NATIONAL BANK INVESTMENTS

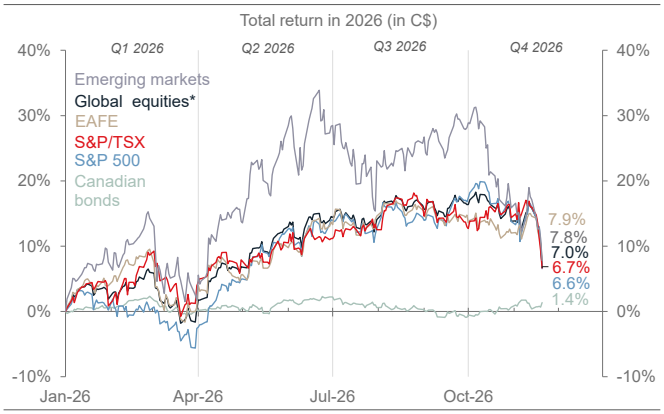
Quick Take

CIO Office | November 23, 2026

A wave of selling hits markets

Last week, a significant sell-off, intensified by the scandal involving Nvidia, swept through equity markets, pushing the S&P 500 into correction territory for the first time since April 2025. For a global equity index measured in Canadian dollars, gains in 2026 remain positive, although they have been reduced by approximately half (**Chart 1**).

1 | Stocks erase six months of gains



CIO Office (data via Refinitiv). *40% S&P 500, 30% S&P/TSX, 20% MSCI EAFE, 10% MSCI EM (all in C$). As of November 20, 2026.

In such a volatile environment, it is worth remembering that market corrections are “normal.” On average, equity markets experience a decline of at least 10% in approximately six out of every ten years (**Chart 2**) [1].

Moreover, based on historical averages, return prospects from the point at which the S&P 500 enters correction territory are generally positive over a period of several months, unless a recession emerges (**Chart 3**).

2 | A market correction should *always* be expected

Drawdowns and return by calendar year, S&P 500 (since 1971)

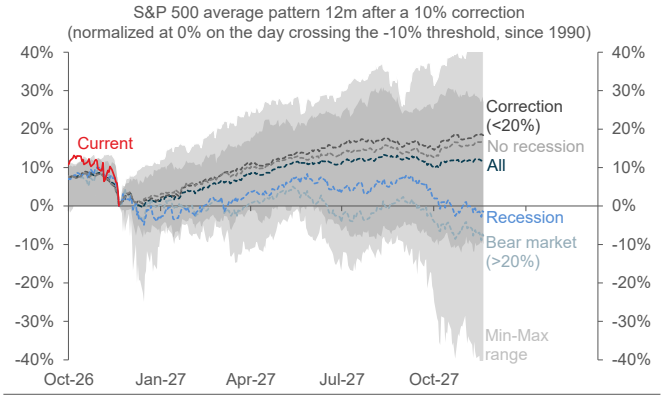
Years with a drawdown of…	# of Years	% of Years	Average Return	# of positive Years
… 5% or worse	52/55	95%	12%	41/52
… 10% or worse	32/55	58%	7%	21/32
… 15% or worse	20/55	36%	0%	9/20
… 20% or worse	9/55	16%	-9%	3/9
… 30% or worse	5/55	9%	-12%	2/5
… 40% or worse	1/55	2%	-37%	0/1

Drawdowns and return by calendar year, S&P/TSX (since 1971)

Years with a drawdown of…	# of Years	% of Years	Average Return	# of positive Years
… 5% or worse	52/55	95%	10%	38/52
… 10% or worse	32/55	58%	5%	18/32
… 15% or worse	23/55	42%	1%	11/23
… 20% or worse	14/55	25%	-2%	6/14
… 30% or worse	7/55	13%	-8%	3/7
… 40% or worse	1/55	2%	-33%	0/1

CIO Office (data via Refinitiv).

3 | What now?



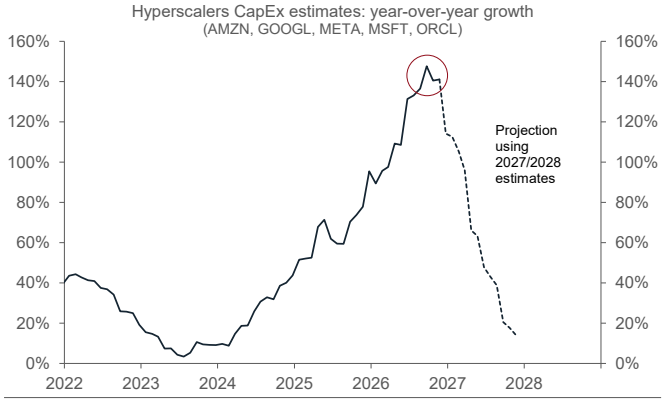
CIO Office (data via Refinitiv). As of november 20, 2026.

Now, although the news of Jensen Huang’s return at the helm of Nvidia greatly reassured markets this morning [2], two important macroeconomic issues remain.

First, in light of the signals coming from financial markets and newly elected Democrats, it now appears clear that the peak in the growth rate of capital investment in artificial intelligence is behind us (**Chart 4,** next page). This does not necessarily signal the end of the bull market, but it confirms that we have entered a new phase, characterized by

[1] For more charts and statistics of this kind, consult our Facts and Fiction.
[2] As of 10:00 a.m. on November 23, the S&P 500 was up 4.6%, driven in part by a 32% jump in Nvidia’s share price.

4 | A new chapter begins for AI

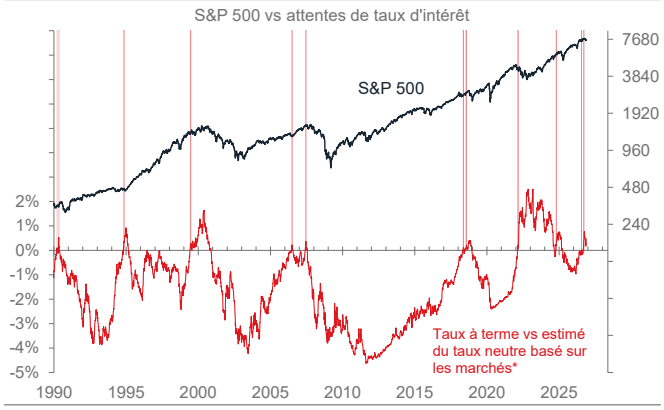


CIO Office (data via FactSet).

potentially more modest, less concentrated and more volatile returns.

Second, the Federal Reserve's stance, which is restraining economic growth through its "hawkish" rhetoric. While the objective of slowing inflation is a legitimate one, such an environment is generally symptomatic of heightened nervousness in equity markets (**Chart 5**). This was, in part, why we reduced our equity overweight by half two months ago.

5 | The Fed's stance puts pressure on markets



CIO Office (data via Refinitiv).

Next week, we will publish our 2027 outlook, in which we will discuss these important issues in greater detail, as well as their likely implications for the markets. But, at the outset, it is worth noting that over the past four decades, only 2002 saw stock-market valuations decline more than they have in 2026. Thus, barring an abrupt shift in the economic outlook, equity markets could once again end up surprising on the upside (**Chart 6**).

6 | Valuation multiples have fallen sharply this year

Top 10 Years of S&P 500 P/E Multiple Contraction (1986 – 2026)

Year	Total return	P/E contraction	Earnings growth	Total return, following year
2002	-22%	-26%	4%	29%
2026*	2%	-25%	35%	?
2022	-18%	-22%	3%	26%
2018	-4%	-21%	19%	31%
2008	-37%	-19%	-24%	26%
1994	1%	-17%	18%	38%
2000	-9%	-14%	5%	-12%
1987	4%	-13%	17%	15%
2005	5%	-11%	16%	16%
2011	2%	-10%	12%	16%
Average	-8%	-18%	10%	21%

CIO Office (data via Refinitiv). * As of november 20, 2026.

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