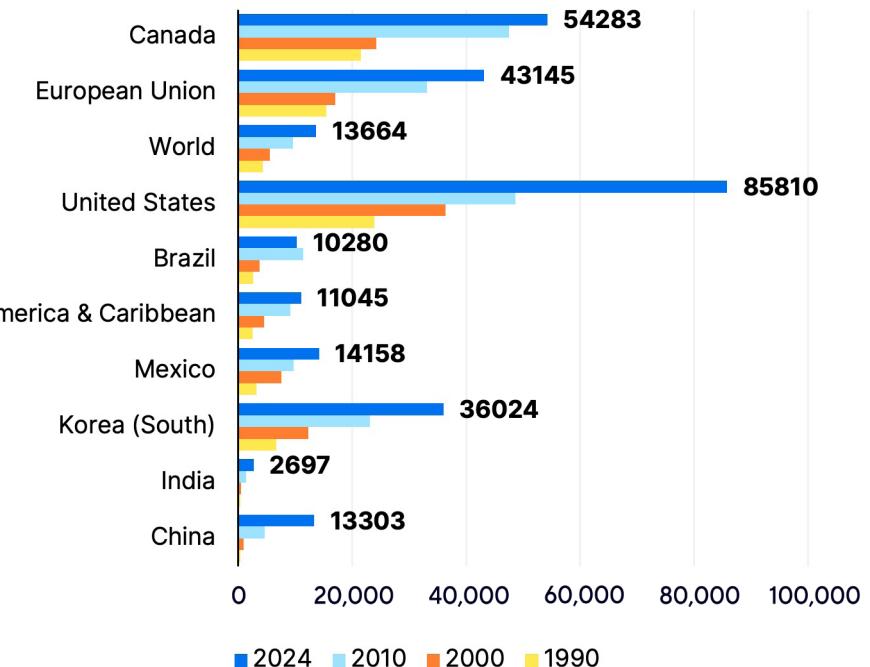
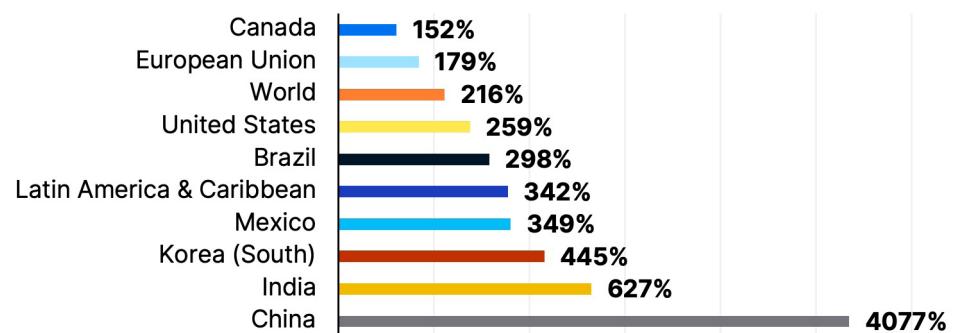


Figure 5: Long-term growth rate (1990-2024)



Sources: World Bank Group and ATBIM. Data represents GDP per capita (US\$) of select emerging and developed markets as of 2025.

EAFFE equities

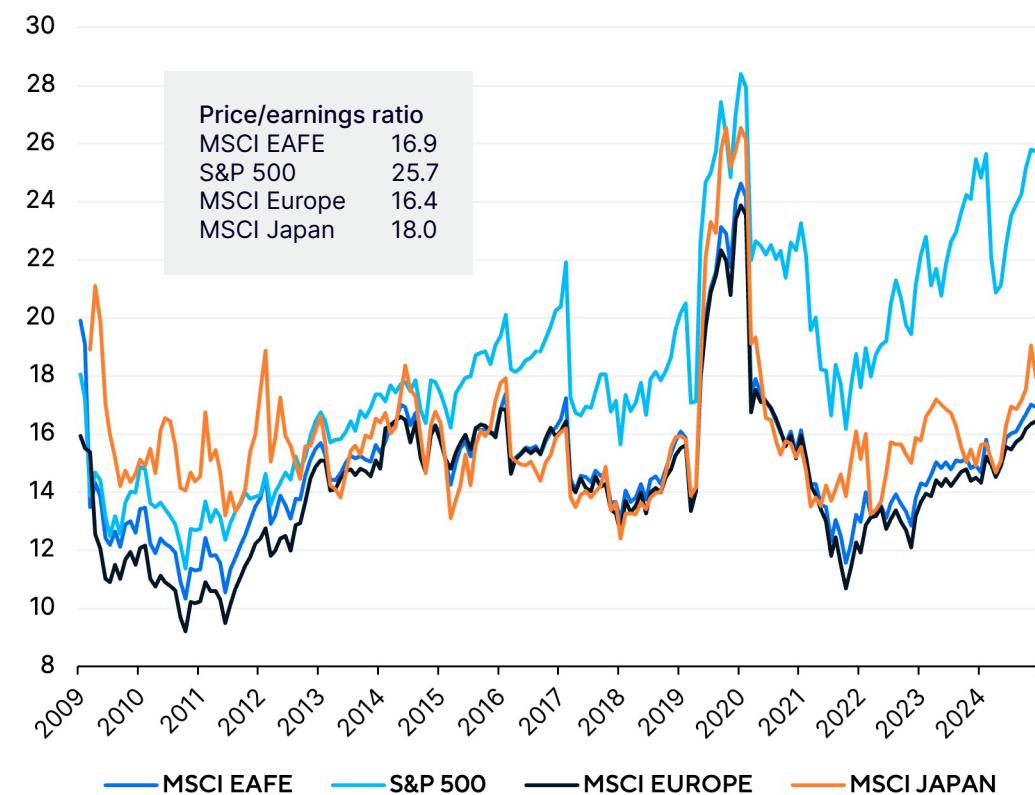
While EAFE company valuations may look attractive on a relative basis—trading at a discount to the S&P 500 Index (see figure 6)—we need to see more evidence of growth.

Low price-to-earnings (P/E) ratios can often be low for a reason. We need to open up the proverbial hood to understand why. The P/E ratio, a common signal investors use to assess equities, is an incomplete metric as it inadequately captures the growth potential. Earnings are important, but so is growth. We prefer to evaluate it in context with growth rates such as forward P/E ratios, and ones that incorporate it directly, such as price/earnings to growth (PEG) ratios. On its own, low P/E ratios are often trading at a discount for both fundamental and structural reasons.

For the EAFE complex, the reasons are numerous, especially when this discount has persisted for decades. Investors have been steadily shifting away from the region. Despite a seemingly open market with the European Union, Europe is saddled with regulations and restrictions that have led to an exodus of talent and capital. Dynamism is much slower in the region. The start-up culture is notably more risk-averse and less tolerant of failure. While not universally the case, it is interesting to contrast between Silicon Valley's ethos of "move fast and break things" versus Europe's more incremental approach to entrepreneurship and capital formation.

This has contributed to Europe being more of a home to smaller companies who stay local with minimal global aspirations. For a global investor accustomed to the rapid growth of hyperscalers in other regions, the valuation discount applied to EAFE seems justified. While Japan remains a bright spot due to the AI wave, its weight (less than 25% of EAFE) poses the question: Will it be enough to move the overall complex's needle? We see considerable risk of a retracement in 2026 as tariff concerns subside and investors' attention shifts back to earnings.

Figure 6: Price/earnings ratio



Sources: Bloomberg and ATBIM. The price-to-earnings ratios of MSCI EAFE Index, S&P 500 Index, MSCI Europe Index and MSCI Japan Index are as of December 2025.

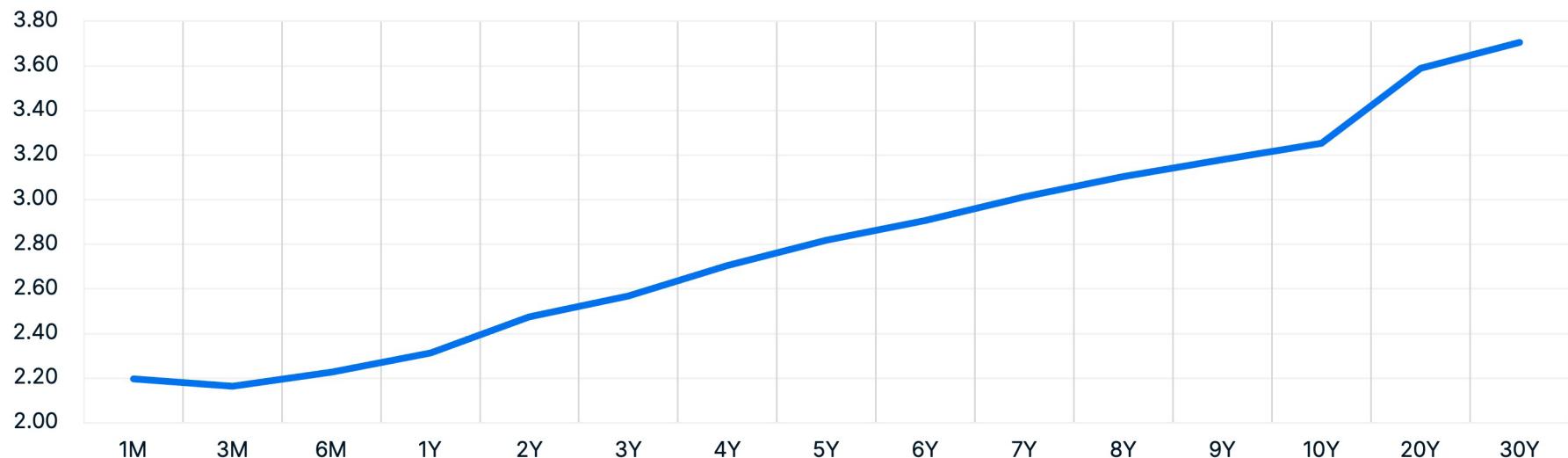
Fixed income outlook

The Canadian economy continues to experience sluggish growth rates. As a result, we continue to be comfortable tilting portfolios toward investment-grade credit. As long as the economy continues to trudge along and we avoid a global recession, credit markets can stay tight for a long time. We expect potential credit losses to remain minimal, with corporate cash flows supporting coupon payments.

As we head into 2026, we continue to see opportunities in what is termed the “belly” of the curve, around the 3.0 to 5.0 year point, to position portfolios to balance yield and risk (see figure 7). Small moves on the longer end have a disproportionate effect on the portfolio without the benefit of yield pick-up. We will continue to optimize the duration in our portfolios to manage this risk. Debt levels and loose fiscal policy keep us wary of the long end of the curve.

Policy rate cuts from the BoC appear to be on an indefinite hiatus, as any additional cuts would signal a dramatic deterioration in the economy, not currently in our base case. This requires a strategic approach to managing duration. We’re prioritizing downside risk defence against both equity and interest-rate volatility.

Figure 7: Canada yield curve



Sources: Bloomberg and ATBIM. The price-to-earnings ratios of MSCI EAFE Index, S&P 500 Index, MSCI Europe Index and MSCI Japan Index are as of December 2025.

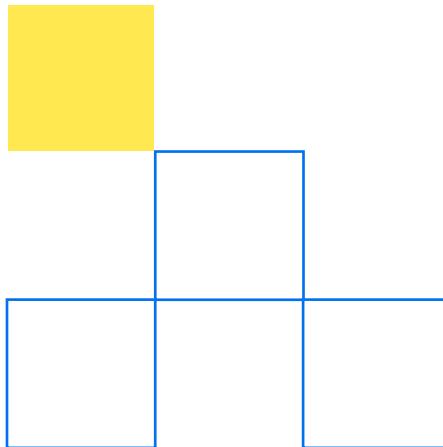
CONCLUSION

The year 2025 will be remembered as the year of uncertainty and volatility in the headlines, but the fundamentals underneath supported the market returns. Will that narrative continue? We believe that it will; however, the policy environment will undoubtedly throw some more curve balls. After a year of uncertainty and volatility, that sense of uneasiness is not likely going away in 2026 with US mid-term elections and a polarized media landscape.

Our core conviction going into 2026 is that the bull market will continue. Equities will never be in a straight line—that much is a certainty, but it is getting harder to ignore the positive investment fundamentals building. Under the surface, the global landscape continues to be well supported by the accelerating US earnings and the structural catch-up of EM.

Reflecting back, last year saw strong double-digit market performance, where the “risk trade” paid off, rewarding investors who were patient and “stayed the course.” Despite global uncertainty and “tariff tantrums,” strong corporate earnings ultimately prevailed, allowing markets to rapidly rebound and reach new highs. A defining trait was the markets’ continued disregard for traditional valuation metrics, with robust profit generation serving as a catalyst to power the markets upward. This dynamic emphasized growth and profitability, indicating investors’ willingness to pay a premium for earnings.

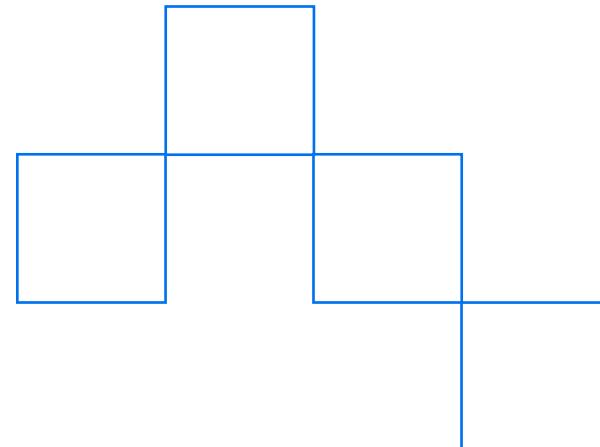
We remain committed to our distinctive investment philosophy and disciplined approach when managing our clients’ portfolios. We believe the best way to build and compound financial wealth is by taking a long-term view, which is reflected in our outlook, with active asset allocation serving as the cornerstone to navigating today’s dynamic markets. Ultimately, the benefits of a diversified portfolio can be unlocked and enhanced via a risk-aware investment culture and a transparent decision-making process. By maintaining a proactive approach, we are able to capture market opportunities while also diligently managing the risks of an evolving global market.



ABOUT ATBIM

ATB Investment Management (ATBIM), the asset management subsidiary of ATB Financial, provides a range of high-quality comprehensive investment management services and solutions. ATBIM's offerings include: a range of mutual funds, including the Compass Portfolios, and tailored discretionary investment management for high-net-worth individuals and institutions. Established over 20 years ago and with over \$25.5 billion in assets under management¹, ATBIM provides trusted expertise and a commitment to client success.

ATBIM is registered as a Portfolio Manager across various Canadian securities commissions with the Alberta Securities Commission (ASC) being its principal regulator. ATB Investment Management Inc. is also registered as an Investment Fund Manager who manages the ATB Funds. ATBIM is a wholly owned subsidiary of ATB Financial and is a licensed user of the registered trademark ATB Wealth.



¹AUM as of May 31, 2025

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