

The Bridge

From the Office of the CIO

Weekly Market Tides

Weekly Market Tides: Trends to Watch

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Equities pause, gold's uneven year, and softer U.S. jobs data

1. Markets rallied on weak jobs data, then paused this week

U.S. equities opened this week on a cautious note. On Monday, all three major indexes finished slightly lower, with the S&P 500 and Dow both off 0.1% and the Nasdaq down 0.3%. The modest pullback followed comments from Iran suggesting the U.S. would need to make additional concessions before diplomatic talks could progress, which pushed oil prices higher. Nvidia fell nearly 3% following a Financial Times report that the company is working with Apollo Global and Blackstone to structure a \$500 billion AI infrastructure financing package. The scale of the reported deal raised fresh questions about the pace of AI-related capital commitments. This pause followed a strong week for equities. Last week, the S&P 500 posted its best week since April, rising 3.6% and closing Friday at a new all-time high. The Nasdaq gained 1.3% on Friday, and the Dow added 0.3% to a fresh record. The rally was driven by a weaker-than-expected July jobs report released Friday morning, which reduced expectations for a Federal Reserve rate hike in September and pushed Treasury yields lower. The primary focus of this week's calendar is inflation data, with the July Consumer Price Index (CPI) scheduled for Wednesday and the Producer Price Index (PPI) scheduled for Thursday. Both readings will be closely watched given the shifting outlook for interest rates. In Canada, Statistics Canada's recent GDP data showed real GDP grew 0.3% in May and pointed to a solid Q2 rebound, reinforcing expectations that the Bank of Canada will hold its policy rate at 2.25% at its next decision on September 2.

2. Gold's uneven path through 2026

Gold has been one of the more discussed assets of 2026, though its path has been less straightforward than the current rally might suggest. The metal reached its highest levels earlier in the year before experiencing a meaningful correction in the first half, one of its sharpest pullbacks in more than a decade. Prices have recovered in recent months, and the most recent leg accelerated after Friday's weak U.S. jobs report, which revived expectations that the Federal Reserve will move toward interest rate cuts in the coming months. Gold prices tend to benefit when interest rates are expected to decline, because the metal itself does not pay any yield and becomes more attractive relative to bonds and cash. Some other factors have supported the recovery. Ongoing geopolitical tensions, including the situation involving Iran and the Strait of Hormuz, have raised demand for safe-haven assets. And central banks in several major emerging market economies, including China, India, Turkey, and Poland, have been steady buyers of gold as part of a longer-term effort to diversify their reserves away from U.S. dollar holdings. This central bank buying has been running at record or near-record levels for several years and may represent a structural change in demand rather than short-term speculation. For Canadian investors, gold has particular relevance because Canadian gold miners represent a meaningful portion of the S&P/TSX Composite. Canada's two largest gold producers, Agnico Eagle Mines and Barrick Mining, are among the top companies on the TSX by market value, and both have performed strongly over the past year as gold prices have risen. Their earnings have expanded significantly as higher gold prices flow through to operating margins. The earlier pullback is a reminder that gold, like many assets, is still subject to sharp corrections when sentiment shifts.

3. The U.S. labour market is showing clearer signs of softening

Alongside the gold story and constructive Canadian economic data, the U.S. labour market has shifted more meaningfully. The July jobs report, released Friday, showed that nonfarm payrolls unexpectedly declined by 23,000, well below expectations. May and June figures were also revised meaningfully lower, and the average pace of monthly job gains over the past year has slowed sharply from earlier in 2026. Wage growth eased to its slowest pace since May 2021, and the labour force participation rate declined to its lowest level in more than five years. Taken together, the data marked one of the clearest signs so far this year that hiring has moved from cooling to genuinely soft. Markets took the report as reducing the probability of further Fed rate hikes and opening the door to eventual cuts. The policy question is complicated, however. Inflation remains above the Fed's 2% target, and several officials have publicly favoured a rate hike as soon as September if inflation does not ease. This week's CPI and PPI readings will help clarify how policymakers might balance these competing signals. For investors, the shift in the labour data represents a meaningful change in the outlook. A cooling labour market has historically preceded

periods of slower growth in corporate earnings and consumer spending, though the Fed's willingness to ease policy in response can offset some of that impact. If inflation continues to moderate, easier policy would tend to support equity valuations. If inflation proves sticky, markets may find themselves caught between weaker growth expectations and a Fed reluctant to move quickly. Either way, portfolios positioned for a mix of outcomes rather than a single scenario are generally better placed for the current environment.

Bottom line for investors

The past week captured a shift in the economic and market backdrop. In the U.S., a clear softening in the labour market has changed the outlook for monetary policy, and equities have generally welcomed the prospect of eventual rate cuts. Gold has recovered strongly from its earlier pullback, supported by the shift in Fed expectations and a broader set of demand drivers including central bank buying and geopolitical tension. Both stories mean that the risks facing portfolios are evolving compared to where they stood a month ago.

The message for portfolios remains consistent. Diversification across sectors, regions, and asset classes helps to maintain resiliency when the economic backdrop shifts.

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