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The Changing Global Order – through an economic lens

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“The app says it’s twenty degrees outside, but, with the wind chill and the general state of the world, it feels much worse.”

Thomas Chitty/The New Yorker Collection/The Cartoon Bank

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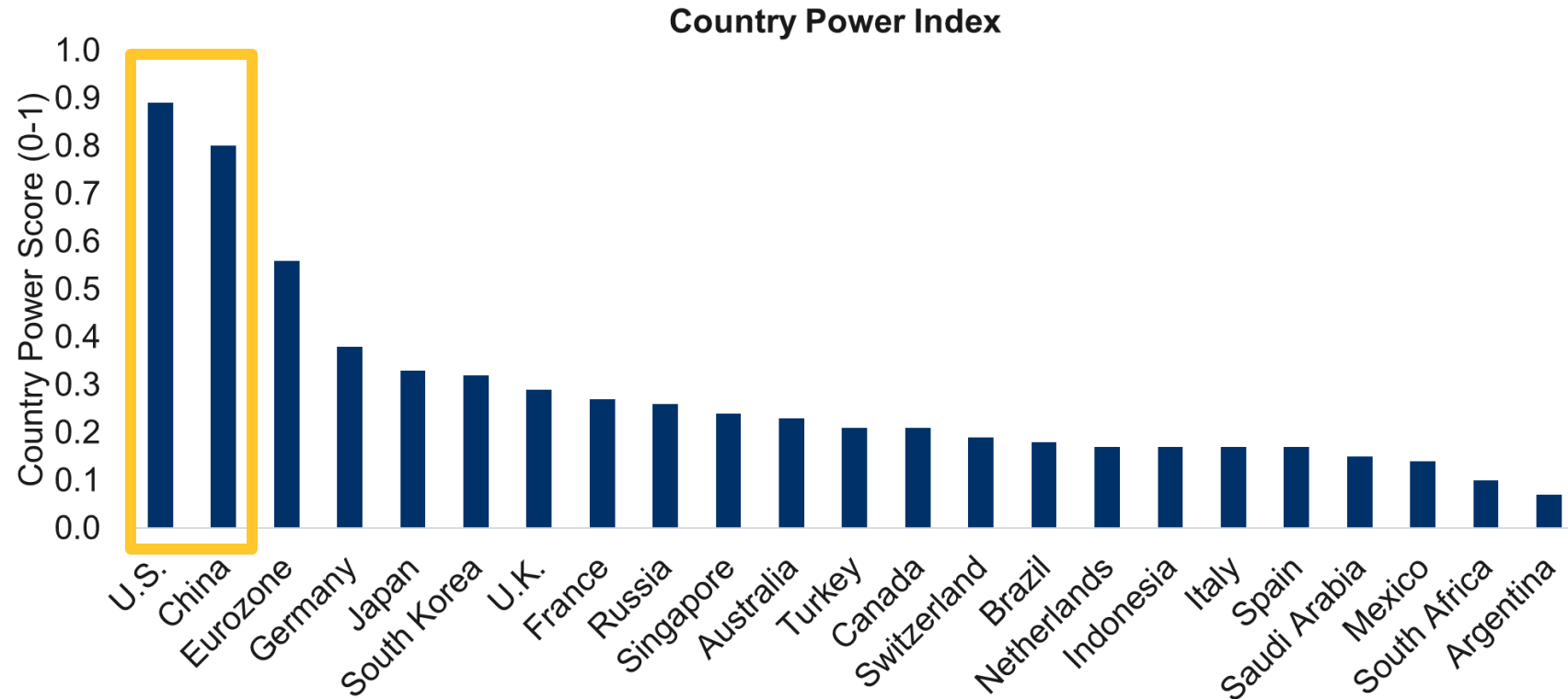
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Multipolar era now underway – U.S. + China



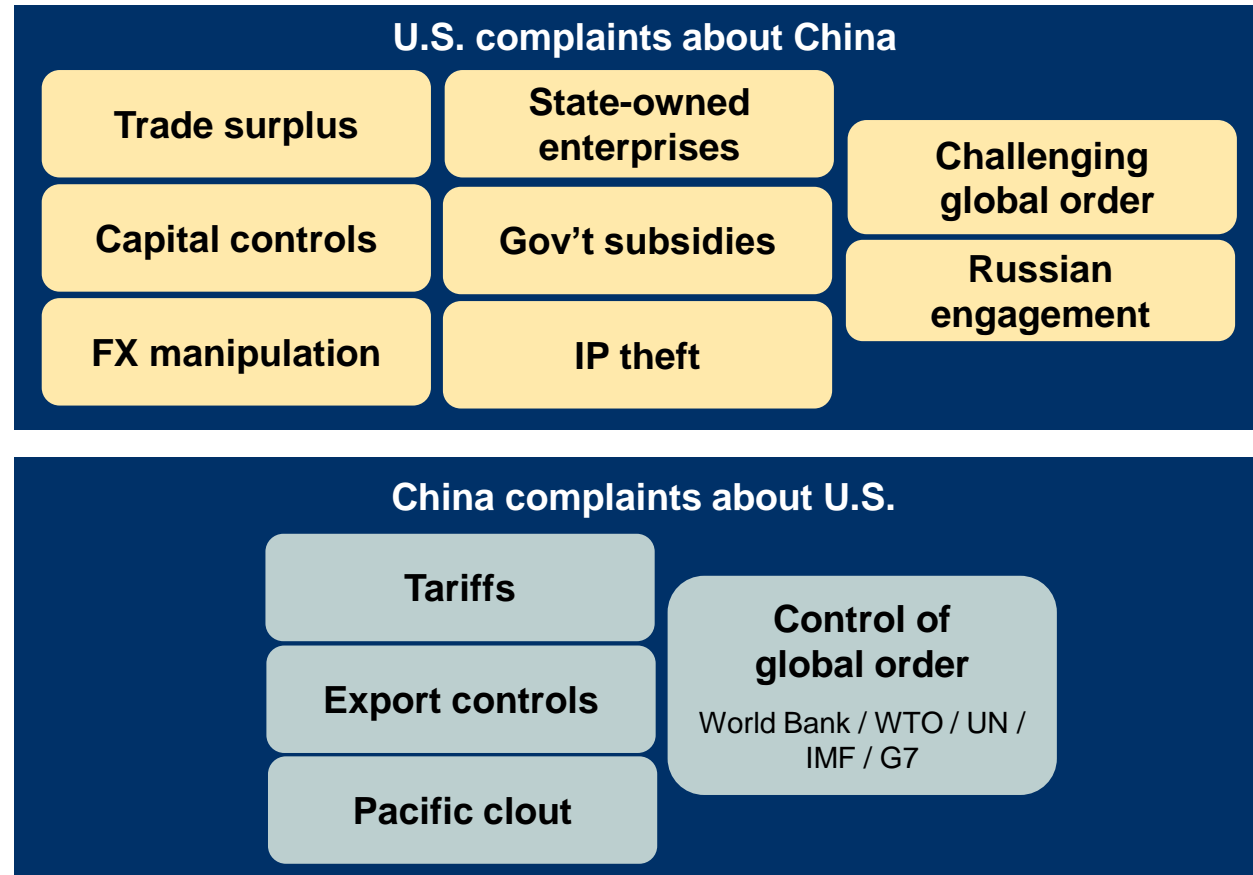
Note: As of Sep 2024. Country Power Index is calculated based on 21 major factors from Principles for Dealing with the Changing World Order. Source: Ray Dalio, RBC Global Asset Management (RBC GAM)

Formidable opponents: U.S. versus China by the numbers

RELATIVE CLOUT		U.S.	China
Economy	GDP (US\$)	\$30.6T	\$19.4T
	GDP (US\$ PPP)	\$30.6T	\$41.1T
	GDP/capita (US\$ PPP)	\$89.6K	\$29.2K
Military	Personnel	2.1M	3.05M
	Aircraft	13,033	3,529
	Nuclear	5,177	600
Population		342M	1,405M

Note: Data as of Oct 2025. IMF projections for U.S. 2025 GDP. Source: 2026 World Air Forces, FlightGlobal, World Population Review, Macrobond, RBC GAM

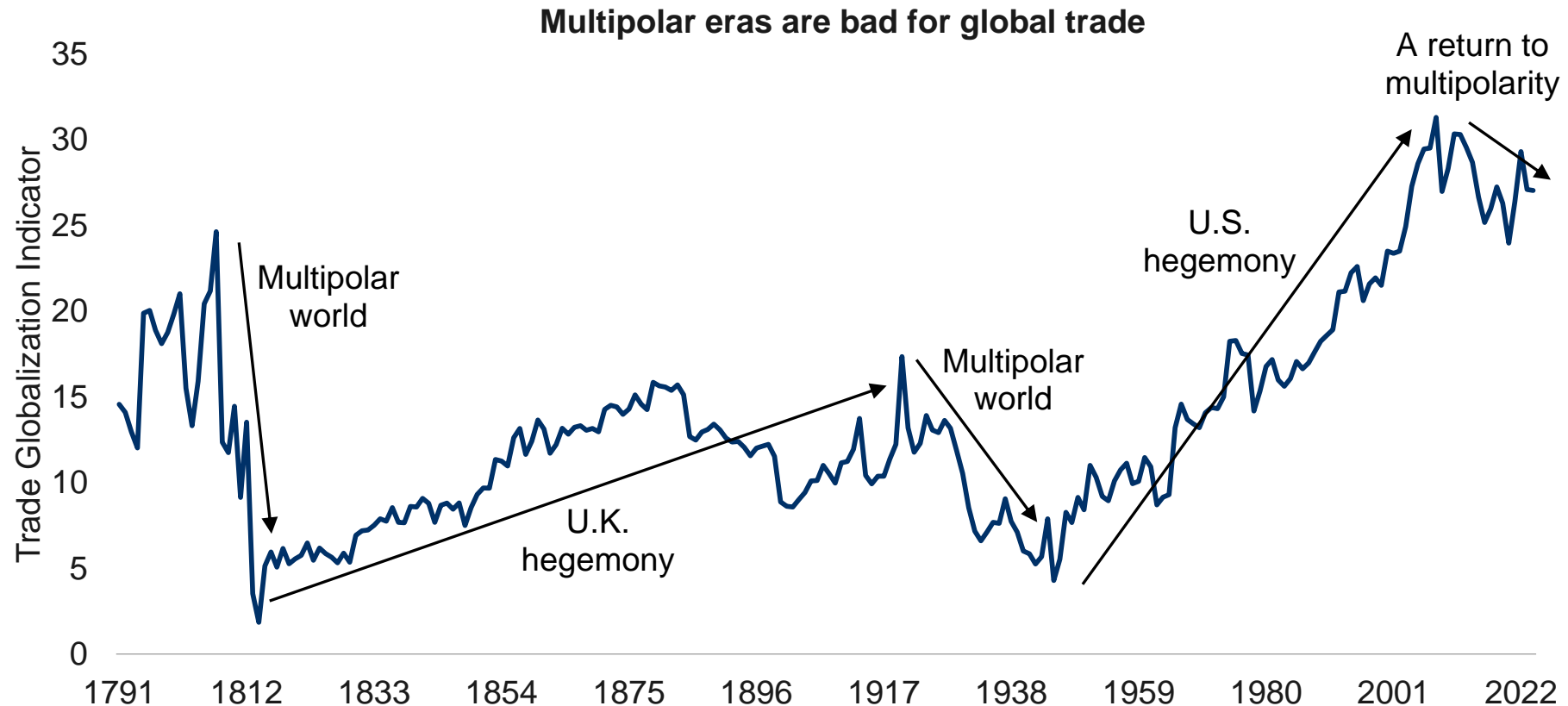
Sources of U.S.-China friction



...with minor concerns about Thucydides Trap

Note: As at 02/17/2026. Source: RBC GAM

Hegemony → Multipolar world = de-globalization / less growth / more inflation



Note: As of 2024. Measured as average of imports as % of GDP weighted by population. 148 countries used for 1791 to 1995, 125 countries after 1995. Source: Chase-Dunn, C., Kawano, Y., Brewer, B., "Trade Globalization Since 1975: Waves of Integration in the World System," American Sociological Review, 2000, Haver Analytics, Macrobond, RBC GAM

U.S. vs China: natural spheres of influence

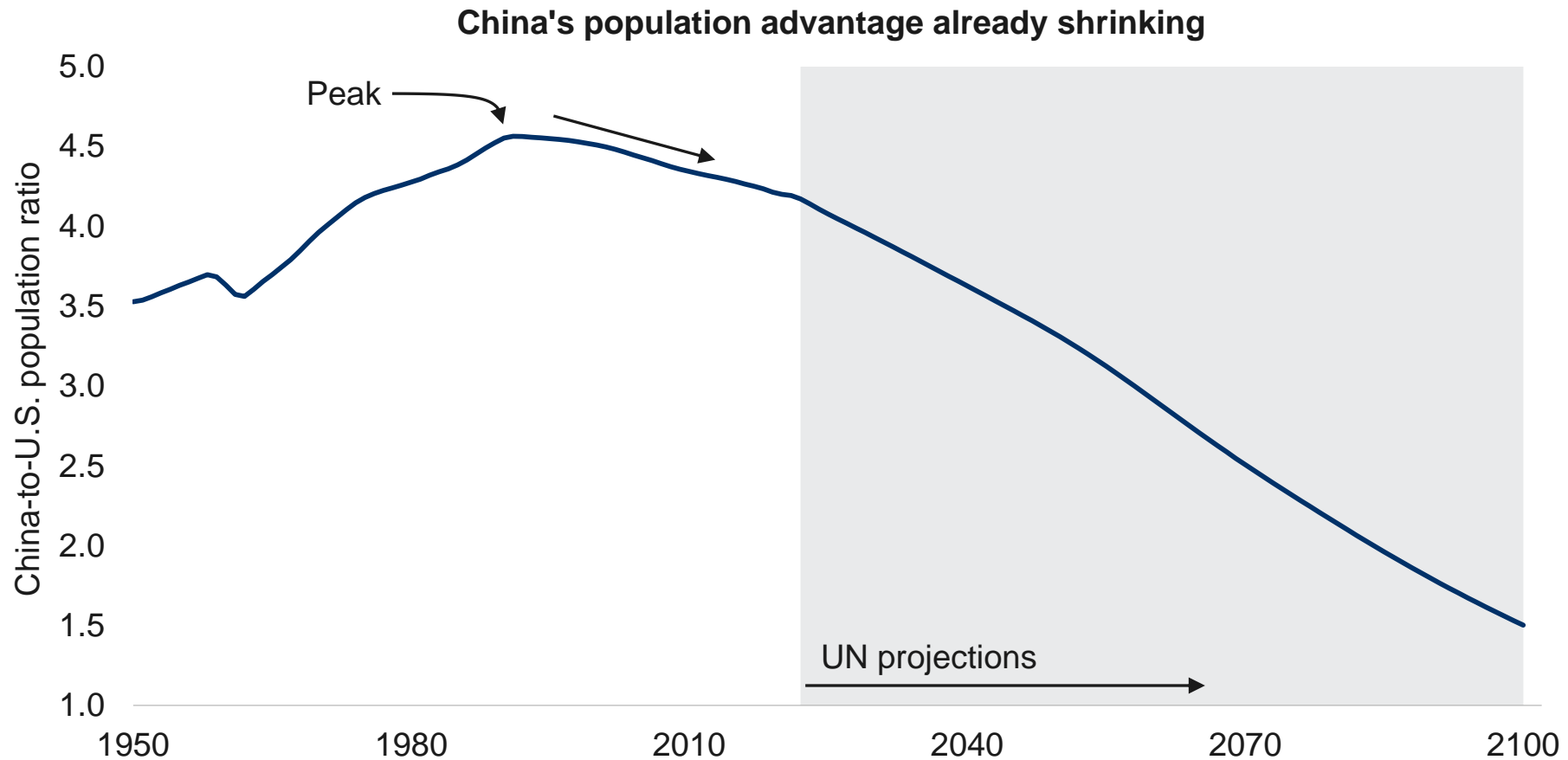
Team USA	Sphere tilt (US +, CN -)	U.S. score	China score
Canada	2.1	4.5	2.3
Israel	2.0	3.8	1.9
Mexico	1.5	4.0	2.5
United Kingdom	1.4	3.8	2.4
Colombia	1.2	3.6	2.4
Ireland	1.1	3.6	2.6
Norway	1.1	3.1	2.1
Belgium	1.0	3.5	2.5
Denmark	0.9	3.4	2.5
Finland	0.9	3.1	2.2
Italy	0.8	3.1	2.3
Austria	0.8	2.9	2.1
France	0.8	3.2	2.5
Sweden	0.7	3.3	2.5
Portugal	0.7	2.5	1.9
Poland	0.6	2.8	2.1
Hungary	0.6	3.1	2.5
Netherlands	0.6	3.7	3.1
Spain	0.6	2.9	2.3
Chile	0.5	3.6	3.0
Germany	0.5	3.4	2.9
Brazil	0.5	3.0	2.5
Argentina	0.5	2.6	2.1
Greece	0.4	2.5	2.0
Romania	0.3	2.1	1.8
Switzerland	0.3	3.5	3.2

Divided	Sphere tilt (US +, CN -)	U.S. score	China score
Australia	0.2	3.5	3.2
South Korea	0.1	3.9	3.8
Czech Republic	0.1	2.5	2.4
New Zealand	0.1	3.1	3.0
Peru	0.1	3.2	3.1
Japan	0.0	3.5	3.4
Egypt	0.0	2.4	2.4
India	0.0	2.5	2.5
Morocco	-0.1	2.6	2.7
Turkey	-0.1	2.2	2.3
Ukraine	-0.2	2.3	2.4

Team China	Sphere tilt (US +, CN -)	U.S. score	China score
Philippines	-0.3	2.8	3.0
Singapore	-0.3	3.9	4.2
South Africa	-0.3	2.6	2.9
Nigeria	-0.3	2.6	2.9
Thailand	-0.7	3.2	3.9
Malaysia	-1.0	3.0	4.1
Vietnam	-1.0	2.7	3.8
Russia	-1.4	1.6	3.0
Hong Kong	-1.4	3.2	4.6
Indonesia	-1.5	2.1	3.6
Bangladesh	-1.6	1.5	3.2
Kazakhstan	-1.7	1.5	3.2
Pakistan	-1.9	1.6	3.5

Note: As at 07/04/2025. Alignment scores range from 1 (least alignment) to 5 (greatest alignment). Scores calculated using 15 variables that span trade, investment, people and policy. Tilt represents the difference between the U.S. score and China score. Source: RBC GAM

Eventual Chinese supremacy not automatic



Note: Data based on World Population Prospects 2024. Source: RBC GAM, United Nations, Macrobond

Decline of rule-based order



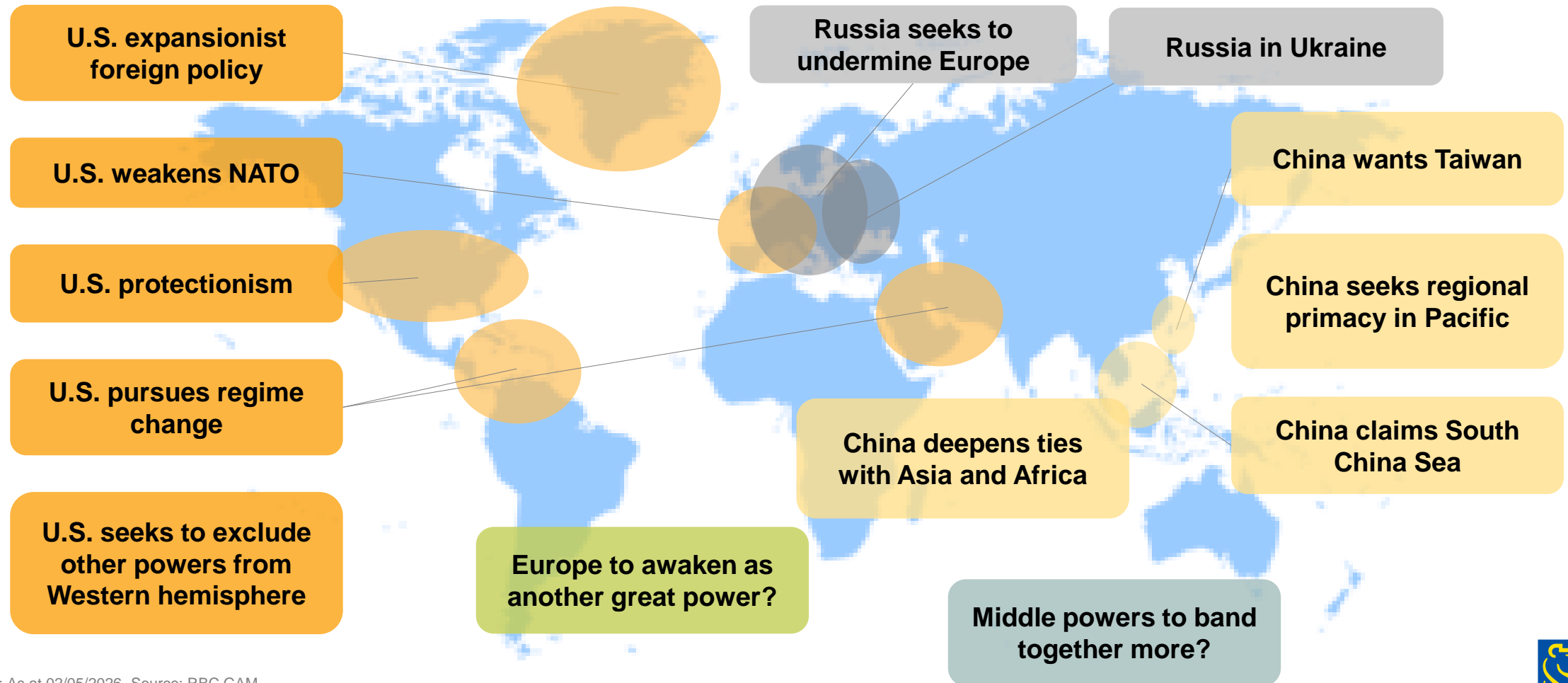
Note: As at 02/11/2026. Source: RBC GAM

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Power-based order: Great powers flex muscles / smaller countries vulnerable



Note: As at 02/05/2026. Source: RBC GAM

War with Iran

U.S. and Israel at war with Iran

- More intense than June 2025 surgical strikes
- Iran retaliation
- Status quo vs. regime change vs. political chaos?

Oil impact

- Sharply higher oil price
- Strait of Hormuz restrictions
- Additional supply from other parties

Economic implications

- Global economy modestly hurt
- Temporary inflation jump
- More pain for Asia, Europe – less for U.S., Canada
- Minimal central bank impact

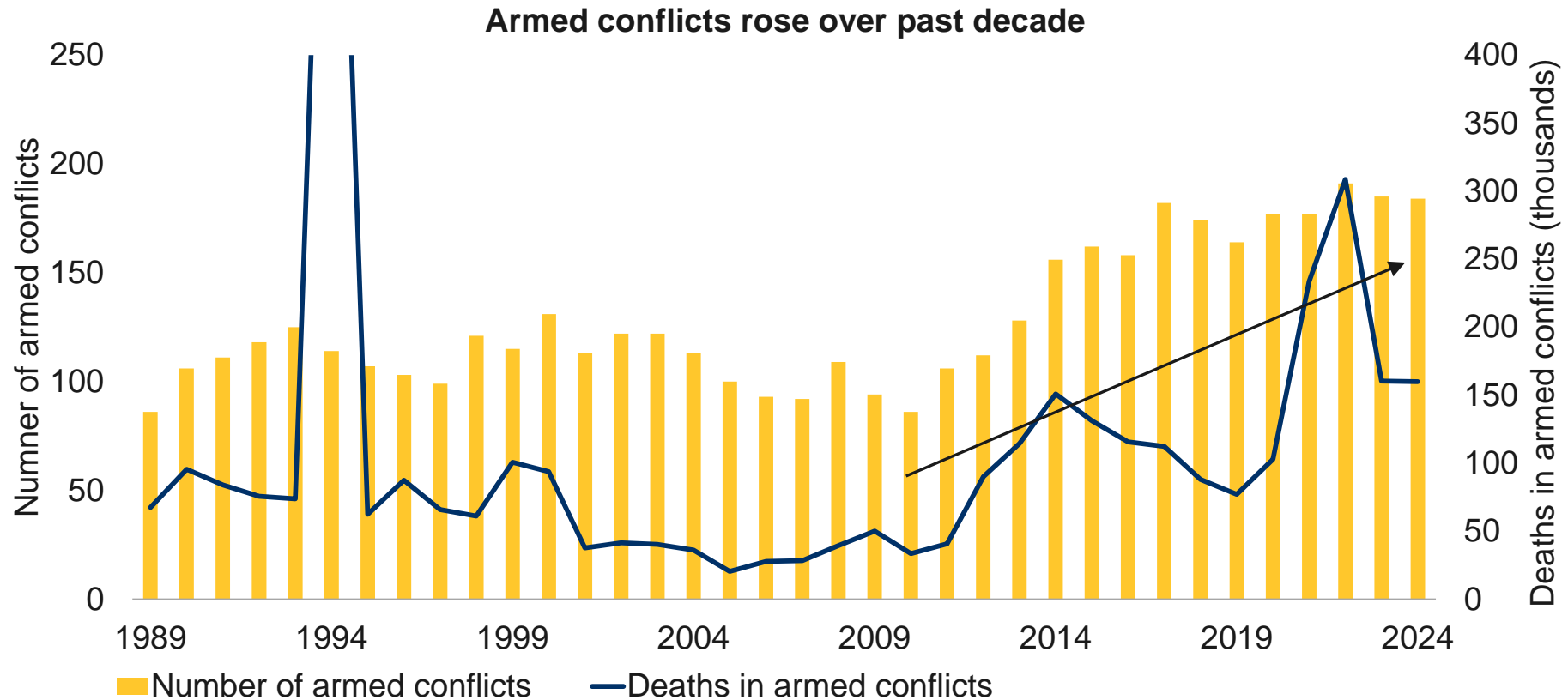
Market thoughts

- Mixed impact on bond yields
- Bad for stocks: airlines, trucking, consumers, industrials; good for energy
- But potential for reversal as per limited impact from historical shocks
- Some geopolitical risk premium makes sense in power-based order



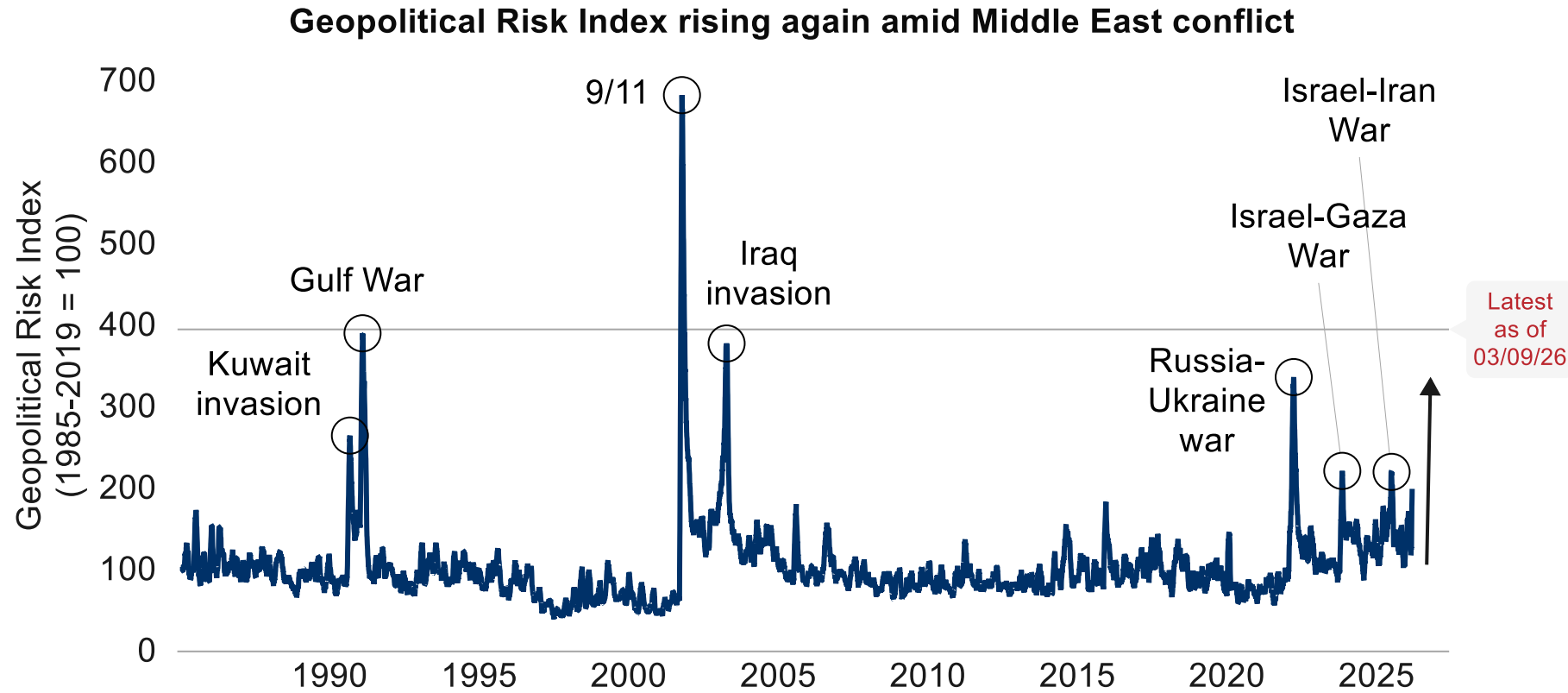
Note: As at 03/02/2026. Source: RBC GAM

More dangerous world: Armed conflicts have already been worsening since 2010



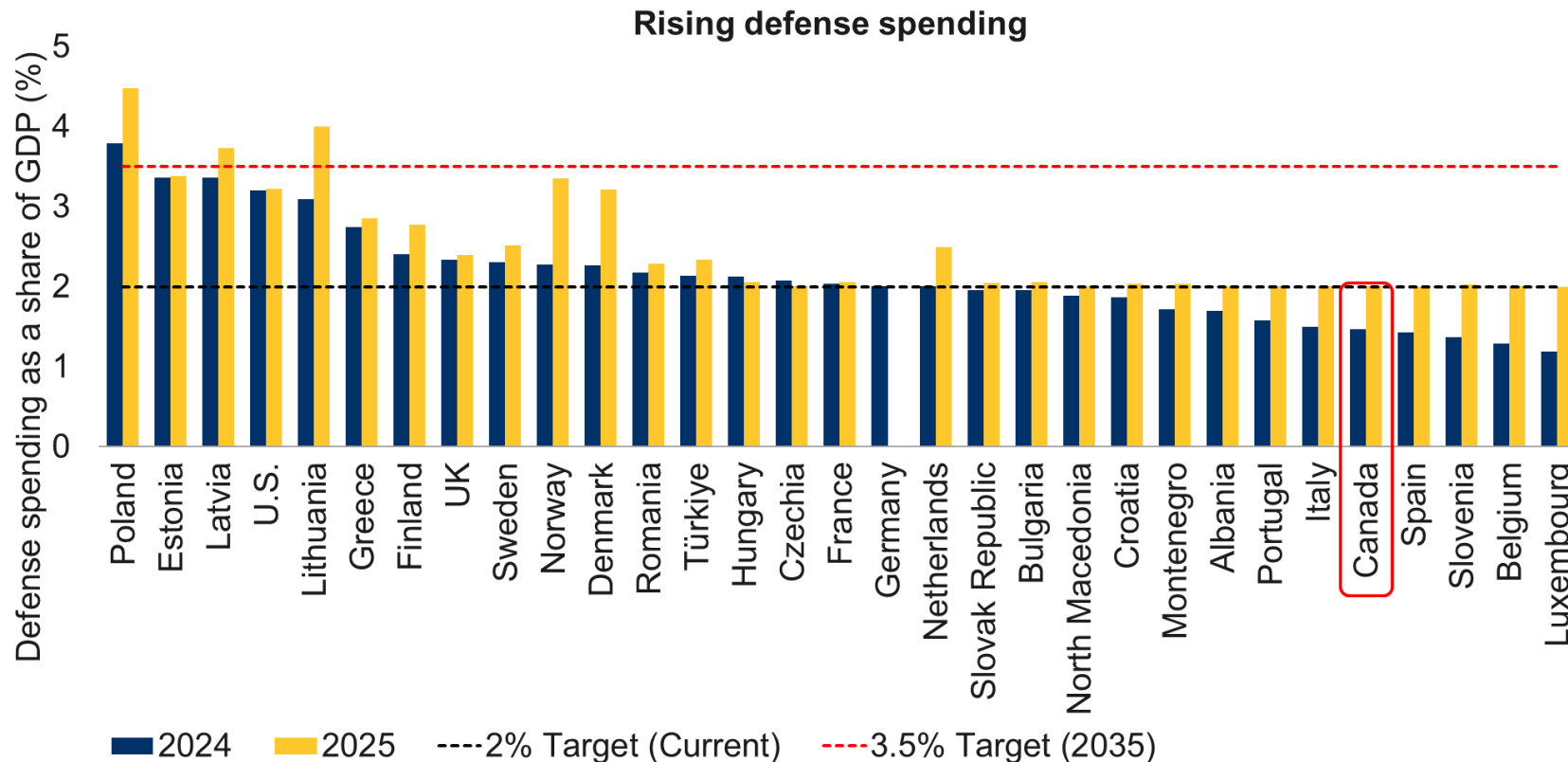
Note: As of 06/13/2025. Deaths of combatants and civilians due to armed conflicts in interstate, intrastate, extrasystemic, non-state armed conflicts, and one-sided violence globally in each year. Source: Uppsala Conflict Data Program (2025); geoBoundaries (2023) processed by Our World in Data; <https://ourworldindata.org/war-and-peace>; RBC GAM

Geopolitical risks have visibly increased further in recent years



Note: As of 03/11/2026. 30-day moving average of the Geopolitical Risk (GPR) Index which measures adverse geopolitical events and associated risks based on a count of the number of articles related to adverse geopolitical events in several newspapers. Source: Caldara and Iacoviello (2022), Macrobond, RBC GAM

Response to a more dangerous world: rising defense spending



Good news:

- Fiscal stimulus
- Limits great powers?

Bad news:

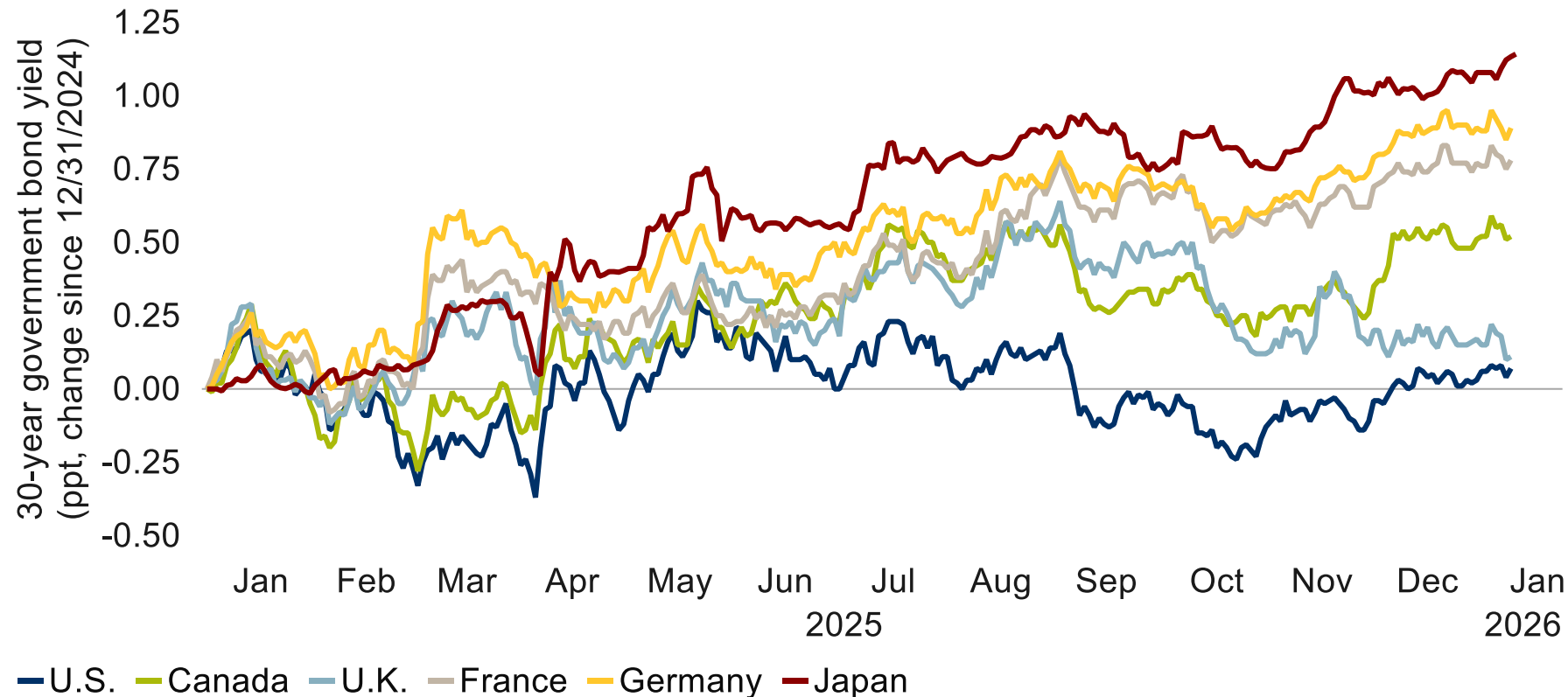
- Bad for smaller nations
- Fiscal burden
- Guns vs. butter
- Higher risk of future conflicts?

Chart Note: As at 06/03/2025. 2024 and 2025 expenditure are estimates. 2025 data not available for Germany. Source: NATO, RBC GAM

As at 02/12/2026. Source: RBC GAM

Markets are expressing discontent with rising government outlays

Long-term government bond yields have gone up globally



Note: As of 01/08/2026. Source: U.S. Department of Treasury, Macrobond Financial AB, RBC GAM

U.S. exceptionalism diminishing

1 U.S. has long been exceptional

- Creator/defender of global order
- Strong economy, markets

2 That exceptionalism is declining:

- Relinquished control over global order
- Policy uncertainty, polarization and politicization
- Fiscal excesses
- Growth advantage may be shrinking
- Antagonism to rest of world
- Rest of world lost trust in U.S.

3 Implications

- Opportunity for China, Europe, Russia
- Gradual erosion of USD as reserve currency
- Higher risk premiums

Note: As of 02/13/2026. Source: RBC GAM

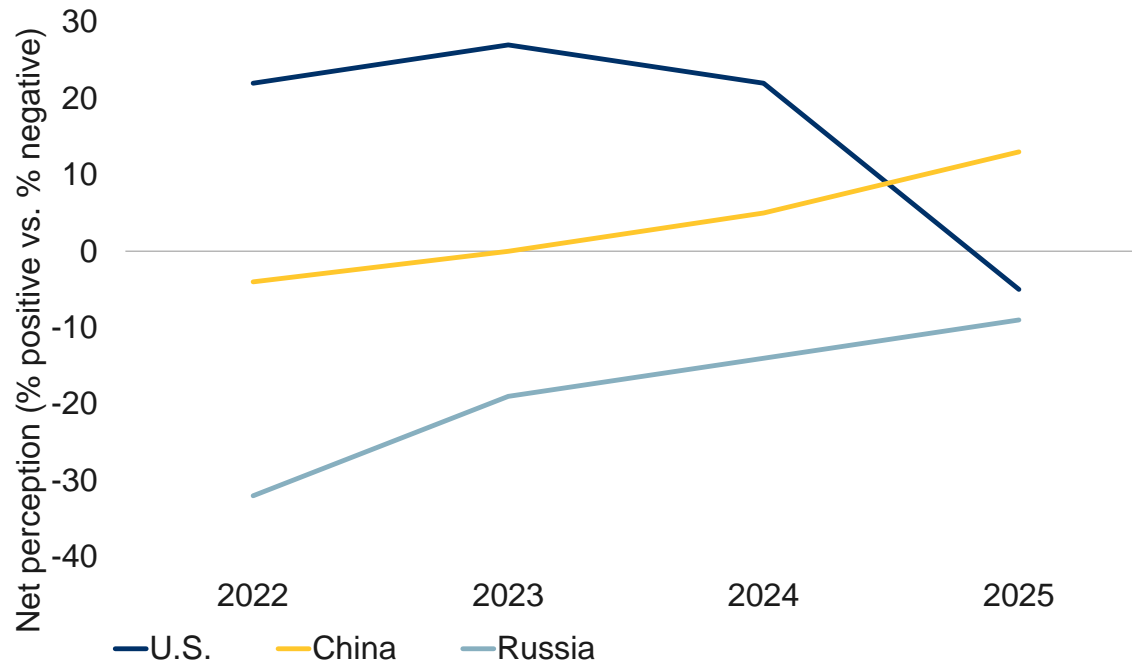
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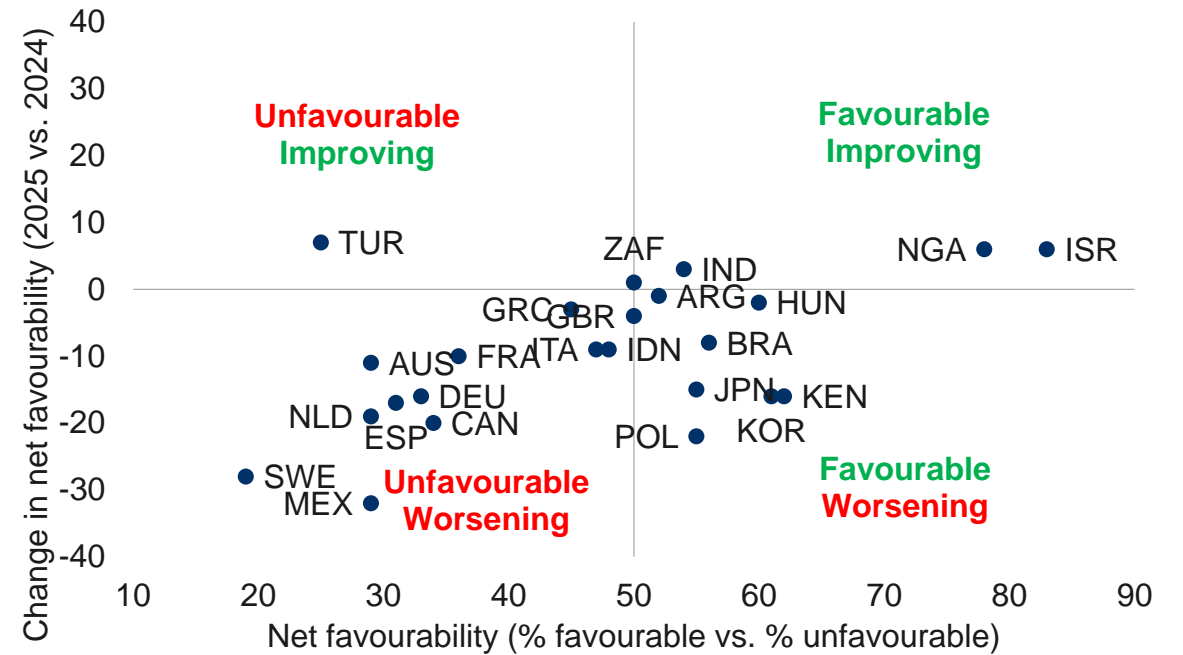


Profound global loss of trust in U.S.

The U.S. is now viewed less favourably than China



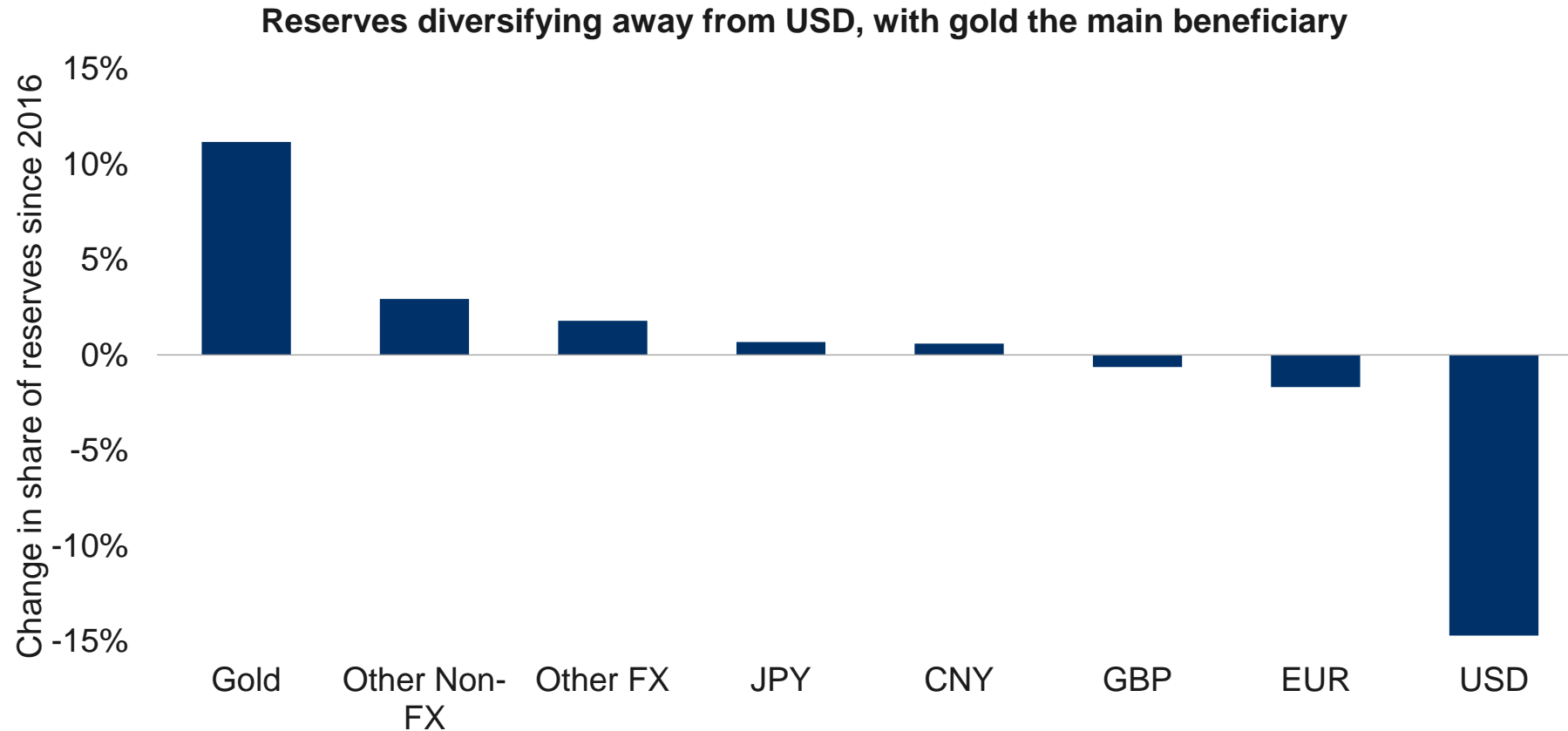
Attitudes toward the U.S. are generally worsening



Note: As at 02/05/2026. Source: Democracy Perceptions Index, RBC GAM

Note: As at 02/05/2026. Source: Pew Research Centre RBC GAM

U.S. dollar's reserve currency status is eroding / gold rising



Note: As at 02/06/2026. Gold valued at market price. Source: IMF, RBC GAM

U.S. dollar weakness likely ahead



Note: As at 02/09/2026. Source: RBC GAM

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Silver lining: slumbering nations awaken

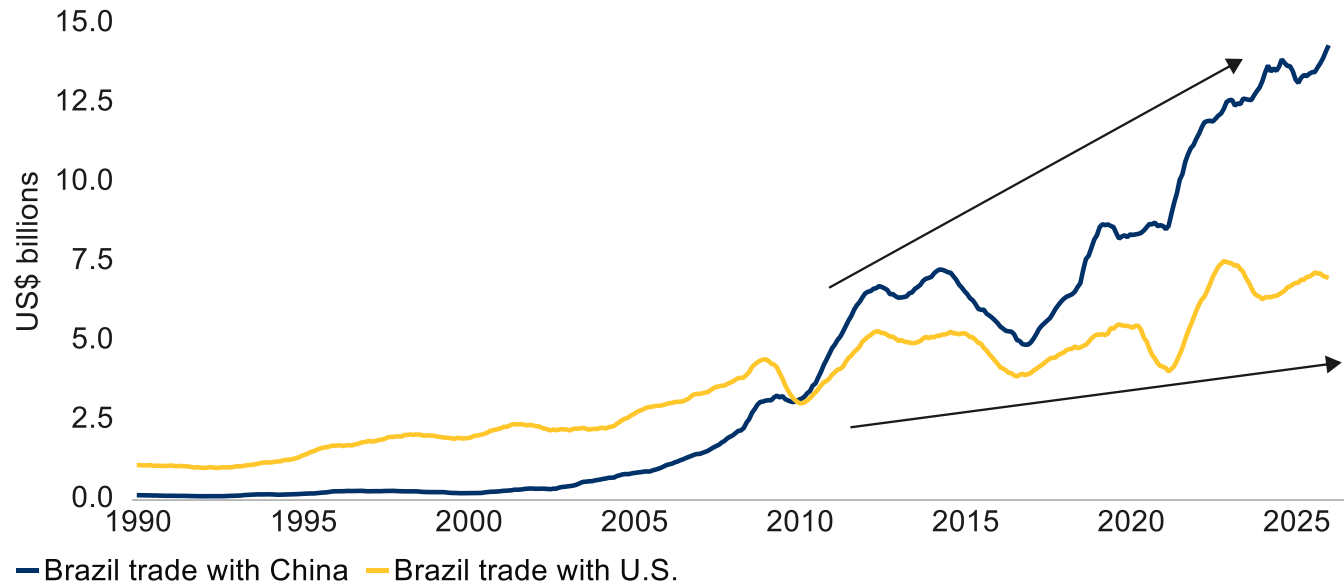
U.S. catalysts		Rest of world reaction
U.S. becomes unreliable military partner	>	Countries bolster their own security
U.S. becomes unreliable trade partner	>	Countries seek other trading partners
Countries cannot count on the U.S. as defender of rule-based global order		Re-prioritize economy, productivity growth



Note: As of 02/12/2026. Source: RBC GAM

U.S. lost focus on Western Hemisphere

Brazil's shifting trade allegiance



	Sphere tilt (US +, CN -)	U.S. score	China score	Change in tilt vs. 2015 (US +, CN -)
Canada	2.1	4.5	2.4	0.0
Mexico	1.4	4.0	2.5	-0.3
Colombia	1.2	3.6	2.4	-0.4
Chile	0.5	3.5	3.0	-0.2
Brazil	0.5	3.0	2.5	-0.1
Argentina	0.5	2.5	2.1	0.2
Peru	0.1	3.2	3.1	-0.3

Note: As of December 2025. 12-month moving average of monthly exports and imports. Source: Brazilian Ministry of Development, Industry & Foreign Trade (Ministério do Desenvolvimento, Indústria e Comércio Exterior), Macrobond, RBC GAM

Note: As at 07/04/2025. Alignment scores range from 1 (least alignment) to 5 (greatest alignment). Scores calculated using 15 variables that span trade, investment, people and policy. Tilt represents the difference between the U.S. score and China score. Source: RBC GAM

Monroe Doctrine + Trump Corollary



Big ideas:

- Prioritize Western Hemisphere
- Assert U.S. pre-eminence in region
- Limit foreign influence in region

Positive prospects:

- Fortress North America?
- Greater regional stability?
- Limit flow of illegal drugs?
- More scrutiny of China & Russia investments

Negative prospects:

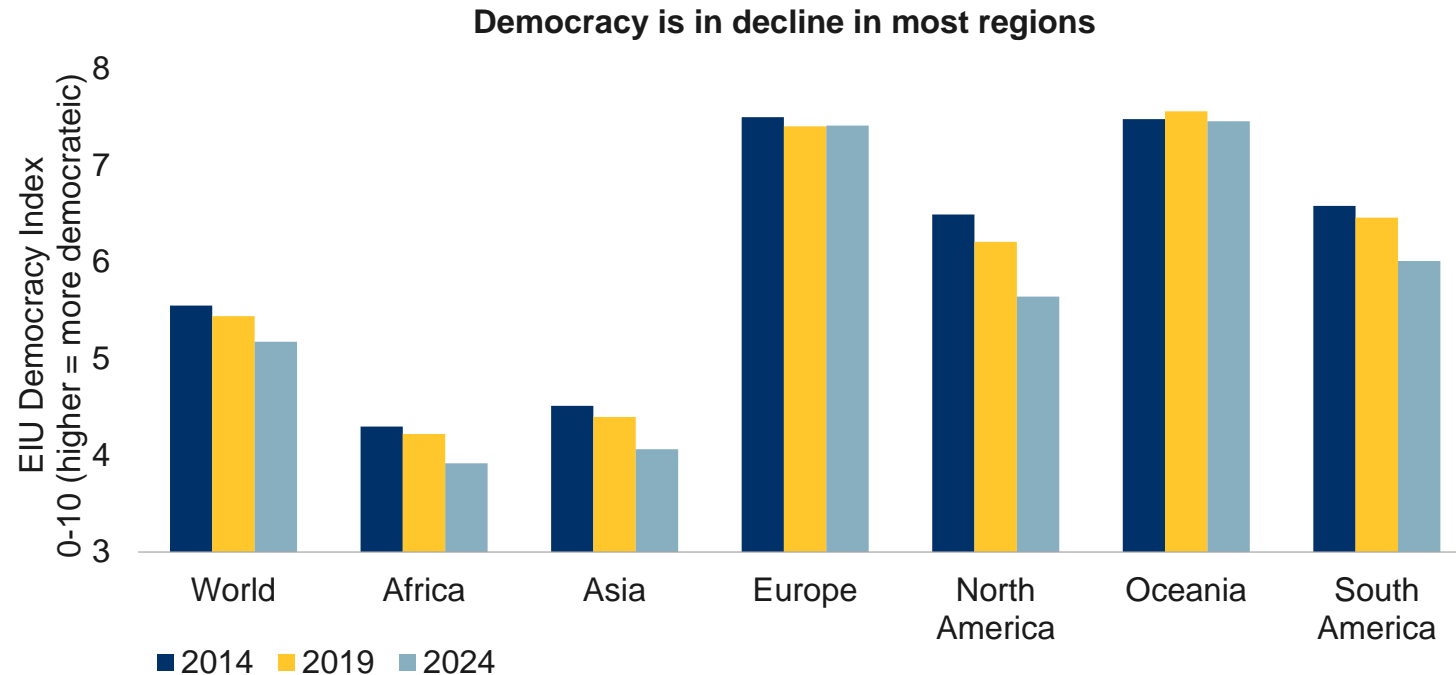
- Managed trade = protectionism
- U.S. gets sucked into geopolitical quagmires?
- U.S. cedes power in rest of world?
- Rest of hemisphere has less sovereignty

Note: As at 01/05/2026. Source: RBC GAM

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Populism rising



Examples:

- U.S.
- UK: Brexit + current polling
- Italy
- France 2027 election?
- Incrementally in Germany

Policies:

- Less immigration
- Less free trade
- Weaker democracy?

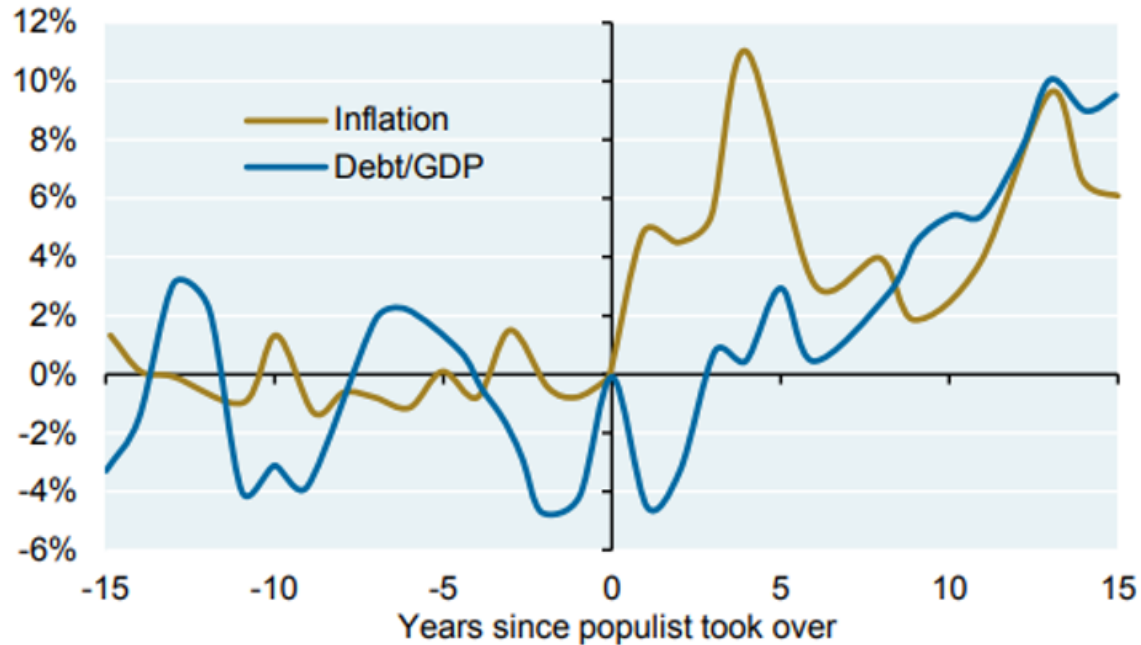
Note: As at 02/03/2026. Source: Economist Intelligence Unity, Our World in Data, RBC GAM. Methodology: Expert estimates of the extent to which citizens can choose their political leaders in free and fair elections, enjoy civil liberties, prefer democracy over other political systems, can and do participate in politics, and have a functioning government that acts on their behalf.

Note: As of 02/12/2026. Source: RBC GAM

Rise of populism usually brings bad economic outcomes

Debt/GDP and inflation

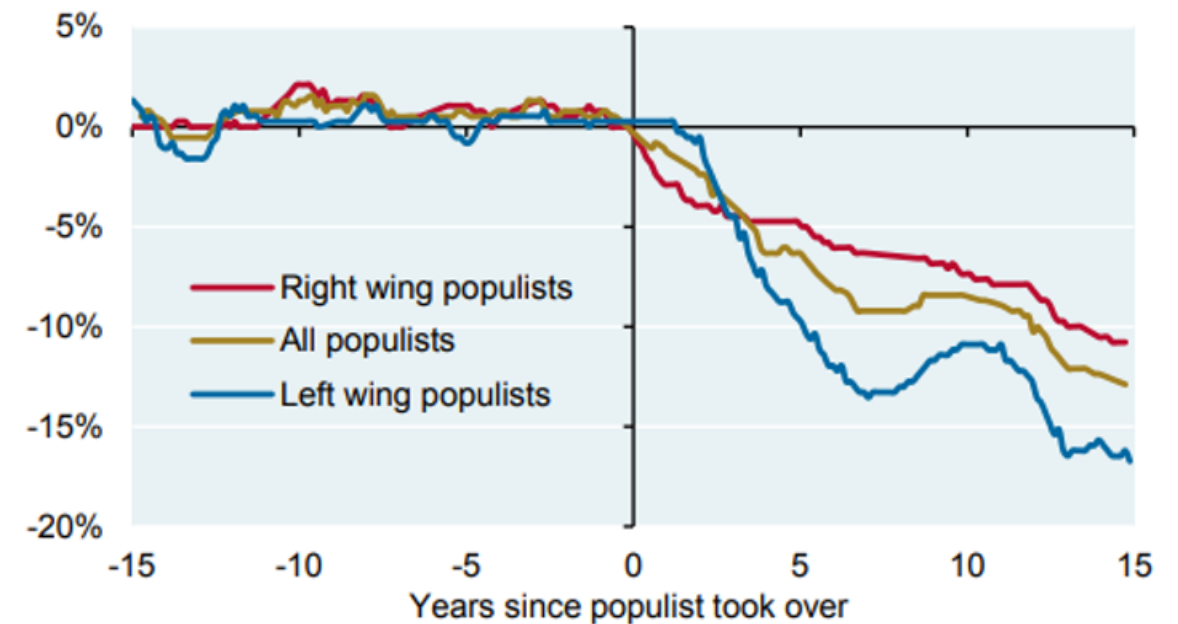
Percent



Note: As at Dec 2023. Source: Funke et al.

Real per capita GDP

Percent



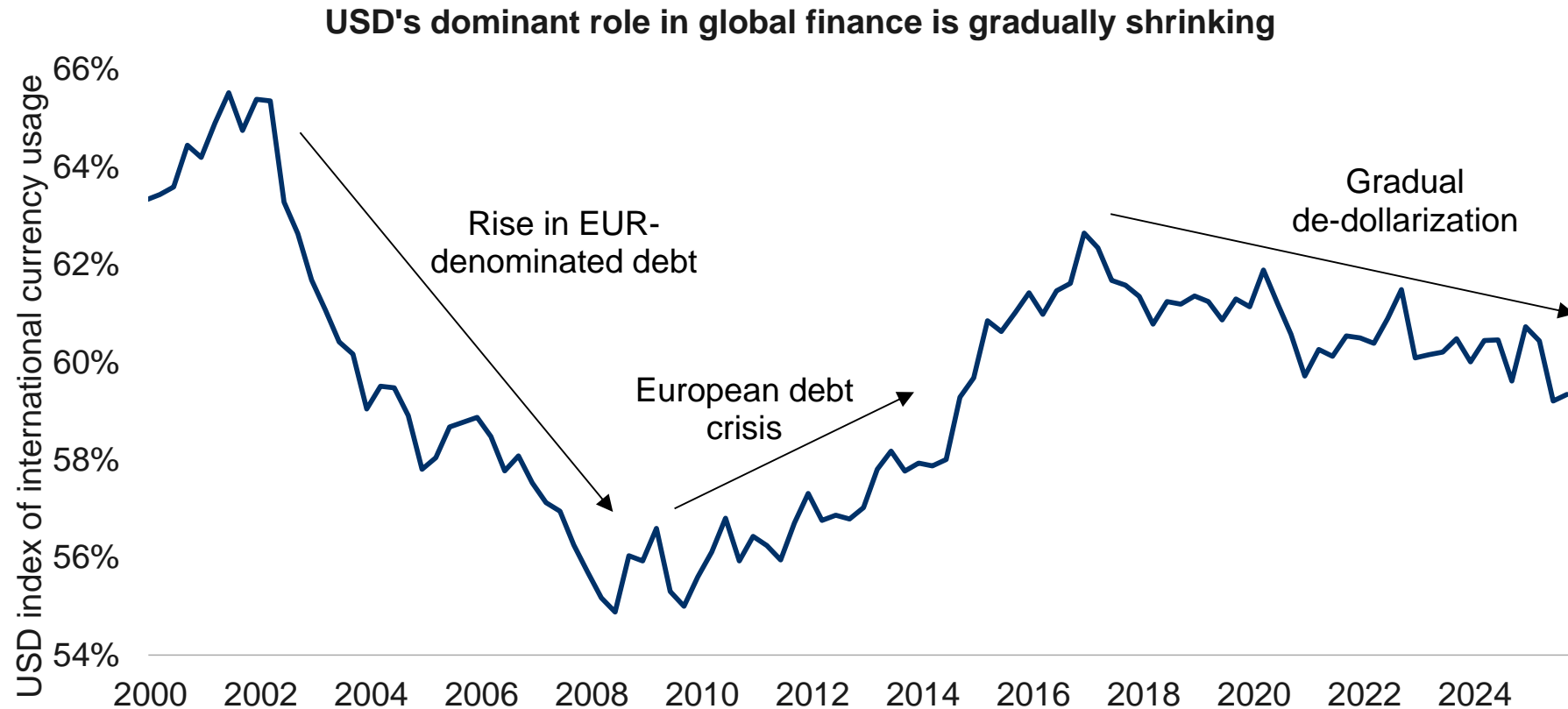
Note: As at Dec 2023. Source: Funke et al.

Counterpoint: Decent trend in global trade despite tariffs



Note: As of Oct 2025. Shaded area represents U.S. recession. Source: CPB Netherlands Bureau for Economic Policy Analysis, Macrobond, RBC GAM

Counterpoint: Even in decline, U.S. still pretty central for global finance



Note: Includes cross-border loans and banking claims, international debt securities, FX transactions, and FX reserves. As at 02/03/2026.

Source: U.S. Federal Reserve, Bank for International Settlements (BIS), European Central Bank (ECB), IMF, Society for Worldwide Interbank Financial Telecommunications (SWIFT), RBC GAM

Counterpoint: Conflicts have surprisingly small market impact

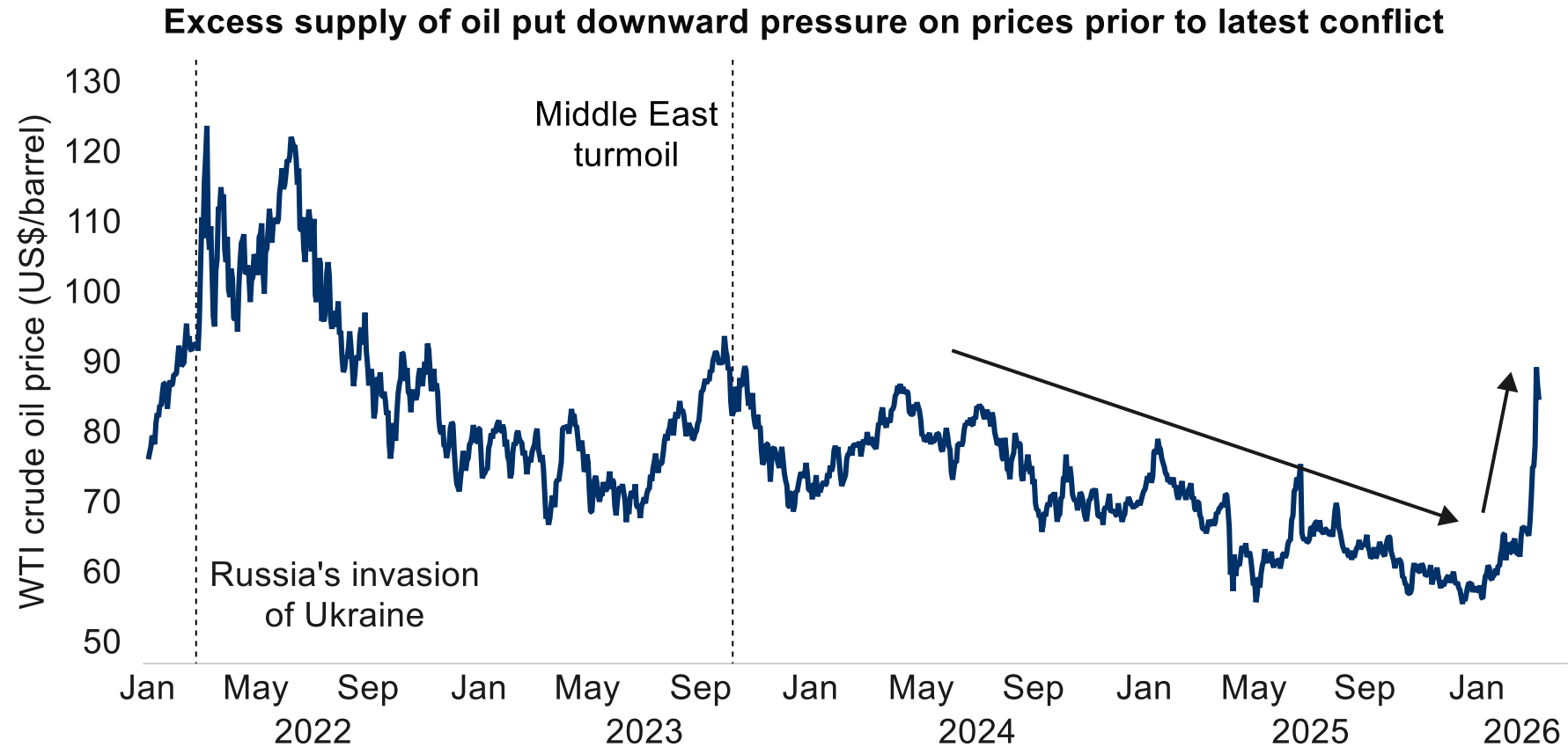
Equity Market Response to Acts of War Impact on DJIA

Event	Date	Median Experience		
		Decline Days	%	Reaction Period
ACTS OF WAR		5	-2.7	12
US Aggressor		3	-2.0	11
Hiroshima bomb	Aug 6, 1945	2	-0.9	4
Bay of Pigs invasion announced	Apr 17, 1961	6	-3.0	22
Gulf of Tonkin Incident	Aug 4, 1964	3	-2.0	11
US Bombs Cambodia	Apr 30, 1970	21	-14.1	67
Attempt to free Iranian hostages fails	Apr 28, 1980		No decline	
US invades Grenada	Oct 25, 1983	10	-2.7	14
US Bombs Libya	Apr 15, 1986		No decline	
US invades Panama	Dec 18, 1989	3	-1.9	10
Coalition bombing of Iraq	Jan 17, 1991		No decline	
Coalition Invasion of Afghanistan	Oct 5, 2001	3	-0.1	5
Invasion of Iraq	Mar 19, 2003	9	-2.5	13
U.S. kills top Iranian commander	Jan 3, 2020	2	-0.7	6
U.S. captures Venezuelan president	Jan 3, 2026		No decline	
US Target		2	-2.7	4
Japanese bomb Pearl Harbor	Dec 8, 1941	12	-8.2	240
U-2 shot down; US admits spying	May 9, 1960	2	-0.5	4
Cuban Missile Crisis begins	Oct 23, 1962	1	-1.9	2
US Marines killed in Lebanon	Oct 24, 1983	11	-2.7	15
Spy plane captured in China	Apr 2, 2001	2	-4.0	4

Event	Date	Median Experience		
		Decline Days	%	Reaction Period
External		11	-7.1	10
N.Korea invades S.Korea	Jun 26, 1950	14	-12.0	59
Soviet Union invades Afghanistan	Dec 26, 1979	7	-2.2	10
Iraq invades Kuwait	Aug 2, 1990	51	-18.4	138
Russia invades Georgia	Aug 7, 2008		No decline	
Russia invades Crimea, Ukraine	Feb 28, 2014	2	-0.6	3
Russia invades Ukraine	Feb 24, 2022		No decline	
Hamas Attack on Israel	Oct 7, 2023		No decline	
Israel Attacks Iran	Jun 13, 2025	1	-1.3	4
Terrorism		5	-4.1	12
Seizure of American Embassy in Iran	Nov 5, 1979	3	-2.7	6
World Trade Centre bombing	Feb 26, 1993	2	-0.3	3
Oklahoma City bombing	Apr 19, 1995		No decline	
U.S. Embassy Bombings Africa	Sep 23, 1998	18	-11.8	62
Bombing of USS Cole	Oct 12, 2000	5	-4.2	12
WTC and Pentagon Attacks	Sep 11, 2001	5	-14.3	42
Madrid Attacks	Mar 10, 2004	11	-3.9	18
London Train Bombing	Jul 6, 2005		No decline	

Note: As at 02/17/2026. DJIA refers to Dow Jones Industrial Average. Source: RBC GAM, Ned Davis Research

Counterpoint: Despite rising geopolitical conflict, oil prices were falling until quite recently



Note: As of 03/11/2026. Source: Macrobond, RBC GAM

Counterpoint: U.S. still pretty exceptional from tech and company standpoint

Critical Technologies Index

Country	Total	AI	Chips	Biotech	Space	Quantum
U.S.	84	91	75	86	92	84
China	66	58	63	84	56	76
Europe	41	45	24	56	40	74
Japan	24	13	30	24	22	40
South Korea	20	14	27	17	17	23
UK	19	19	11	23	24	48
Germany	19	19	11	21	24	44
Taiwan	16	8	29	9	10	12
India	15	15	7	20	24	26
France	15	18	5	15	25	40
Russia	13	8	3	14	42	24
Canada	13	14	4	18	13	41
Australia	11	11	3	19	18	22
Italy	11	11	5	13	21	19
Netherlands	11	10	6	11	17	30
Spain	10	11	4	15	15	18
Singapore	9	11	7	8	7	17
Brazil	8	7	5	16	10	5
Israel	8	8	3	10	14	20
UAE	6	9	3	7	6	8
New Zealand	6	7	0.5	10	10	3
Turkey	5	7	0.5	9	10	5
Saudi Arabia	5	9	0.5	6	8	4
Iran	5	4	1	6	11	6
Ukraine	3	4	0.5	6	5	0.5
North Korea	1	0	0.5	0	5	0.5

Note: As at 06/05/2025. Based on data from 2023 or, where unavailable, the most recent publicly available data. Europe includes UK, France, Germany, Italy, Netherlands, and Spain. Source: Harvard Kennedy School – Belfer Centre for Science and International Affairs, RBC GAM

How lasting are these changes to the global order?

> **Tempting to argue global order reverts to normal in 2029**

> **But much to remain altered:**

- Multipolar world is here to stay, and measured in decades
- Not clear that future U.S. leaders will fully reverse course
- U.S. reputational damage will take a long time to undo – soft power lost
- Rule-based order took generations to construct; not easily restored
- Rest of world has snapped awake to vulnerability and will not soon slumber
- Rise of populism not limited to U.S.

> **Scope for some tempering over time, but slow and incomplete**

Note: As at 02/12/2026. Source: RBC GAM

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Broad macro / market implications

> Economic implications:

- Bigger fiscal deficits
- Slightly slower growth
- Slightly higher inflation
- U.S. growth advantage to shrink?

> Market implications:

- Weaker USD
- Higher gold demand
- Slightly steeper yield curve
- Slightly bigger risk premiums (credit, equities)
- U.S. stock market to less reliably outperform
- Asset allocation diversifies further away from U.S.

These are “at the margin” implications

They may play out fitfully over a long time period

Other macro and investment themes are also important

Note: As at 02/12/2026. Source: RBC GAM

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Canada implications



Politics:

- Last election decided by changing global order?



More dangerous world:

- Greater military spending
- Prioritize energy and food security



Trade:

- Reduced access to U.S. market (USMCA negotiations in focus)
- Pivot to non-U.S. deals



Shifting domestic attitudes:

- Less immigration
- Prioritize economy over social / environment



Monroe Doctrine:

- Canada on “Team USA” whether like it or not
- Slight reduction in effective sovereignty



Economy:

- Bigger fiscal deficits
- Mixed GDP impact but skews slightly negative

Note: As at 02/12/2026. Source: RBC GAM

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