

One-minute market update



FALL 2025

Our base case is for modest economic growth and inflation calm enough to allow for a resumption of interest-rate cuts. In this environment, we expect decent returns from bonds and even better performance from stocks, especially in regions outside North America where valuations are relatively appealing.

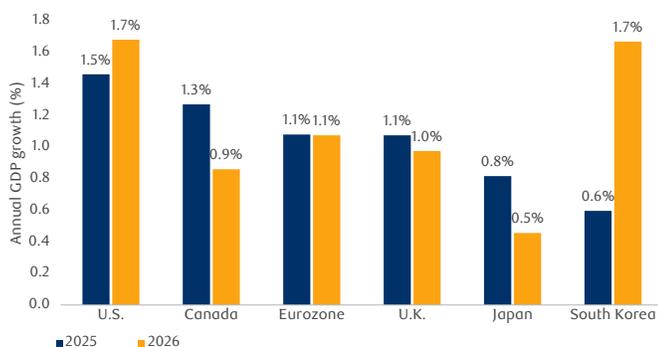
Economy

- U.S. public policy remains the dominant macroeconomic theme, with tariffs and tax cuts both attracting close attention.
- The global economy has been resilient in the face of protectionism but some areas of the economy have begun to soften modestly, including the labour market.
- Inflation resulting from President Trump’s tariffs is becoming visible although the net effect of tariffs on inflation may be somewhat smaller than initially expected.
- We believe a U.S. recession remains unlikely, and our global growth forecasts are flat to slightly higher than a quarter ago.

Fixed income

- The Fed is on the cusp of resuming interest-rate cuts to support the labour market even as inflation remains slightly above target.
- The U.S. 10-year yield at 4.2% is attractive and situated above modelled equilibrium if inflation does not return with force.
- Our model indicates that the current real yield is about 70 basis points above normal given longer-term structural factors.
- We can expect 10-year Treasury bonds to deliver returns in the mid single digits over the year ahead, with minimal valuation risk, in addition to providing critical ballast against equity-market volatility in the context of a balanced portfolio.

RBC GAM GDP forecast for developed markets



Note: As of August 29, 2025. Source: RBC GAM

U.S. 10-year T-bond yield

Equilibrium range



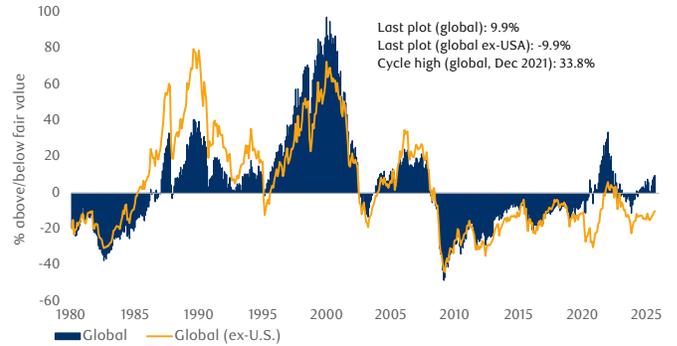
Note: As of August 29, 2025, 2024. Source: RBC GAM

Equity markets

- Global equities soared to records, extending their impressive rebound from earlier this year, with broad participation from international stocks.
- U.S. large-cap stocks, Canadian equities and Japanese equities are fully valued, but stocks in Europe, the UK and emerging markets appear to be attractively priced.
- Although valuations are elevated in the highly concentrated U.S. large-cap equity market, the ultimate driver of a sustained advance in stocks is corporate-profit growth, and earnings have been much better than expected.
- If profits continue to meet or even exceed analysts' expectations, the rally could have further room to go but heightened valuations may limit the magnitude of any future gains.

Global stock-market composite

Equity-market indices relative to equilibrium



Note: As of August 31, 2025. Source: RBC GAM

Disclosure

This material is provided by RBC Global Asset Management (RBC GAM) for informational purposes only and may not be reproduced, distributed or published without the written consent of RBC GAM or the relevant affiliated entity listed herein. RBC GAM is the asset management division of Royal Bank of Canada (RBC) which includes RBC Global Asset Management Inc. (RBC GAM Inc.), RBC Global Asset Management (U.S.) Inc. (RBC GAM-US), RBC Global Asset Management (UK) Limited (RBC GAM-UK), and RBC Global Asset Management (Asia) Limited (RBC GAM-Asia), which are separate, but affiliated subsidiaries of RBC.

In Canada, the material may be distributed by RBC GAM Inc., (including PH&N Institutional), which is regulated by each provincial and territorial securities commission. In the United States (US), this material may be distributed by RBC GAM-US, an SEC registered investment adviser. In the United Kingdom (UK) the material may be distributed by RBC GAM-UK, which is authorised and regulated by the UK Financial Conduct Authority (FCA), registered with the US Securities and Exchange Commission (SEC), and a member of the National Futures Association (NFA) as authorised by the US Commodity Futures Trading Commission (CFTC). In the European Economic Area (EEA), this material may be distributed by BlueBay Funds Management Company S.A. (BBFM S.A.), which is regulated by the Commission de Surveillance du Secteur Financier (CSSF). In Germany, Italy, Spain and Netherlands the BBFM S.A. is operating under a branch passport pursuant to the Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC) and the Alternative Investment Fund Managers Directive (2011/61/EU). In Switzerland, the material may be distributed by BlueBay Asset Management AG where the Representative and Paying Agent is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. In Japan, the material may be distributed by BlueBay Asset Management International Limited, which is registered with the Kanto Local Finance Bureau of Ministry of Finance, Japan. Elsewhere in Asia, the material may be distributed RBC GAM-Asia, which is registered with the Securities and Futures Commission (SFC) in Hong Kong. In Australia, RBC GAM-UK is exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of financial services as it is regulated by the FCA under the laws of the UK which differ from Australian laws. All distribution-related entities noted above are collectively included in references to “RBC GAM” within this material.

This material is not available for distribution to investors in jurisdictions where such distribution would be prohibited.

The registrations and memberships noted should not be interpreted as an endorsement or approval of RBC GAM by the respective licensing or registering authorities.

This material does not constitute an offer or a solicitation to buy or to sell any security, product or service in any jurisdiction; nor is it intended to provide investment, financial, legal, accounting, tax, or other advice and such information should not be relied or acted upon for providing such advice. Not all products, services or investments described herein are available in all jurisdictions and some are available on a limited basis only, due to local regulatory and legal requirements. Additional information about RBC GAM may be found at www.rbcgam.com. Recipients are strongly advised to make an independent review with their own advisors and reach their own conclusions regarding the investment merits and risks, legal, credit, tax and accounting aspects of all transactions.

Any investment and economic outlook information contained in this material has been compiled by RBC GAM from various sources. Information obtained from third parties is believed to be reliable, but no representation or warranty, express or implied, is made by RBC GAM, its affiliates or any other person as to its accuracy, completeness or correctness. RBC GAM and its affiliates assume no responsibility for any errors or omissions in such information. Opinions contained herein reflect the judgment and thought leadership of RBC GAM and are subject to change at any time without notice.

Some of the statements contained in this material may be considered forward-looking statements which provide current expectations or forecasts of future results or events. Forward-looking statements are not guarantees of future performance or events and involve risks and uncertainties. Do not place undue reliance on these statements because actual results or events may differ materially.