# Monthly *insights*

**Investment insight**

Central banks are no longer moving in lockstep. Regional economic conditions are playing a more significant role in shaping market outcomes than a single global rate cycle.

**Inflation trends**

Recent inflation volatility has been driven largely by energy and other temporary factors. Underlying inflation trends, particularly in Canada, have remained relatively stable.

**Investors watchpoint**

Higher interest rates remain a defining feature of today's market environment, with greater focus on current rate levels than the timing of future policy changes.

## Monetary policy divergence shapes the global landscape

Monetary policy paths continue to diverge across major economies.

Global monetary policy is becoming more region-specific as inflation, growth, and labour market conditions evolve differently across economies. Rather than moving in lockstep, central banks are responding to domestic economic conditions, creating a more differentiated economic backdrop.

In Canada, the Bank of Canada held rates at 2.25% again on July 15 and remains data-dependent. While inflation has remained volatile, underlying price pressures have been relatively contained, and recent data suggest growth has begun to recover after a softer period. Policymakers have maintained current settings while continuing to assess incoming growth and economic data, evolving inflation risks and also monitoring elevated geopolitical risks.

In the United States, interest rates remain elevated and economic activity continues to show resilience. The Fed held rates unchanged July 28-29 and Fed Chair Kevin Warsh continues to emphasize a data-dependent approach. Recent Fed communications have emphasized that inflation remains above target and that policymakers are not yet convinced the inflation challenge has been fully resolved. In fact, three FOMC members dissented in favour of a rate increase at the July meeting.

In Europe, policymakers continue to monitor inflation pressures as inflation trends become more mixed, particularly in the services sector, while balancing differing economic conditions across the region.

Meanwhile, across Asia, policy paths remain varied. China continues to use targeted policy support to stabilize growth, while Japan has continued its gradual normalization process after years of exceptionally accommodative settings.

These differing policy paths highlight the increasingly regional nature of today's economic and market environment, with local conditions playing a larger role in shaping outcomes across major economies.

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## Canada: Policy stability supports a steadier backdrop

Canadian monetary policy has entered a more stable phase.

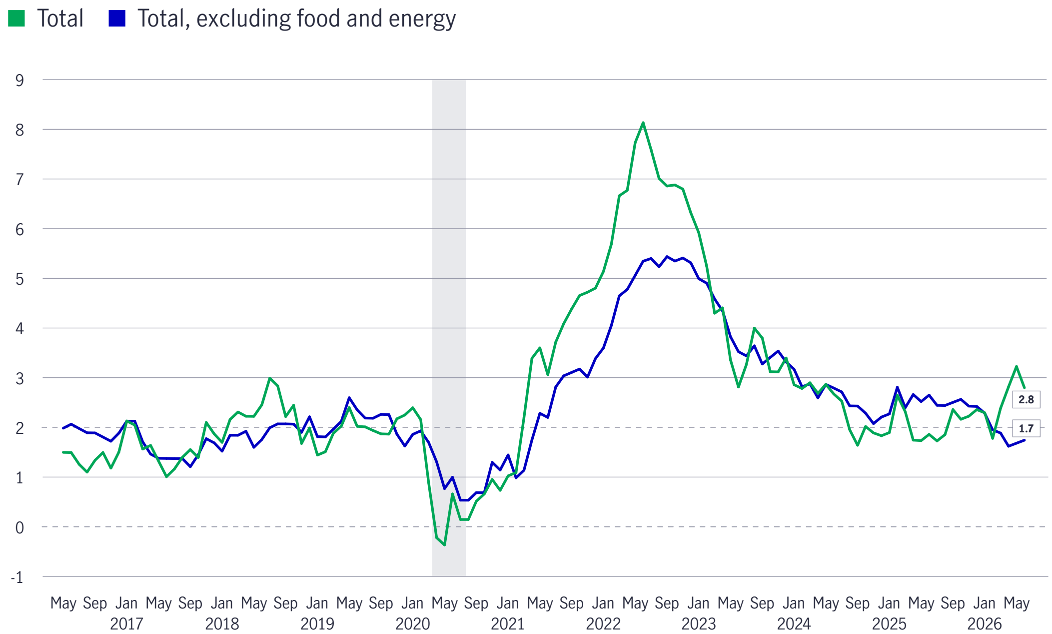
With inflation moderating and economic growth remaining relatively subdued, the Bank of Canada appears well positioned to maintain a stable policy stance.

Recent inflation data suggest that price pressures have eased significantly from the elevated levels experienced in 2022, although some volatility remains. At the same time, policy rates remain above pre-pandemic levels, reflecting the significant tightening cycle undertaken over the past several years.

Current rate levels remain elevated relative to recent history, while a steadier policy environment has helped reduce uncertainty around the interest rate outlook. Together, these conditions provide a markedly different backdrop than the one investors faced during the rapid rate increases of recent years.

Recent price pressures have eased significantly from the elevated levels of 2022.

**Canada CPI inflation, YoY (%)**




Source: Statistics Canada, Macrobond Financial AB, Natural Resources Canada (NRCan), Manulife Investment Management, as of Wednesday, July 22, 2026. YoY refers to year over year. The gray areas represent recession. All economic and/or market performance data is historical and does not guarantee future outcomes. The Consumer Price Index (CPI) measures changes in the prices of goods and services purchased by consumers. It is not possible to invest directly in an index.

## Regional economies moving at different speeds

Regional economic conditions continue to evolve at different speeds.

As monetary policy paths diverge, economic conditions are evolving differently across regions.

Canada's relatively stable interest-rate environment contrasts with higher rates in the United States, while Europe continues to navigate energy- and services-related inflation pressures. Across Asia, economic and policy conditions remain varied, reflecting differing growth and inflation dynamics.

These regional differences highlight how local economic conditions, inflation trends, and central bank decisions are playing a larger role in shaping the global economic landscape.

While economic conditions continue to vary across regions, these differences underscore the value of portfolio diversification and a long-term investment perspective. As global trends evolve, conversations with your investment counsellor can help put these developments into the context of your broader financial goals.

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## Bottom line

Central banks are no longer moving in lockstep.

The synchronized global rate cycle that characterized recent years has given way to a more varied policy environment. While central banks continue to pursue the same objectives of price stability and sustainable economic growth, the path forward is increasingly being shaped by local economic conditions.

For investors, this serves as a reminder that market and economic developments don't always unfold uniformly across regions. Understanding these differences and their potential implications within the context of broader financial goals remains an important part of navigating today's investment landscape.


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