CIBC PRIVATE WEALTH



JAMES DIXON, CIM®: MACRO THOUGHTS – JUL 8, 2026

THE IPO BOOM

EXECUTIVE SUMMARY

The recent surge in IPO's has drawn notable investment concern that the new supply of shares will overwhelm demand. Some managers are drawing parallels to previous speculative peaks such as those in 1999 or 2021. For context a recent report from Goldman Sachs estimates total equity issuance of approximately $700 billion this year, equivalent to circa 1% of US equity market capitalization.

This conclusion is grossly incorrect. Rather than raising concern, the IPO resurgence should be interpreted as evidence of improving corporate confidence and healthy capital formation. This is a signal to add, not reduce equity exposure.

From a cyclical standpoint the US IPO market marks another stage in the current bull market.

For several years, issuance was depressed due to the Federal Reserve's aggressive tightening cycle. Now improving valuations, resilient economic growth and unprecedented AI-related capital needs have reopened equity capital markets.

Importantly, today's environment differs materially from previous speculative peaks. While the total capital raised is approaching record levels, the number of IPOs remains near historical averages. This suggests institutional demand rather than speculative retail enthusiasm is driving issuance.

This distinction matters!

Adding further support to this thesis are recent Goldman Sachs estimates that corporations are expected to repurchase more than $1 trillion of their own stock, creating a powerful demand offset.

The conclusion is constructive. The IPO resurgence should be interpreted primarily as evidence of improving corporate confidence and healthy capital formation - not a signal to reduce equity exposure.

1. IPO MARKETS ARE A BAROMETER OF FINANCIAL CONDITIONS

IPO markets rarely operate in isolation.

Companies only choose to list publicly when several conditions align:

- Attractive equity valuations.
- Low enough financing costs.
- Confident management teams.
- Strong investor demand.
- Healthy economic expectations.

The only proverbial "fly in the ointment" above are financing costs (which I still believe are too high). None the less, the current issuance suggests that either rates still remain accommodative enough or

these CEO's know something the market isn't pricing – rates are due for an adjustment lower (my base case).

In many respects, IPO issuance functions as a leading indicator of confidence across both corporate America and institutional investors.

As long as CEO confidence and valuation metrics remain well above long-term averages, the environment is supportive of new issuance without reaching the extremes observed during previous speculative episodes.

Key insight: The reopening of capital markets therefore reflects improving fundamentals rather than irrational exuberance.

---

2. AI IS DRIVING THE LARGEST DEALS

Although IPO activity has broadened across healthcare, industrials and other sectors, the overwhelming majority of capital raised has been concentrated in AI-related companies.

This is unsurprising. Artificial intelligence represents one of the largest capital investment cycles in decades.

For context building frontier AI models requires enormous investment in:

- Data centers.
- Semiconductors.
- Networking infrastructure.
- Power generation.
- Software platforms.

The extent of the spend means private companies increasingly require public market capital to fund expansion. This means that rather than viewing these IPOs as speculative exits, investors should recognize they represent financing events for businesses still entering their highest growth phase.

---

3. WHY THIS IS NOT 1999 OR 2021

The comparison with previous IPO booms is inevitable, however, several critical differences stand out.

SIMILARITIES

Today's market shares several characteristics with previous late-cycle environments:

- Elevated equity valuations.
- Strong investor confidence.
- Significant technological innovation.
- Robust capital raising.

These similarities naturally make investors cautious. With that said, the differences matter more!

THE DIFFERENCES

Unlike previous speculative periods:

- IPO volumes remain close to historical averages.
- Deal quality is materially higher.

- Institutional participation dominates.
- Valuation discipline remains stronger.
- Corporate profitability is significantly healthier.

For perspective, Goldman put together this summary of IPO data.

Year	Approximate IPOs
Long-term average	~100
2026 (annualized)	~100
2021	>250
1999	Nearly 400

This analysis matters! It suggests, the market appears enthusiastic—not euphoric.

---

4. SUPPLY IS THE FEAR

The dominant institutional concern today is not AI. It is supply!

Investors worry that hundreds of billions of dollars of new shares will dilute existing shareholders and pressure market valuations.

While this argument is intuitively appealing, the arithmetic suggests otherwise. For context:

- **Expected 2026 equity issuance**: IPOs & Follow-on offerings total circa $700 billion.
- **Against:** US equity market exceeding $70 trillion ie approximately 1% new supply.

Historically, this level of issuance is entirely manageable.

Markets routinely absorb significantly larger proportional issuance without impairing long-term returns.

---

5. BUYBACKS ARE IMPORTANT

Perhaps the most overlooked aspect of today's market is corporate demand.

Research reports suggest companies are expected to repurchase more than $1 trillion of stock this year. That means: Corporate demand > Corporate supply.

Importantly these reports underscore that this expected demand is just related to Corporate America. If Corporate America alone is expected to absorb more shares than companies issue what happens when we consider additional demand from:

- Pension funds
- Sovereign wealth funds
- Retail investors
- ETFs
- Hedge funds

Key insight: Demand is significantly outweighing supply which significantly reduces concerns that IPO issuance will overwhelm demand (at least in 2026).

---

6. EARNINGS REMAIN THE PRIMARY DRIVER

As I have continued to underscore earnings are the primary driver behind equity prices.

Despite the S&P 500 advancing approximately 10% year-to-date, forward earnings expectations have increased by roughly 17%.

This implies:

- Earnings have risen faster than prices.
- Valuation multiples have actually compressed modestly.
- The bull market is being supported by improving fundamentals rather than speculative expansion.

This is one of the healthiest characteristics a bull market can exhibit.

Key insight: Provided earnings continue expanding, equities retain a strong fundamental underpinning.

---

7. HIGHER VOLITILITY DOES NOT MEAN A BEAR MARKET

One key feature of today's market is the disconnect between index stability and stock-level volatility. For context, major indices remain near record highs but individual stocks, are experiencing increasingly large moves.

Several structural factors explain the rise in volatility thus far. These include:

- Higher hedge fund leverage.
- Increased margin borrowing.
- Growth of leveraged ETFs.
- Lower correlations between stocks.
- Rapid AI-driven leadership rotation.

Importantly, this volatility is likely to get worse given the shift in Fed messaging (and policy tools) I discussed last week.

With that said, volatility should not drive investor fear! Volatility is not indicative of bear markets. In fact for active managers, a volatile environment creates enormous opportunity. The trouble rather lies for more passive investors. These investors will have to deal with volatility increases without necessarily altering long-term returns. This difference again underscores the premia on active management.

Key insight: Volatility should be expected. It should not be feared but rather seen as an opportunity!

---

8. PORTFOLIO IMPLICATIONS

INVESTMENTS

The IPO recovery reinforces my constructive medium-term outlook for US equities.

From an investment standpoint the conclusions are clear:

- **Remain overweight US equities.** Strong earnings growth continues to outweigh concerns about increased equity issuance.
- **Maintain exposure to AI beneficiaries.** The IPO pipeline confirms that capital investment in AI remains in its early stages.
- **Focus on earnings quality over valuation alone.** Companies consistently delivering earnings revisions should continue to outperform.

- **Expect greater dispersion beneath the index.** Active security selection should become increasingly valuable as stock-specific volatility rises.
- **Use volatility opportunistically.** Periodic drawdowns driven by macro uncertainty or IPO headlines are likely to present attractive entry points rather than signal the end of the bull market.

RISKS

Market developments should be monitored to determine is active repositioning if required.

Developments that could weaken my constructive outlook can be summarized as follows:

- A meaningful deterioration in AI investment or capital spending.
- An unexpected rise in long-term interest rates, reducing valuation support.
- A recession that materially weakens corporate earnings.
- Buybacks slowing because of regulatory changes or weaker cash flows.

Key insight: While these risks warrant monitoring, none currently appear sufficient to overwhelm the positive earnings backdrop.

9. CONCLUSION

The resurgence in IPO activity should be interpreted as a symptom of improving market health rather than a warning of imminent market exhaustion.

Unlike the speculative excesses of 1999 or 2021, today's issuance is supported by strong corporate fundamentals, disciplined institutional demand, and an extraordinary AI investment cycle.

For sophisticated UHNW investors, the signal is clear: keep your attention on earnings, not issuance. Equity supply is increasing, but it remains more than offset by corporate buybacks and healthy capital demand. While the market is likely to experience greater stock-level volatility and a more challenging supply backdrop as 2027 approaches, the current expansion remains fundamentally earnings-driven.

The appropriate stance is therefore one of measured optimism: stay invested with emphasis on businesses with durable earnings growth. Use periods of volatility to add selectively rather than retreat.

CONTACT

James Dixon, CIM ®
Investment Advisor, CIBC Wood Gundy
277 Lakeshore Rd E, Oakville, ON, L6J 6J3
Tel: 905-631-3905 (w)
James.dixon@cibc.com

DISCLAIMERS

The contents of this communication are for informational purposes only and are not being provided in the context of an offering of any security, sector or financial instrument, and is not a recommendation or solicitation to buy, hold or sell any security. The enclosed research report(s) from FINRA dealers or other CIRO-recognized foreign regulators are not prepared subject to Canadian disclosure requirements under CIRO Rules.

CIBC Private Wealth consists of services provided by CIBC and certain of its subsidiaries, including CIBC Wood Gundy, a division of CIBC World Markets Inc. The CIBC logo and “CIBC Private Wealth” are trademarks of CIBC, used under license. “Wood Gundy” is a registered trademark of CIBC World Markets Inc.

This information, including any opinion, is based on various sources believed to be reliable, but its accuracy cannot be guaranteed and is subject to change. CIBC and CIBC World Markets Inc., their affiliates, directors, officers and employees may buy, sell, or hold a position in securities of a company mentioned herein, its affiliates or subsidiaries, and may also perform financial advisory services, investment banking or other services for, or have lending or other credit relationships with the same. CIBC World Markets Inc. and its representatives will receive sales commissions and/or a spread between bid and ask prices if you purchase, sell or hold the securities referred to above. © CIBC World Markets Inc. 2026.

James Dixon is an Investment Advisor with CIBC Wood Gundy in Oakville. He/she and his/her clients may own securities mentioned in this column. The views of James Dixon do not necessarily reflect those of CIBC World Markets Inc. If you are currently a CIBC Wood Gundy client, please contact your Investment Advisor. The views of referenced authors, commentors and guest speakers do not necessarily reflect those of CIBC World Markets Inc. Securities mentioned do not constitute a recommendation to buy or sell and are for discussion purposes only.