GLOBAL
Insight
WEEKLY

Wealth Management

Perspectives from the Global Portfolio Advisory Committee

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Building on a narrow base

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Long-term economic trends have left the U.S. economy increasingly reliant on spending by upper-income households. We unpack the potential implications for economic stability and Federal Reserve policymaking.

The pandemic recovery period was marked by a wave of stimulus programs from governments around the globe. In the U.S., these included cutting interest rates to zero, extending forgivable loans to business owners, and distributing direct support to households. While some of the programs had analogues in the global financial crisis, many were effectively unprecedented in modern times. The combined firepower was largely successful in combatting an economic slowdown, but the nature of the subsequent recovery has been uneven. The post-pandemic period has seen a sharp improvement in outcomes for higher-income households, along with stagnation and relative decline for those with lower incomes.

Some analysts have confined themselves to the post-pandemic period when looking at this phenomenon, but we think that view is much too limited. Economic bifurcation in the U.S. did not start five years ago. Instead, we see a multidecade process that has left the U.S. with what is effectively a two-tier economy. Upper-income households are increasingly driving the economy and reaping the benefits of its advance, while lower-income and newly formed households face a narrowing path ahead.

Most of the issues raised by this evolution are social and political in nature, but it poses challenges for investors as well. It leaves the U.S. economy less resilient, more prone to shocks, and with a potential structural need for a weaker dollar. Any social instability that results could also feed back to investors through populist programs or policies designed to reward particular income segments at the expense of others.

Who's buying?

The largest component of the U.S. economy—by far—is household consumption, which routinely accounts for almost three times as much economic activity as government spending or business investment. Increasingly, that consumption is coming from the top 10 percent of households by income. In the second quarter of 2025, consumers in that stratum accounted for just under half of all household spending, up from just over a third in the early 1990s. Put differently, consumption by 10 percent of households was behind 34 percent of all economic activity in the United States.

It's no coincidence, in our view, that the top 20 percent of households by income directly or indirectly hold 90 percent of stock investments and that the ramp-up in consumption is concurrent with all-time highs in U.S. equity indexes.

The obvious implication is that demand for nearly a third of the goods produced in the U.S. relies on a very small slice of its population whose consumption behavior is almost certainly driven at least in part by the performance

For perspectives on the week from our regional analysts, please see pages 4–5.

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of the stock market. The circular nature of that relationship—with stock prices fueling demand that drives corporate earnings that lead to higher stock prices—means that even a relatively small shift in consumption patterns could have large implications for the overall economy and global equity performance.

How we got here

There are numerous lenses through which we can view the shift in purchasing power between income strata:

- **Changes in the federal budget:** Larger tax deductions and expansionary fiscal policy have had both direct and indirect economic benefits for wealthy households with large investment portfolios.
- **Declining relative importance of wages:** Viewed from the income side of GDP, labor's share of national production has been falling since 2001. For folks without investment income, the result is a relative decline in economic participation.
- **Post-crisis monetary policy:** In the aftermath of the global financial crisis, countries around the world kept interest rates artificially low. This policy was intended to help support asset prices, propping up banks and investors facing large writedowns on defaulted loans, and it was largely successful. The side effect, however, was that rising asset prices made it more expensive for income-constrained workers to purchase homes or build savings portfolios.
- **Technological rewards:** Income disparity arose alongside revolutionary changes like the rise of the internet and the launch of practical artificial intelligence (AI). The flow of rewards for those world-changing innovations to their creators has tended to exacerbate inequality.

Ultimately, we think it was the combination of technological innovation and low interest rates that led to significant gains for the U.S. economy, and it was government policymaking that helped direct most of the benefits to upper-income households.

How one views that outcome is often a matter of political perspective, and reasonable people can certainly disagree on the desirability of income inequality and the advisability of policy shifts to offset it. What cannot be reasonably disputed, however, is that the U.S. today is near the highest levels of economic inequality since record keeping began nearly 60 years ago.

No way home

The cleanest way to break up the current stagnation in economic mobility, in our view, would be to move wage-dependent households into the investor class. That is easier said than done, unfortunately, due to changes in initial conditions. For instance, although average wages are up a hefty 77 percent since 2007, rent has risen 90 percent over the same period. That 13 percent relative rent inflation is a major drag on the U.S. economy given that the overall savings rate is only 4.6 percent of disposable income. Add in food inflation and a general rise in the cost of living—not to mention the impact of high student debt levels—and the mathematical reality is that there are severe practical limits on how much younger households can save. One may argue that taking on student debt is a voluntary choice, but that doesn't change the fact that food and shelter are biological necessities.

Historically, home ownership has been the path to wealth accumulation for U.S. households. Absent a policy shift, however, it's difficult to see how low savings and high home prices will allow the next generation of Americans to enjoy the same access to home ownership as the Baby Boomers. This would hold true even if mortgage rates were to decline from current levels.

Safety first—but how?

A narrow base for economic growth has potentially large implications for the Federal Reserve.

Traditionally, the U.S. central bank has cut interest rates to spur investment and hiring, based on the idea that consumption by the newly employed would lead to a virtuous cycle of economic expansion. Today, however, the case for that type of accommodation—while it still exists—looks weaker.

Instead, the low-hanging monetary fruit now appears to be asset prices, which the Fed acts on through two related channels. One is by lowering longer-term interest rates, which makes future cash flows more valuable today. The other is through currency debasement: rate cuts that weaken the dollar. Both a lower discount rate and a weaker currency tend to drive up equity and real estate prices, and those factors in turn tend to spur so called wealth-effect spending among those with large investment portfolios.

In our view, this type of policy framework has three important implications:

- **First, it's heavily reliant on longer-term interest rates.** The Fed cannot directly control those by adjusting its overnight policy rates, so it may have to consider less conventional tools like bond purchases.
- **Second, currency debasement is a two-party game.** Other countries may not play along with moves that benefit the U.S. to the detriment of overseas producers. Currency wars are potentially problematic across multiple dimensions of international trade and relationships.
- **Finally, there is a limit to what the Fed can do.** Absent negative interest rates, which have their own host of problems, the Fed is stopped at the zero bound. Once it is reached, we believe the U.S. will either have to generate true growth or face a potential reckoning.

It's important to note that there are multiple ways to view Fed policy adjustments. One is the story sketched above: using monetary policy to inflate asset prices. The other is through the lens of the Fed's full employment mandate. In that interpretation, the Fed would not be targeting the S&P 500 Index or home prices per se. Instead, it would be recognizing that falling equity prices would challenge consumption, economic growth, and eventually employment, and looking to fight that impact.

Whatever lens we use to view that type of policy move, however, we believe the key takeaway is that the longer the central bank is in the business of asset price support, the more painful it is to get off the treadmill.

Related challenges, shared burdens

As we survey the U.S. economic landscape, we see a series of interconnected challenges: debt growing at an unsustainable pace, a two-tier economy, and economic growth that appears increasingly dependent on a narrowing base of upper-income spending and a weaker dollar. Ultimately, we believe these challenges can be overcome, but doing so will require a degree of political unity and a rational discourse on burden sharing. While such a scenario may seem remote, we think that ultimately facts and economic reality will force that conversation. In other words, if something can't go on, it won't—but the longer we wait, the more expensive the adjustment is likely to be.

UNITED STATES

Tyler Frawley, CFA – Minneapolis

- **Market jitters remain despite NVIDIA's impressive quarterly results.** As the world's largest company by market cap and representing more than 8% of the S&P 500, NVIDIA's earnings reports carry unusual weight. Revenue surged 62% y/y to $57.0 billion in Q3, driven almost entirely by data-center sales, which reached $51.2 billion and underscored the strength of the ongoing AI-infrastructure cycle. Management guided Q4 revenue to $56 billion, well above consensus expectations, and highlighted an order backlog exceeding $500 billion through 2026—clear evidence of persistent, long-duration demand. NVIDIA CEO Jensen Huang pushed back on bubble concerns, calling AI demand "off the charts" and suggesting the industry is still in the "early innings," supported by large recurring commitments from cloud providers and enterprise customers. The stock initially rallied sharply on the news, lifting broader tech sentiment and briefly easing the sector's recent volatility. However, those early gains evaporated as NVDA stock sold off strongly midday, with the broader market also turning lower on the day. This highlights how the company's success cuts both ways: market stability has become increasingly tied to the company's performance, making its results as much a macro signal as a company-specific event.

- **Geopolitical tensions and questions about AI return on investment add another layer of uncertainty.** The U.S.–China technology rift continues to pressure supply chains, exemplified by NVIDIA's decision to exclude China data-center revenue from forward guidance. Meanwhile, enthusiasm around AI is increasingly tempered by practical realities. A recent MIT study found that many corporate AI initiatives fail to generate measurable financial returns, largely due to integration challenges, resource constraints, and uneven data quality. This gap between technological promise and operational execution has become more apparent across industries. Taken together, markets are balancing NVIDIA's quarterly results, and what they signal about tech momentum, with persistent macro, policy, and structural headwinds. Ultimately, we believe the disconnect between rapid innovation and a slower-moving economic environment reinforces the need for continued vigilance from investors.

Volatility continues to rise as NVIDIA's earnings fail to calm market jitters

CBOE Volatility Index (VIX)

Source - Bloomberg; data as of midday trading on 11/20/25

- **Outside of tech, the broader economic backdrop remains challenging.** Federal Reserve Chair Jerome Powell's recent "driving in the fog" analogy reflects the Fed's limited visibility following the 44-day government shutdown that delayed key reports on jobs, inflation, and consumer activity. According to the CME FedWatch tool, the odds of a December rate cut have fallen to approximately 40% as inflation remains sticky and above the Fed's 2% target, complicating the policy outlook.

CANADA

David Iacono, CFA & Brett Feland – Toronto

- **Canadian headline CPI growth slowed to 2.2% y/y in October, marginally above consensus expectations.** The decline was primarily driven by lower gasoline prices and easing food price growth. The Bank of Canada's (BoC's) preferred core inflation measures—median and trimmed-mean CPI growth—also showed signs of easing, coming in at 2.9% y/y and 3.0% y/y, respectively, which were both close to consensus expectations. Core inflation remained above the BoC's 2% target as rent-related CPI accelerated to 5.2% y/y. As per RBC Economics, roughly 46% of the components demonstrated annualized three-month inflation rates exceeding 3%, little changed from September. What was notable was the growing share of the basket that exceeded the 5% threshold, rising to 31% from 27%. Overall, October CPI data remained consistent with RBC Economics' baseline expectation that the BoC is finished easing monetary policy for the time being and will keep rates steady for the foreseeable future.

- **Prime Minister Mark Carney's budget got the green light this week, as the BoC warned of a "systemic" productivity gap.** The minority Liberal government's proposed budget was accepted this week by a narrow vote of 170 to 168 in the House of Commons. The budget allocates tens of billions of dollars in investment toward trade infrastructure, defence, and housing, which may help address the country's widening productivity gap. According to comments made this week by BoC external Deputy Governor Nicolas Vincent, Canada is "stuck in a vicious circle" of limited investment, output, and wage growth. Vincent remarked that had Canada's productivity kept pace with other G7 countries since the mid-2000s, Canada's GDP would be 9% higher, or CA$7,000 higher per person. If output per worker were higher, firms could increase wages without increasing costs, leading to real growth in purchasing power. The budget's allocation toward capital projects may be a step forward in addressing Canada's productivity problem, ultimately making the country more resilient to economic shocks and increasing its productivity gains while allowing for higher wages without increasing inflation.

EUROPE

Frédérique Carrier & Rufaro Chiriseri, CFA – London

- In an effort to counter the structural weakness facing its industrial sector, **the German coalition government has introduced a subsidized electricity price of €0.05 per kilowatt-hour (kWh) for energy-intensive industries**. The scheme, set to begin Jan. 1, 2026, and run for at least three years, targets sectors such as steel, chemicals, and automotive manufacturing, and aims to reduce electricity costs by roughly two-thirds. Elevated energy costs have been a major factor behind the loss of Germany's industrial competitiveness against countries with lower power prices.

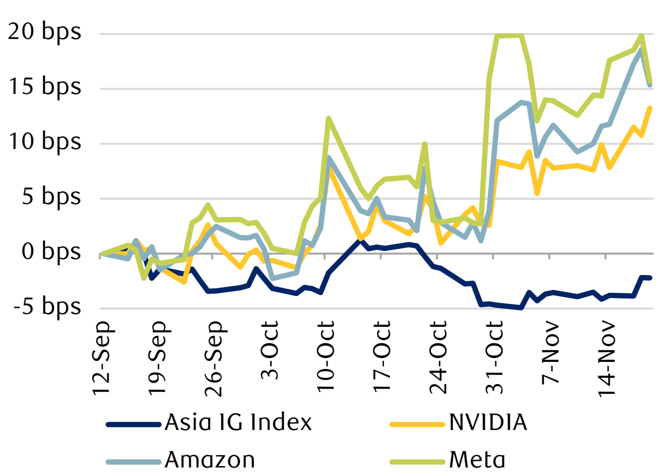
- **The scheme requires approval from the European Commission, which could result in delays or modifications.** Moreover, it excludes other industrial sectors that are also struggling with high energy costs, even if they are less energy-intensive. Still, implementing such a targeted relief measure could significantly ease cost pressures for a key part of Germany's industrial base.

- **In the UK, headline inflation in October decelerated to 3.6%** y/y from 3.8% y/y in September. Services inflation, which is a gauge of domestically driven inflation and closely watched by the Bank of England (BoE), also eased to 4.5% y/y from 4.7% y/y. As we expected, due to the energy regulator's reduction in the energy pricing cap, a fall in the energy component for households was the largest contributor to the decline in UK inflation.

- **At the BoE's November meeting, Governor Andrew Bailey stated that there is a "need to see more than one number" to be convinced that inflation is truly on a downward path before favouring further interest rate cuts.** We think the combination of the recent labour market and inflation data builds the case for a rate cut in December. The market is now pricing an 87% probability of a December cut, up from 79% before the release of the inflation data.

U.S. tech bond offerings lead to a widening of credit spreads (in basis points)

Asia vs. U.S. tech corporate credit spreads



Note: Asia IG Index = Bloomberg Asia IG Index; NVIDIA bond = NVDA 2.0% 06/15/2031; Amazon bond = AMZN 4.8% 12/05/2034; Meta bond = META 4.75% 08/15/2034

Source - RBC Wealth Management, Bloomberg; data from 9/12/25–11/19/25

ASIA-PACIFIC

Belmen Woo – Singapore

- **On Nov. 20, markets reacted positively to a report that China is considering fresh stimulus measures to stabilise its property sector.** The yuan and a basket of Chinese developer stocks reversed initial declines to close higher for the day. Policymakers are considering a slew of options such as providing new homebuyers mortgage subsidies and lowering transaction costs. While these measures may provide a short-term boost, it remains to be seen if the measures will be substantial enough to fix a supply-demand imbalance in China's property market. However, the proposed stimulus measures are another encouraging sign from policymakers after last week's pledge by the People's Bank of China to maintain accommodative financing conditions.

- **In Japan, focus now shifts to new Prime Minister Sanae Takaichi's long-awaited ¥17.7 trillion (US$112 billion) economic stimulus package, which is set to be unveiled on Nov. 21.** This would be significantly larger than her predecessor's ¥13.9 trillion spending plan, underscoring Takaichi's commitment to an expansive fiscal policy and raising concerns that the extra budget will be funded by additional bond issuances. This has exacerbated weakness in Japanese government bonds and the yen, with longer-dated bond yields jumping to their highest levels since 1999, while the yen edged closer to the psychological USD/JPY 160 level. We think that the yen could face further near-term weakness if concerns about Japan's fiscal health persist, potentially increasing the risk of Bank of Japan intervention.

- **In fixed income markets, the focus has been on recent large bond issuances from U.S. tech companies to fund AI capex expenditures that have led to widening credit spreads in U.S. tech securities and Asia credit markets.** Amazon.com priced a jumbo US$15 billion multi-tranche debt deal this week, which followed previous tech debt deals earlier this month; Alphabet sold US$25 billion, while Meta Platforms issued US$30 billion of new bonds. The performance of Asian credit is usually dependent on factors such as macro sentiment and liquidity. As such, the sheer size of U.S. tech deals could have drained liquidity from the system as investors reallocated funds from Asia credits to these high-quality U.S. tech bonds.

MARKET
Scorecard

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	6,642.16	-2.9%	12.9%	12.3%	47.1%
Dow Industrials (DJIA)	46,138.77	-3.0%	8.4%	6.6%	32.0%
Nasdaq	22,564.23	-4.9%	16.8%	18.8%	59.7%
Russell 2000	2,347.89	-5.3%	5.3%	1.0%	30.6%
S&P/TSX Comp	30,278.41	0.1%	22.4%	21.1%	50.1%
FTSE All-Share	5,118.99	-2.3%	14.6%	15.6%	25.2%
STOXX Europe 600	561.71	-1.8%	10.7%	12.2%	23.2%
EURO STOXX 50	5,542.05	-2.1%	13.2%	16.6%	27.7%
Hang Seng	25,830.65	-0.3%	28.8%	31.4%	48.0%
Shanghai Comp	3,946.74	-0.2%	17.8%	18.0%	29.2%
Nikkei 225	48,537.70	-7.4%	21.7%	26.4%	44.5%
India Sensex	85,186.47	1.5%	9.0%	9.8%	29.5%
Singapore Straits Times	4,505.22	1.7%	18.9%	19.9%	44.2%
Brazil Ibovespa	155,380.66	3.9%	29.2%	21.2%	24.5%
Mexican Bolsa IPC	62,066.25	-1.1%	25.4%	23.6%	17.8%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	4.137%	5.9	-43.2	-26.0	-29.9
Canada 10-Yr	3.255%	13.6	3.0	-7.9	-42.3
UK 10-Yr	4.602%	19.3	3.4	16.0	49.8
Germany 10-Yr	2.711%	7.8	34.4	37.3	12.3
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	4.36%	-0.1%	6.7%	6.3%	13.4%
U.S. Investment-Grade Corp	4.88%	-0.3%	6.9%	6.3%	15.8%
U.S. High-Yield Corp	6.99%	-0.4%	7.0%	7.1%	21.8%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	4,082.94	2.0%	55.6%	55.1%	106.1%
Silver (spot $/oz)	51.40	5.6%	77.8%	64.7%	116.7%
Copper ($/metric ton)	10,684.17	-1.7%	23.5%	19.2%	30.8%
Oil (WTI spot $/bbl)	59.55	-2.3%	-17.0%	-14.2%	-21.5%
Oil (Brent spot $/bbl)	63.60	-2.3%	-14.8%	-13.2%	-21.1%
Natural Gas ($/mmBtu)	4.56	10.6%	25.5%	52.1%	54.1%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	100.2080	0.4%	-7.6%	-5.6%	-3.6%
CAD/USD	0.7117	-0.3%	2.4%	-0.7%	-2.3%
USD/CAD	1.4052	0.3%	-2.3%	0.7%	2.4%
EUR/USD	1.1534	0.0%	11.4%	8.9%	5.7%
GBP/USD	1.3056	-0.7%	4.3%	2.9%	4.8%
AUD/USD	0.6479	-1.0%	4.7%	-0.8%	-0.6%
USD/JPY	157.1200	2.0%	-0.1%	1.6%	5.0%
EUR/JPY	181.2200	2.0%	11.3%	10.6%	11.0%
EUR/GBP	0.8834	0.7%	6.8%	5.7%	0.9%
EUR/CHF	0.9293	0.1%	-1.1%	-0.6%	-3.8%
USD/SGD	1.3067	0.4%	-4.3%	-2.3%	-2.7%
USD/CNY	7.1140	-0.1%	-2.5%	-1.7%	-1.4%
USD/MXN	18.3397	-1.1%	-11.9%	-8.8%	6.4%
USD/BRL	5.3333	-0.8%	-13.7%	-7.6%	8.6%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.71 means 1 Canadian dollar will buy 0.71 U.S. dollar. CAD/USD 2.4% return means the Canadian dollar has risen 2.4% vs. the U.S. dollar year to date. USD/JPY 157.12 means 1 U.S. dollar will buy 157.12 yen. USD/JPY -0.1% return means the U.S. dollar has fallen 0.1% vs. the yen year to date.

Source - Bloomberg; data as of 11/19/25

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Buy [Outperform]	862	59.24	277	32.13
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