Quarterly Market Review Q2 2026

Canadian Equity

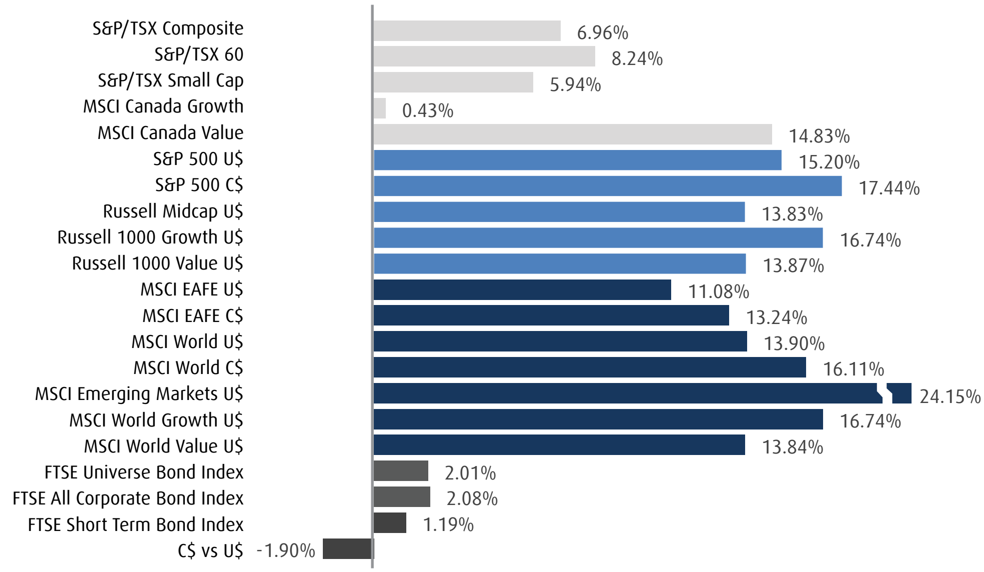
Canadian equities delivered another strong quarter in Q2 2026, with the S&P/TSX Composite Index advancing approximately 7.0% on a total return basis and extending its winning streak to eight consecutive quarters. Performance was supported by gains across the market as easing geopolitical tensions, resilient economic data, and a stable Bank of Canada policy helped improve investor sentiment. The quarter saw the S&P/TSX reach new record highs, reinforcing Canada's position as one of the stronger-performing developed equity markets year-to-date.

Performance was broad-based and quite strong, with eight of the 11 sectors producing positive performance. The top-performing sector was the Financials sector as Canadian banks outperformed. The Health Care and Industrials sectors were the other top performing sectors, returning 14.0% and 10.6% respectively. The lowest-performing sectors were Materials and Communication Services, which returned -11.5% and -10.0%, respectively. From a stock specific perspective, BlackBerry, once known as the world's largest smartphone manufacturer but now exclusively a software provider, delivered the top return of the quarter, rising almost 300%.

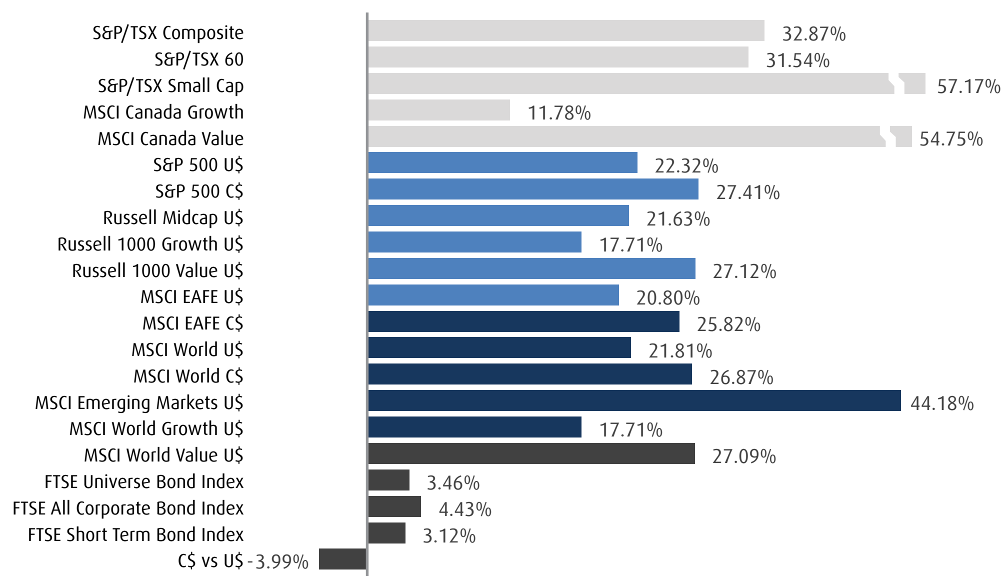
From a style perspective, value stocks significantly outperformed growth stocks, with the MSCI Canada Value Index advancing 14.8% versus just 0.4% for the MSCI Canada Growth Index. This strong preference for value-oriented sectors helped the Canadian market outperform many global peers over the past year, with Canadian value stocks delivering an impressive 54.8% return compared to 11.8% for growth stocks.

Capital Markets Review

3 Months (ending June 30, 2026)



1 Year (ending June 30, 2026)



Source: BMO Capital Markets and Bloomberg

Returns were driven primarily by large-cap companies, as the S&P/TSX 60 Index gained 8.2% compared to 5.9% for the S&P/TSX SmallCap Index.

U.S. Equity

U.S. equities rebounded strongly during the second quarter of 2026, with the S&P 500 Index returning approximately 15.2% on a total return basis, fully recovering its first-quarter decline and finishing the quarter at record highs. Investor sentiment improved as geopolitical tensions eased, inflation concerns moderated, and economic growth remained resilient. Strong corporate earnings, renewed optimism around economic activity, and improving risk appetite supported gains across the market, making Q2 the strongest quarter for U.S. equities since 2020.

U.S. equity market performance was strong over the quarter, with the S&P 500 Index supported by broad gains across most sectors. The strongest contributor was the Information Technology sector, which advanced 31.8% over the quarter and 37.5% over the past year, reflecting continued investor enthusiasm for large-cap technology and artificial intelligence-related growth themes. Industrials also delivered strong performance, returning 14.9% during the quarter, while Consumer Discretionary and Financials posted solid gains of 9.3% and 9.0%, respectively.

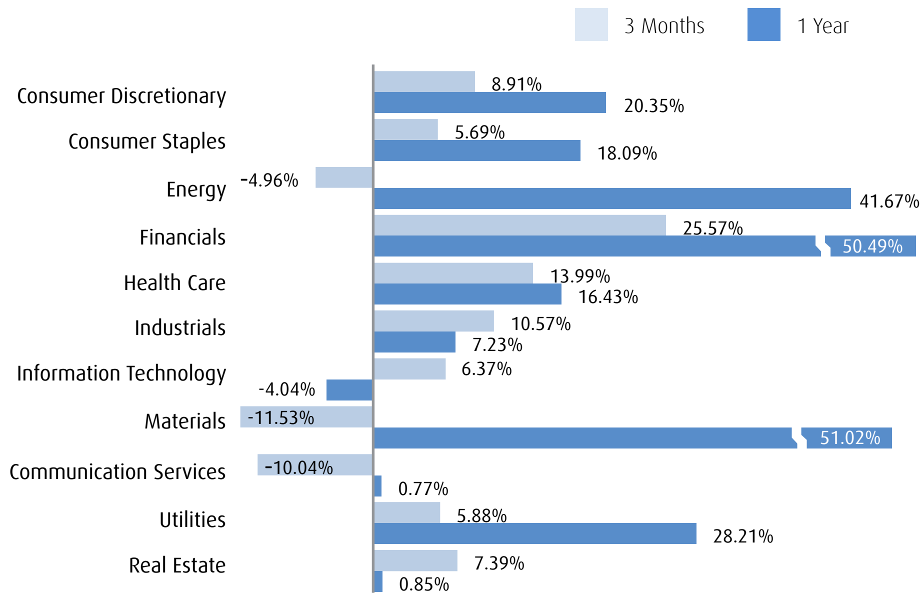
From a style perspective, growth outperformed value (+16.7% vs. 13.9%) for the quarter. However, over the past year, value has significantly outperformed growth by almost 10%. Mid-cap stocks underperformed large- and small-cap stocks.

International Equity

International equities posted strong gains in the second quarter of 2026 as improving global risk sentiment, easing geopolitical concerns, and continued strength in technology-related industries supported broad market advances. Developed international markets, as measured by the MSCI EAFE Index, returned approximately 11.1% for the quarter. European equities also recovered during the quarter as investors grew more confident in the economic outlook, helping international equities deliver strong absolute returns and contribute positively to diversified portfolios.

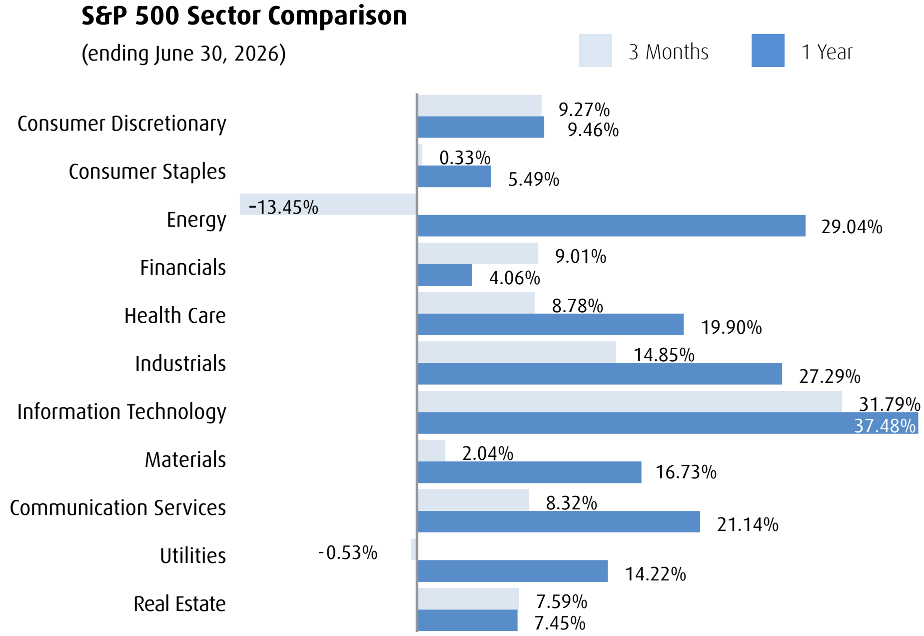
S&P/TSX Composite Sector Comparison

(ending June 30, 2026)



S&P 500 Sector Comparison

(ending June 30, 2026)



Source: BMO Capital Markets and Bloomberg

Within the MSCI EAFE Index, Information Technology and Financials were the best-performing sectors, while Energy and Communication Services were the worst-performing sectors. Over the past year, the Information Technology sector was the top-performing sector.

From a country perspective, Japan and Switzerland performed better than the broad market, while the United Kingdom and Germany lagged.

Emerging Markets outperformed North American and international markets, returning 24.2% in U.S. dollar terms for the three months ending June 30, 2026. Over the past year, an allocation to Emerging Markets would have generally helped a Canadian investor (as compared to the S&P/TSX Composite Index).

Fixed Income

Canadian fixed income generated positive returns during the second quarter of 2026, as bond prices benefited from a relatively stable interest-rate environment and easing inflation concerns. Government and investment-grade corporate bonds both contributed positively, while declining energy prices and moderating economic growth expectations supported demand for high-quality fixed income securities.

The FTSE Canada Universe Bond Index rose modestly by 2.0%. The short segment of the Index underperformed and returned 1.2% while the long segment outperformed, returning 3.4%. The Bloomberg Global Aggregate Index returned 0.9%.

Please contact your BMO Private Wealth professional if you have any questions or would like to discuss your investments.

BMO | Private Wealth

PW5948 (07/26)