

Global Stocks Re-Energized

Global equity markets have pushed back toward all-time highs even as the Iran conflict continues to unsettle one of the world's most critical economic arteries. Financial markets appear to be looking past the war, with each headline eliciting a smaller reaction than the last. That's consistent with the forward-looking nature of markets—a theme we've emphasized in [our most recent Ask Forstrong](#)—but it also raises a tougher question: is this resilience, or complacency?

The case for resilience has merit. The global economy entered 2026 on relatively solid footing, with steady growth, resilient labour markets and a still-powerful investment cycle tied to government spending initiatives and AI. Global oil intensity (the amount of crude oil required to generate each unit of GDP) has fallen drastically since the 1970s, making the economic drag of higher oil prices less impactful. Oil reserve drawdowns have helped import-reliant nations manage the supply disruption without impairing economic activity.

But interruption is not costless, and despite its weakened influence, oil prices still act as both a tax on consumers and a margin squeeze on businesses. Prior to the conflict, the narrative was one of ample supply. Global demand was well-supported by accelerating global trade, but spare capacity amongst large producers negated any under-supply concerns. Much of the focus around the war in Iran has been the closure of the Strait of Hormuz, where roughly 20% of the world's oil travels through. While Hormuz remains closed at the time of writing, attention is shifting to an assessment of the damage done to oil infrastructure in the Gulf (the nations with

the vast majority of the world's spare capacity) and how long it will take to restore. As oil importing nations look to replenish reserves, the inability to ramp-up Middle Eastern production may present a bottleneck.

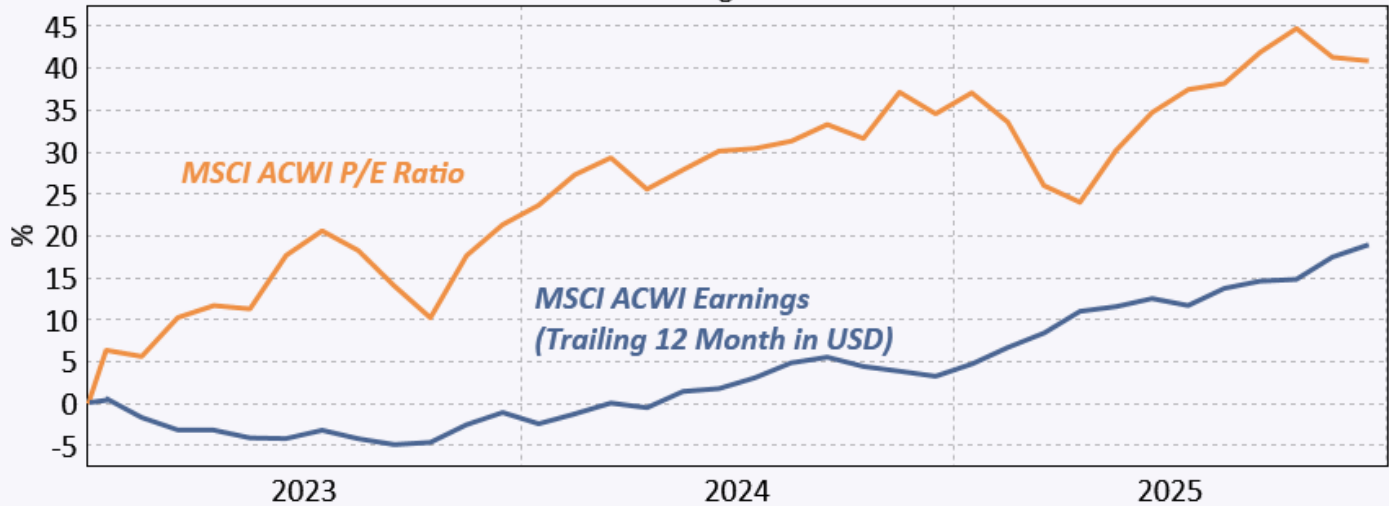
The key question is when and at what price range will oil prices stabilize. Worst case scenarios of intensifying war aside, we expect that we've already seen the bulk of the price adjustment. And at (or relatively near) current prices, the result is likely not a sharp contraction in global growth. Instead, inflation pressures become stickier, central bank policy flexibility narrows and growth slows at the margin.

What does this mean for global equity markets? Per the chart below, the bull market of the past few years saw valuations meaningfully outpace underlying fundamentals. While valuations generally provide limited guidance on short to medium-term price movements (they are much more effective over a long time horizon), we nonetheless expect future returns to be driven more by earnings trends than continued multiple expansion. A modest growth slowdown should not derail corporate earnings growth, but expectations may need to be tempered somewhat.

Of course, one should not paint all global equities with the same brush. The reverberations from the Iran war will impact sectors and regions differently and the valuation "starting point" differs greatly as well. The key takeaway is to remain invested, diversified and tilt towards less aggressively-priced exposures well-supported by enduring growth themes.

Global equity multiples have widely outpaced earnings growth

Cumulative change 2022 - 2025



Sources: Macrobond, MSCI, Forstrong Global Asset Management

Global Strategy Overview

Cash

Elevated geopolitical and economic risk necessitates maintaining portfolio hedges. Gold bullion has performed poorly since the start of the Iran war (likely as investors sold recent “winners”); but appears to have found support near the \$USD 4,400 level. Cash levels remain neutral, while gold bullion exposure has been maintained in balanced and growth-oriented strategies this quarter.

Bonds

The recent spike in oil prices has caused a surge in long-term bond yields, as bond investor attention shifted to inflation risk and a potential hawkish pivot from central banks. The moves bring global bond yields closer to fair value in our view, but investment grade bonds in developed markets still lack a clear catalyst to warrant taking on more exposure. Fixed income exposure remains modestly underweight this quarter.

Equities

Concentration risk is elevated in the US equity market, as the top 10 holdings in the S&P 500 Index now have an aggregate weight of over 35%. Simultaneously, massive AI-related capital expenditures are transforming the business models of a number of the top companies from asset-light to asset-heavy, which may necessitate more conservative valuation multiples looking forward. We are shifting a portion of our large cap US equity exposure from market capitalization-weighted to equal-weighted this quarter.

Opportunities

Chinese internet equities have exhibited weakening momentum of late. A moderating policy backdrop and large AI-related capital expenditure commitments have tempered investor enthusiasm. We have trimmed exposure to Chinese internet equities in balanced and growth-oriented strategies this quarter.

Forstrong Strategies	Inception Date	1 Month	YTD	1 Year	3 Year	5 Year	10 Years	Since Inception
Balanced								
Global Income	30/06/08	-1.87%	1.10%	7.30%	8.61%	5.17%	5.26%	7.30%
Global Balanced	30/06/03	-3.59%	0.00%	11.19%	10.08%	5.93%	7.08%	7.26%
Global Growth	30/06/03	-4.62%	-0.71%	14.84%	12.94%	7.92%	9.20%	8.58%
Canadian Income	30/06/08	-1.81%	1.01%	8.15%	8.52%	5.23%	5.20%	6.43%
Canadian Balanced	30/06/03	-3.57%	1.25%	14.18%	11.04%	7.06%	7.44%	7.45%
Canadian Growth	30/06/03	-4.32%	1.14%	19.94%	14.41%	9.38%	9.47%	8.67%
Global Equity								
Emerging Markets Equity	31/01/19	-5.86%	1.24%	17.99%	10.36%	4.51%	NA	5.48%
Global Ex-North America Equity	31/12/19	-6.16%	3.30%	22.13%	14.58%	8.11%	NA	8.68%
Alternative Income								
High Income Opportunities	30/06/22	-1.66%	2.38%	14.49%	11.98%	NA	NA	13.00%

* Performance as of March 31st, 2026
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