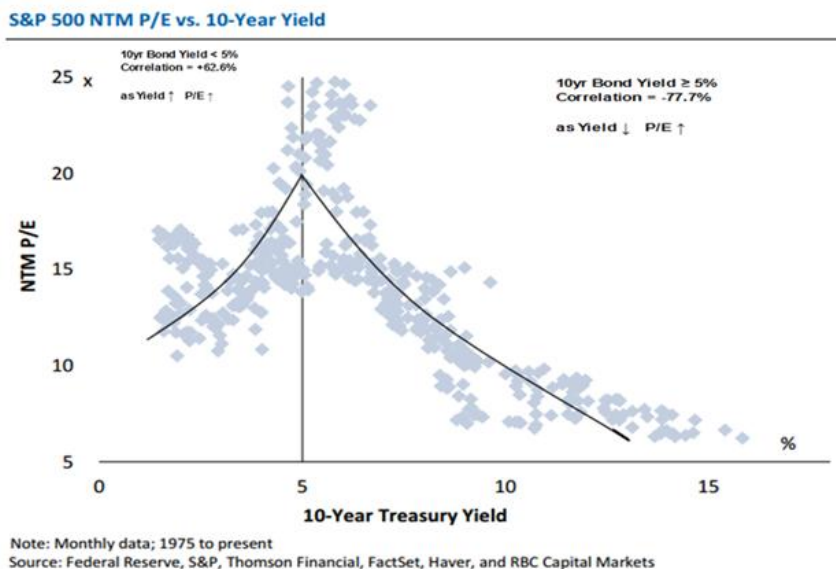


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Once 10-Year Government Yields Rise Above 5%, P/E Multiples Tend to Fall

Inflation around the world has been rising anew. Since interest rates bottomed out in the summer of 2020, no major developed market has been able to sustainably return inflation to 2% or less.

With 10-year U.S. government bonds now rising above 4.5%, we thought it seemed timely to revisit the chart below. Historically, when 10-year government bond yields approach and rise above 5%, stock prices and P/E multiples have tended to soften. Equity markets are currently trading above their long-term average multiples, and as the chart demonstrates, those multiples are more vulnerable when long bonds sit near 5% or higher.



Source: RBC Capital Markets, Investment Strategy Research Playbook, January 4, 2017

Our focus remains on identifying businesses with strong fundamentals and attractive valuations. We believe this approach positions our clients to benefit from market environments where elevated bond yields and inflation can pressure overvalued stocks. By concentrating on companies that we believe can deliver long-term sustainable returns, we aim to help our clients preserve and grow capital through various market cycles.

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