

RJL PCS: INSIGHTS & STRATEGIES

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October 2026 Insights & Strategies: Mega-cap A.I. trades are back as equity investors looks for safety and liquidity

Macro Highlights for September

- The U.S. Fed has moved back into a hiking cycle, increasing its policy rate by 25 bps, to 4.00%. We could see more hikes through early 2027 to contend with an inflation rate that has been above-target for over five years, although a hike with the October 28 announcement has basically been taken off the table with a weaker than expected jobs report that showed U.S. unemployment inching up from 4.1% to 4.2%. The Bank of Canada is in a more comfortable zone to stay on hold at 2.25% with inflation close to target and still weakened, but positive, GDP growth rate, but the pressure for the BoC to start hiking could grow if the US-Iran war continues to hold crude and diesel prices up into the end of the year, which feeds into inflation. We don't anticipate Canadian hikes happening this year.
- Prime Minister Mark Carney hosted the inaugural Canada Investment Summit (CIS) in Toronto, September 14-15. The event successfully promoted Canada as a jurisdiction open to investment, with new policies to bring down the tax burden for new business capital and the reduction of regulatory impediments. We see this as a good start, but with lots of follow-up required.
- Following the CIS, the European Commission President proposed that Canada become an "associate member" of the EU. This follows Mark Carney's strategy to develop closer ties and cooperation to offset strained relations with the U.S. Canada and the EU already have a trade agreement, and there is currently no definition of an "associate member", but the announcement certainly reinforces the intention for Canada to diversify its partnerships.

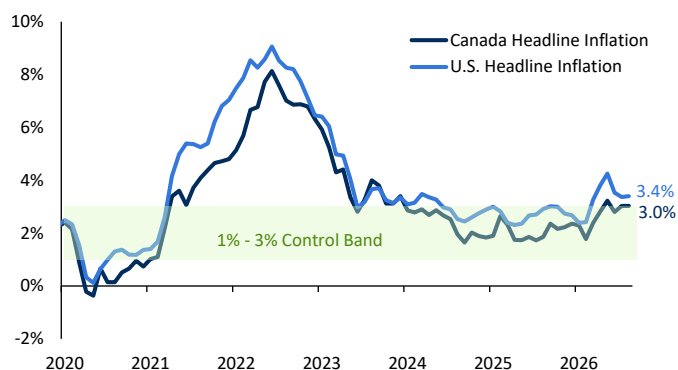
Financial Markets in September

- The S&P 500 declined modestly in September, posting a price return of -0.5% and a total return of -0.3%. Despite the monthly pullback, the index finished 3Q26 with price and total returns of 2.0% and 2.3%, respectively, bringing year-to-date gains to 11.8% and 12.7%. Beneath the surface, however, market breadth narrowed over the month as gains were increasingly concentrated among larger companies.
- The S&P/TSX Composite experienced a steeper September pullback, falling 2.9% on a price basis and 2.6% on a total return basis. The decline erased more than half of the gains accumulated earlier in the quarter, leaving the index with 3Q26 price and total returns of 1.1% and 1.6%, respectively. Year to date, the index remains up 11.1% on a price basis and 13.0% on a total return basis. Market breadth also weakened from mid-August levels as the September decline extended across most sectors, led by weakness in the heavily weighted Materials and Energy sectors.
- The closely watched U.S. 10-year Treasury yield has moved well above the psychological 5.0% threshold, reaching 5.28% at the time of publication. Given its importance as a benchmark for equity discount rates, a further rise could put additional pressure on valuation multiples. Encouragingly, historical data suggest that mega caps have tended to provide support as the 10-year yield approaches a peak. In the 12 months following past yield peaks, market breadth has typically improved, with U.S. equities performing well across market-cap segments. In comparison, the Canadian 10-year government bond yield remains considerably lower at 3.93%.

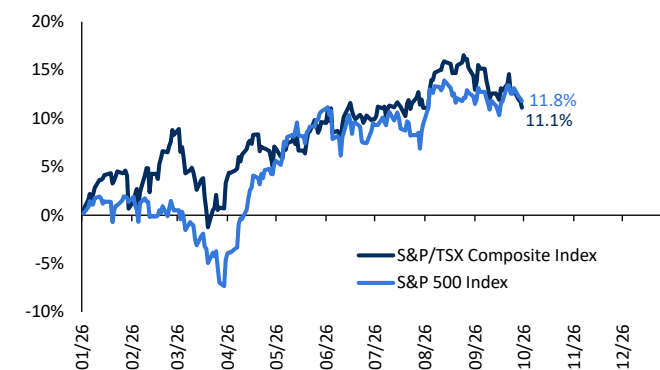
Upcoming

- The next FOMC rate announcement on October 28, will provide more clarity on the speed and consistency of the U.S. rate hiking cycle, specifically due to the political implications of a hike just days before the U.S. midterm voting on November 3. Current market-implied odds of another 25 bp hike, to 4.25%, at that meeting is 17%, down from 70%, following a weaker than expected U.S. labour report. The next BoC announcement will similarly be on October 28, although we expect the Canadian policy rate to stay at 2.25% for the rest of the year.

- Earnings season is getting underway. The market has been supported by solid earnings and further profitability growth, which has in large part been driven by A.I. spending. Expectations for 3Q26 earnings remain high, and forecasts into 2027 remain optimistic. S&P 500 earnings have beaten pre-season expectations for 14 quarters in a row. We will be watching market breadth, as indexes have been relying heavily on A.I. related strength.
- Canada will be hosting the upcoming Canada-EU Summit October 29-30 in Montreal, when we hope to hear more details on the evolving relationship.

Chart 1 - Canada and U.S. Headline Inflation

Source: FactSet, Raymond James Ltd.; Data as of August 31, 2026. Not seasonally adjusted.

Chart 2 - S&P/TSX Composite and S&P 500 YTD Performance

Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026. Price return in local currency.

Executive Summary

The best suggestion for October is probably to ensure that your investment portfolio is rebalanced to your established risk/return profile. Equities have been resilient from an index level, yet breadth is thin, as relatively few, generally mega-cap names are posting gains that are offsetting weakness among the majority of other stocks. Earnings have been strong, and supportive of the equity markets, yet expectations are also high, meaning that disappointments can drive excessive volatility, and disappointments in A.I. leveraged names could be even more impactful, at least in the short-term. At the same time, rising rates have created more attractive opportunities in the fixed income markets, further supporting the suggestion to ensure your asset allocation is rebalanced to the appropriate levels.

Interest rates on the move

Interest rate hikes were a big topic in September, as arguably the most globally influential rate, from the U.S. Federal Reserve, was increased by 25 bps to 4.00%. The messaging from Chair Warsh was also important, after a muddled message at the previous announcement in July. Now, the messaging is that the Fed is in a tightening cycle, and so we should expect additional hikes through the end of 2026 and potentially into 2027, against the backdrop of over five years of above-target inflation. The hiking trend is not just a U.S. reaction. The European Union and Bank of Japan are also into hiking mode. The Bank of Canada (BoC) however seems well positioned to hold at 2.25%, the lower end of its neutral range of 2.25-3.25%, as inflation is generally under control and there is no concern about the economy overheating. That being said, with the U.S.-Iran conflict still simmering, and oil flows remain constrained, although getting closer to pre-war levels, the flow through of higher gasoline and diesel prices still runs the risk of stoking inflation.

The significance of diesel is that essentially all products are transported by ship, train, or truck, and those transport costs are affected by the cost of diesel fuel. That puts inflation into most goods, marginally impact consumer willingness to buy, and therefore putting downward pressure on cyclical stocks. This is seen as a supply shock, that could be alleviated relatively quickly if there was a breakthrough with Iran. Since interest rate increases can do little to address a supply shock, and as the Canadian economy is not overheating and adding to the inflation pressure, the bar for the BoC to going the hiking party is likely higher than some might expect. The U.S. is in a different position, as it never got inflation under control after COVID, and has higher economic growth, including the pressures from the ever-growing A.I. buildout. With the Fed seemingly committed to a hiking cycle, the question is more if it will hike again at the October 28 announcement, which could potentially have political ramifications, being less than a week before the mid-term elections, or if the Fed will more cautiously wait until the December 9 meeting. The recent labour reports, that were still positive, but below expectations, likely reduce the need to hike in October.

Canadian growth to remain moderate, with minimal need to hike interest rates

This year has been weak for economic growth, with expectations of real GDP under 1.0%, down from 1.9% in 2025. The consensus expectation is still for an improvement into 2027, yet that forecast has been slipping also, now around 1.8% from the 1.9% expectation at the beginning of the year. Our bias would be towards even lower forecasts as we drive into year-end. We also continue to contend with a trading relationship with the U.S. that neither country seems to be in a hurry to fix. Inflation expectations for next year also seem to be anchored around the target rate of 2%, while the supply-driven oil shock that has driven up inflation is seen mostly as transient. Given the long and variable lags of monetary policy, it would seem unwise to raise rates, especially as the Canadian economy tries to find its footing absent any stability being offered from the U.S., and as the trade war attrition threatens pressure on the labour market. We think that forecasts of the BoC following the Fed into a hiking cycle are too hawkish. We see a high bar for hikes in Canada, that would need to include assumptions of a much longer war in Iran that leads to more supply constraints. We are currently seeing the opposite, as more oil find its way through and around the Strait of Hormuz.

S&P 500 and TSX Composite running neck and neck into the last quarter of the year as mega-cap tech again rushes forward

Both the S&P 500 and S&P/TSX Composite succumbed to September's historically weak seasonality. With the strong 2Q26 earnings season now in the rear-view mirror, investor attention shifted back toward a range of macro headwinds, weighing on market sentiment as the month progressed. The S&P 500 declined modestly in September, posting a price return of -0.5% and a total return of -0.3%. Despite the monthly pullback, the index finished 3Q26 with price and total returns of 2.0% and 2.3%, respectively, bringing year-to-date gains to 11.8% and 12.7%. The advance has been supported by robust upward revisions to forward earnings expectations, which have more than offset the compression in forward valuation multiples.

The S&P/TSX Composite saw a steeper decline, falling 2.9% on a price basis and 2.6% on a total return basis. The pullback was broad-based, but weakness in the heavily weighted Materials and Energy sectors accounted for an outsized share of the decline. September's setback also erased more than half of the gains accumulated earlier in the quarter, leaving the index with 3Q26 price and total returns of 1.1% and 1.6%, respectively. Year to date, the S&P/TSX Composite has gained 11.1% on a price basis, slightly trailing the S&P 500, while its 13.0% total return remains modestly ahead.

A.I. continues to be a driver of...everything

The spending behind A.I. development and the data centres to support A.I. models is impacting GDP, much as a national infrastructure buildout would, is driving up inflation as it raises the prices for electronic components, like CPUs, GPUs, and memory, as well as for skilled labour, and notably electricity. A growing question is how will A.I. impact productivity, as adopters benefit from operational efficiencies, and will those adopters grow their use of A.I. enough to support the continued buildout of the infrastructure. That then leads into the labour market, as we watch to see if A.I. will allow companies to reduce headcounts, or will it drive more business opportunities and actually lead to increasing labour needs. Additionally, the significant bond issuance from the hyperscalers as they finance this infrastructure buildout is thought to be taking liquidity from government treasury issuance, driving down their prices and increasing interest rates. We are also seeing segmentation in the U.S. stock market that suggests that A.I. related stocks are driving higher, while most non-A.I. stocks have been declining.

In the U.S. equity market specifically, we may see a return to the mega-cap safety trade if inflation and higher interest rates worry markets of an economic slowdown. That would depend on confidence in the continuing A.I. buildout. Otherwise, investors should remain selective, looking for high-quality business, with dependable cashflows, and resilience to slower consumer spending growth.

Canada Investment Summit

A notable event last month was the inaugural Canada Investment Summit, hosted by Prime Minister Mark Carney in Toronto, September 14-15. The event was both an investment conference and message to the world.

The event was structured around a prospectus of Canadian projects, laid out before an international audience of investors, towards attracting \$500 billion of private investment to catalyse \$1 trillion of total investment over the next five years. The guest list included institutional-scale investors from nearly 30 countries that represented over \$100 trillion in assets. The largest representation, by country, was the U.S., with more than 30 investor groups, including a who's-who of private equity, such as BlackRock, Blackstone, Apollo, and KKR. International sovereign and pension funds were also well represented, from Norway, Singapore, the UAE, Qatar, Kuwait, the Netherlands, Japan, Australia, and others. Canada obviously had its own delegations, with pension funds, banks, and asset managers, as well as federal and provincial government representatives.

The 66-page “deal book” included 167 projects that covered electricity, ports, pipelines, energy, critical minerals, transportation, A.I., data centres, and advanced manufacturing. Ontario and Alberta separately brought deal books highlighting 15 and 34 projects, respectively. The opportunity for investors to take a stake in Canada’s four largest airports through long-term operating concessions, was also put on the table. The scale and longevity of investments was key to attracting multi-billion dollar commitments. Key incentives from Carney were the Productivity Mega Deduction, which significantly increases the types of capital investments eligible for immediate expensing, and much faster approval times, dubbed the “one project, one review, one year” framework.

While the summit was definitely a success in promoting Canada to the world, the \$500 billion in commitments that came out of the event need to be considered within context. \$100 billion was attributed to Canadian pension and institutional funds increasing commitments to infrastructure and strategic industry investing, while \$325 billion was attributed to the major Canadian banks committing to investing and financing. Some announcements also seemed to be related to deals and projects that were already being negotiated, but in reality, it would have been miraculous to imagine a deal that arose from scratch over the two-day event. The real benefits will come many months or even years from now, as the seeds of those initial introductions and discussions at the summit blossom into actual investments.

Some readers may recall that 10 years ago, then Prime Minister Justin Trudeau pitched projects at a Canadian Infrastructure Summit, organized by BlackRock. At the time, the federal government launched a \$35 billion Canada Infrastructure Bank (CIB), that was expected to attract \$4-5 in private capital for each federal dollar committed, combined with promises to ease foreign investment restrictions. There was little follow-up immediately following that summit and the CIB took many years to slowly ramp up, but over the last few years the CIB has managed to close 115 investments and committed almost \$20 billion. The contrast between the 2016 and 2026 Summits is that the former was investors coming together looking for projects, which the CIB was supposed to bring to the table. Perhaps learning from previous experience, the 2026 Summit started with a deal book of 167 projects packaged up to entice major investors, and from which conversations could immediately be started. Interestingly, the CIB is already involved in several of the projects that were included in the 2026 deal book. The CIB has also recently had its funding expanded to \$45 billion. The takeaway is that the 2026 Summit seems more likely to deliver results more quickly, and to build on previous initiatives, but follow-up is still key.

Canada to become an Associate Member of the European Union?

Mark Carney is looking to build further alternatives to the distressed partnership with the United States, by seeking closer ties to other nations. The biggest move to date has arguably been the announcement from European Commission President Ursula von der Leyen, during her State of the European Union address in Strasbourg, Germany, on September 16, a day after the Canada Investment Summit. With Mark Carney in attendance, she suggested that they work together to make Canada the first associate member of the EU. The Alliance is envisioned as a move beyond the Canada - EU Comprehensive Economic and Trade Agreement (CETA), towards an “Alliance for the Future”, covering manufacturing, technology, defence, energy, critical minerals, A.I., quantum, and the Arctic. It was later made clear to all involved, that Canada was not seeking membership in the European Union, but a new category of relationship.

It should be clear that this proposal is only a small step towards a discussion, to then explore the possibility and framework. We will potentially get a clearer message as to what this might mean after the Canada-EU Summit in Montreal on October 29-30.

A bit of background on the Canada-EU relationship

Developing closer economic and trade ties to the European Union is not a wholly new idea. The Canada - EU Comprehensive Economic and Trade Agreement (CETA) was first discussed in 2007, with formal negotiations commencing in 2009. By 2013, an agreement in principle was reached, that led to further negotiations and legal review, before CETA was formally signed in 2016. It still took almost a year for parliamentary approvals and Royal Assent, leading to provisionally entering into force in 2017. However, as a mixed agreement, with some aspects under EU jurisdiction and some partly under member jurisdiction, certain provisions require ratification by every EU member, and as of last count, 10 European countries have still failed to ratify the agreement.

Despite not being fully ratified, CETA is functionally in force. Considering the pre-CETA baseline of 2016, as of 2025, Goods trade has increased 76% to €81.5B, and Services has increased 91% to €49B, for blended growth of 80% on ~€130B (~\$208B), or compounded annual growth rate (CAGR) of ~6.75%. By comparison, goods & services trade between the U.S. and Canada was US\$872B (~\$1.2T) in 2025, having grown 39% (3.7% CAGR) over the same period.

USMCA Renewal

In line with expectations, the July 1 review deadline passed without Canada, the U.S., and Mexico agreeing to extend the expiry of the USMCA from 2036 to 2042. As outlined in our previous [Market Perspectives report](#), this outcome does not alter the existing agreement or its current tariff exemptions. Instead, the renewal process is now shifted to annual reviews, while remaining in force until its currently scheduled expiry in 2036 unless the parties agree to revisions that trigger a new 16-year term.

Our expectation

Focus has shifted from the USMCA renewal and towards the more recent tariffs and counter-tariffs that have been imposed on ~\$28 billion of trade in each direction. A concern has been that these U.S. tariffs are being imposed on goods that were otherwise covered by USMCA exemptions. We are now therefore in a place where existing agreements that were negotiated and signed by President Trump in his first term, are no longer being respected. This has not spread to the majority of goods that remain exempt under the USMCA, and leaves a country-wide tariff rate of ~6%, that is still amongst the lowest for U.S. trade partners. We also imagine that goods, such as crude oil and potash, on which the U.S. has high reliance, will remain tariff-free, but many other goods stand the chance of being used as leverage by the U.S. administration. The only real solution is for Canadian companies to find more non-U.S. customers.

Tariffs

Canada's previously announced countermeasures took effect on September 8, imposing tariffs of 15%, 25% and 50% on ~\$28 billion of U.S. imports in response to the U.S. Section 338 tariffs implemented in August.

Trade restrictions escalated further during September. On September 16, President Trump issued a federal procurement directive aimed at removing or restricting Canadian-origin products from the federal civil procurement system. Later in the month, the U.S. moved beyond tariffs by introducing import bans, effective September 29, on selected Canadian products including certain alcoholic beverages, dairy-related products, and motorcycles. Nonetheless, the products affected by the bans represent a relatively small share of overall Canada-U.S. trade.

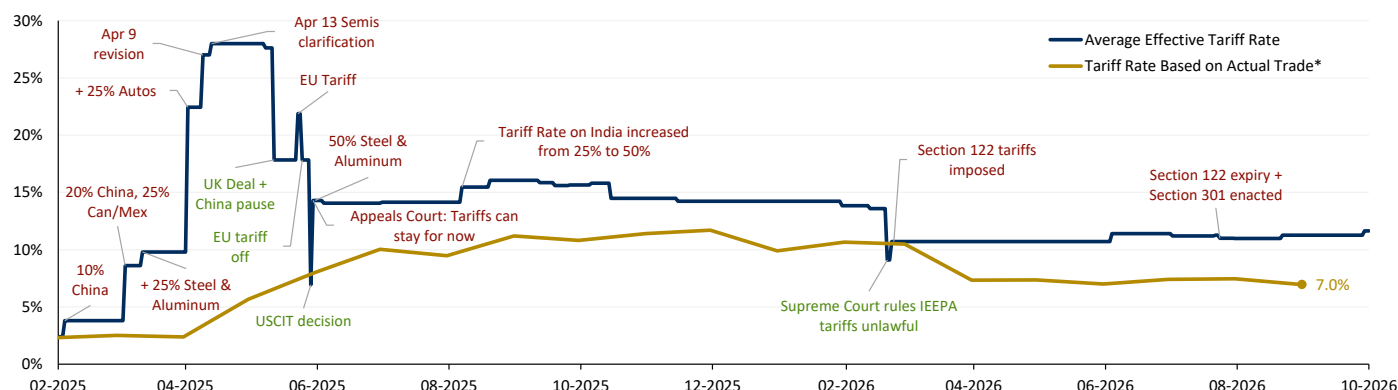
Section 232 activity also continued during September. Effective September 29, the U.S. broadened its 100% tariff on certain patented pharmaceuticals and pharmaceutical ingredients to additional companies, while maintaining exemptions for qualifying generic drugs and certain companies expanding U.S. production. Separately, the U.S. Department of Commerce imposed temporary anti-stockpiling restrictions on polysilicon derivative imports, limiting import volumes ahead of new Section 232 tariffs and minimum price requirements due to take effect on December 4.

Table 1 below provides brief updates on key tariff-related developments.

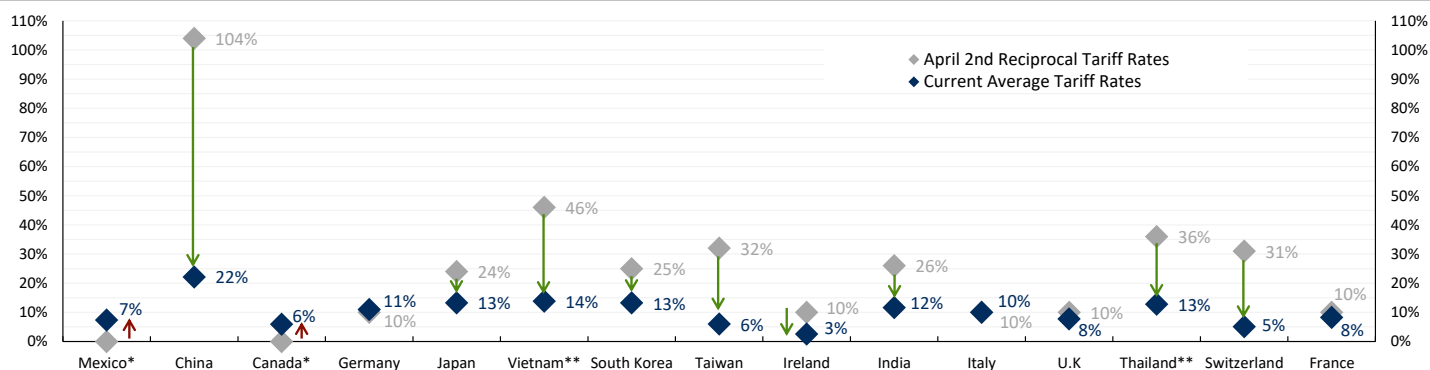
Table 1 - Section 232 Tariffs Summary, as of October 5, 2026

Sector	Effective Date	Tariff Rate*
Automobiles and auto parts	May 3, 2025	25%
Steel/aluminum and copper (including derivatives)	Jun 4, 2025 (Steel/alum.); Aug 1, 2025 (Copper)	10-50%
<i>Primary steel/aluminum and most copper products</i>		50%
<i>Certain derivative articles substantially made of steel, aluminum, or copper</i>		25%
<i>Certain metal-intensive industrial, grid, agricultural, HVAC, and mobile industrial equipment through Dec. 2027</i>		15% transitional rate
<i>Derivative articles manufactured with at least 85% U.S.-melted/poured steel, U.S.-smelted/cast aluminum/copper</i>		10%
Softwood timber and lumber	October 14, 2025	10%
Wooden furniture, kitchen cabinets and vanities	October 14, 2025	25%
Medium/heavy duty trucks & buses	November 1, 2025	25% on trucks/parts; 10% on buses
Specific semiconductors and related products	January 15, 2026	25%
Certain patented pharmaceuticals and ingredients	July 31, 2026	100% (20% for companies with onshoring plans)
Unmanned Aircraft Systems (incl. parts/components)	September 3, 2026	25-100%
Polysilicon and its derivatives	December 4, 2026	15% on specified derivatives + Minimum Import Price
Processed critical minerals and derivative products	Investigation initiated April 22, 2025	-
Commercial aircraft and jet engines	Investigation initiated May 1, 2025	-
Wind turbines	Investigation initiated August 13, 2025	-
Robotics and industrial machinery	Investigation initiated September 2, 2025	-
Personal protective equipment, medical consumables/equipment	Investigation initiated September 2, 2025	-

Source: U.S. Department of Commerce, Raymond James Ltd. *Headline tariff rates are shown. Actual rates may vary by trading partner, product characteristics, U.S. content, end use, or other applicable exemptions and preferential treatment.

Chart 3 - U.S. Effective and Actual Tariff Rate

Source: The Budget Lab at Yale. *Actual Trade Rate represents the customs duty revenue as a % of total value of U.S. imports.

Chart 4 - April 2 Reciprocal Tariff Rates vs. Current Average Tariff Rates, as of October 5, 2026

Source: U.S. Census Bureau, Capital Economics, Raymond James Ltd. *USMCA-compliant goods remain exempt (except for Section 338 tariffs). **40% tariff rate on transshipments.

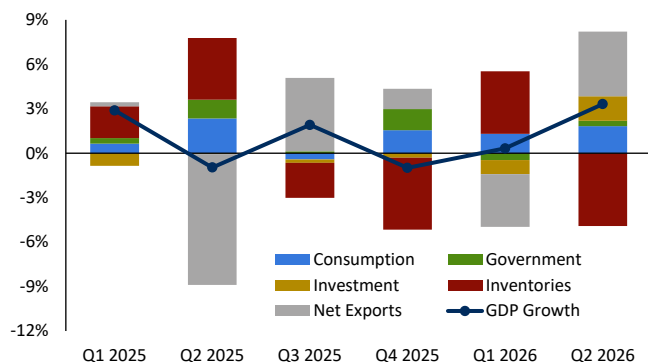
Economics

Canadian GDP — Softer start to 3Q26

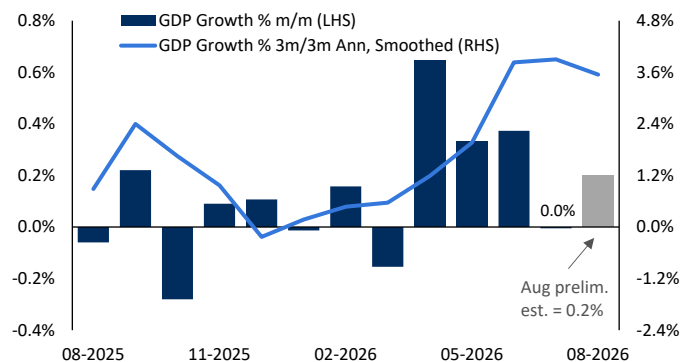
Following strong 3.3% q/q annualized growth in 2Q26, Canadian economic activity stalled at the start of the third quarter, with monthly real GDP essentially unchanged in July after a 0.4% m/m increase in June (Chart 6). Gains in construction and several services industries were offset by weakness in manufacturing, mining, and retail trade. Overall, 10 of 20 sectors expanded during the month, while both goods- and services-producing industries were essentially flat.

Manufacturing output declined 0.9% m/m, its first decrease in four months. Petroleum and coal product manufacturing was a notable drag amid an unplanned refinery downtime in southwestern Ontario, while the mining, quarrying, and oil/gas extraction sector also declined 0.5% m/m. Offsetting some of this weakness, construction output rose 1.3% m/m, marking a fourth consecutive monthly increase, while utilities rebounded 1.7% m/m, driven by strength in electric power generation/transmission. Growth also continued across several services industries, including professional, scientific, and technical services (+0.3% m/m) and accommodation/food services (+0.8% m/m), while real estate activity also edged higher.

Looking ahead, Statistics Canada's advance estimate points to a 0.2% m/m increase in real GDP in August, led by gains in mining and quarrying and retail trade, partially offset by lower oil and gas extraction. Overall, activity has moderated following the strong growth in 2Q26, while the expected improvement in August suggests that the uneven growth pattern seen through the first half of the year could persist into the second half.

Chart 5 - Strong GDP Growth in 2Q26 (q/q annualized)

Source: Statistics Canada, Raymond James Ltd.; Data as of June 30, 2026.

Chart 6 - Monthly GDP Growth Flat in July

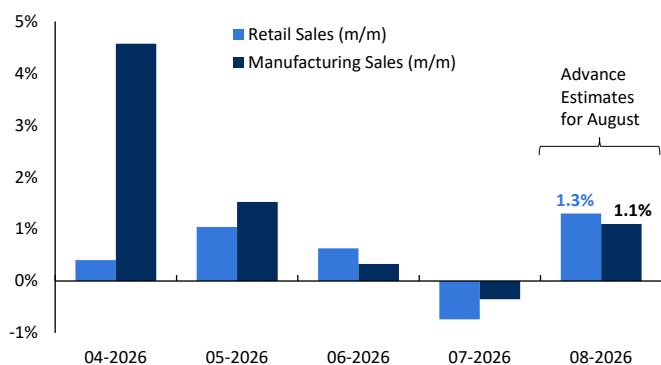
Source: Statistics Canada, Raymond James Ltd.; Data as of July 31, 2026.

Sales activity softens in July, with signs of improvement in August

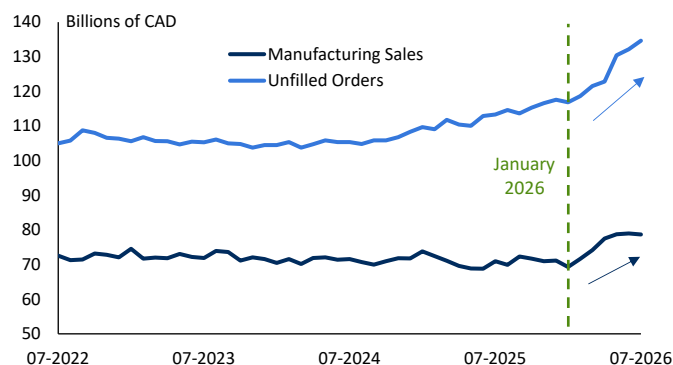
Retail sales declined 0.7% m/m to \$73.7 billion in July, giving back the 0.6% increase in June (Chart 7), with sales lower in eight of nine subsectors. Weakness was led by general merchandise retailers (-1.9% m/m), while sales at motor vehicle and parts dealers declined 0.8% m/m (first decrease in four months). Sales excluding gasoline/fuel vendors and motor vehicle/parts dealers also fell 0.7% m/m. The weakness was more pronounced in volume terms, with total retail sales volumes declining 1.1% m/m.

Manufacturing sales also softened in July, declining 0.4% m/m to \$78.7 billion following five consecutive monthly increases. The decline was concentrated in the chemical (-6.6% m/m) and food (-1.4% m/m) subsectors and was partially offset by a 1.9% m/m increase in petroleum and coal product sales. However, the latter largely reflected higher prices, as petroleum and coal product sales declined 4.1% m/m in volume terms.

On the positive side, unfilled manufacturing orders (+1.9% m/m) increased for a sixth consecutive month, reaching a record \$134.6 billion in July and providing a positive signal for near-term activity (Chart 8). Strength in unfilled orders so far this year has been driven primarily by aerospace products and parts, alongside fabricated metal products and machinery. Advance estimates for August provide another encouraging sign, pointing to increases in both retail (+1.3% m/m) and manufacturing sales (+1.1% m/m). While still preliminary, the August estimates provide some offset to the weakness seen in July, leaving a mixed picture for economic activity early in 3Q26 amid a still-fragile broader economic backdrop.

Chart 7 - Retail and Manufacturing Sales Weakened in July

Source: Statistics Canada, Raymond James Ltd.; Data as of July 31, 2026.

Chart 8 - Manufacturing Activity Holding Up Well So Far This Year

Source: Statistics Canada, Raymond James Ltd.; Data as of July 31, 2026.

Exports strengthen ahead of new U.S. tariffs

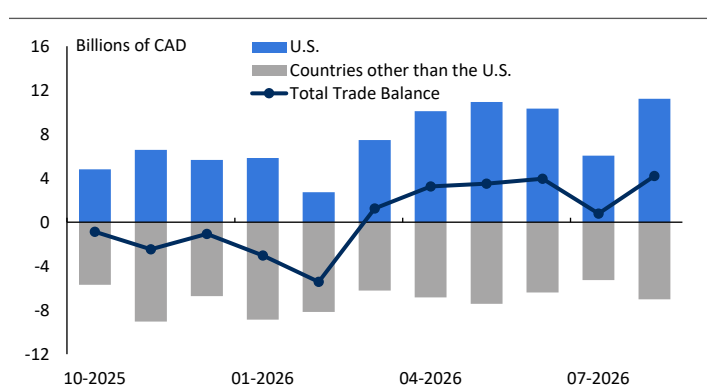
Canada's merchandise trade balance improved notably in August, with exports increasing 2.5% m/m while imports declined 2.0% m/m. As a result, the merchandise trade surplus widened from \$0.8 billion in July to \$4.2 billion in August (Chart 9). Importantly, the improvement was also evident in real terms, with export volumes increasing 2.5% m/m while import volumes declined 1.1% m/m, suggesting net trade provided support to economic growth during the month.

Export strength was relatively broad-based, with gains across 8 of 11 product sections. Energy exports increased 4.7% m/m, led by a 17.4% m/m increase in refined petroleum products, particularly diesel. Exports excluding energy still rose 1.8% m/m, as industrial machinery/equipment (+10.1% m/m) and electronic/electrical equipment (+11.0% m/m) also recorded strong gains. Meanwhile, the decline in imports was led by motor vehicles/parts, with imports excluding this category falling a more modest 0.5% m/m. Encouragingly, imports of industrial machinery and equipment continued to hold up relatively well, providing a positive signal for business investment. This trend is also consistent with the stronger business investment recorded in the 2Q26 GDP data.

Trade with the U.S. improved particularly sharply, with exports increasing 8.1% m/m and imports declining 2.5% m/m, widening Canada's bilateral trade surplus from \$6.1 billion to \$11.2 billion. A portion of the export increase likely reflected front-loading ahead of new Section 338 tariffs that came into effect late in the month, which could result in some normalization in September.

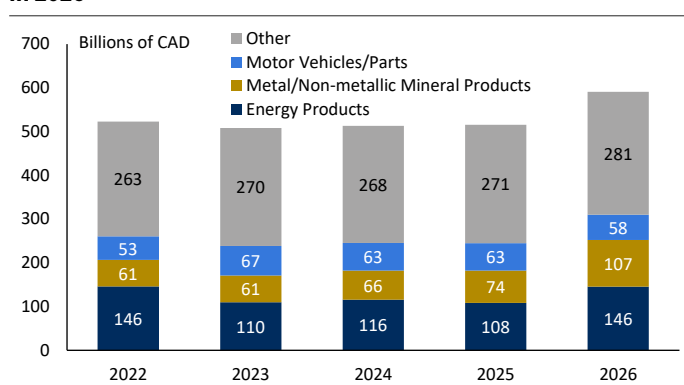
More broadly, Canadian exports have remained relatively resilient so far this year despite ongoing trade uncertainty and sector-specific tariff pressures. Through the first eight months of 2026, exports are running well above comparable periods in recent years, supported significantly by energy and precious metals (Chart 10). Strong demand and higher prices for these commodities have provided a cushion against the more challenging trade environment.

Chart 9 - Canada's Trade Surplus Strengthens in August



Source: Statistics Canada, Raymond James Ltd.; Data as of August 31, 2026.

Chart 10 - Energy and Metals Provide a Lift to Canadian Exports in 2026

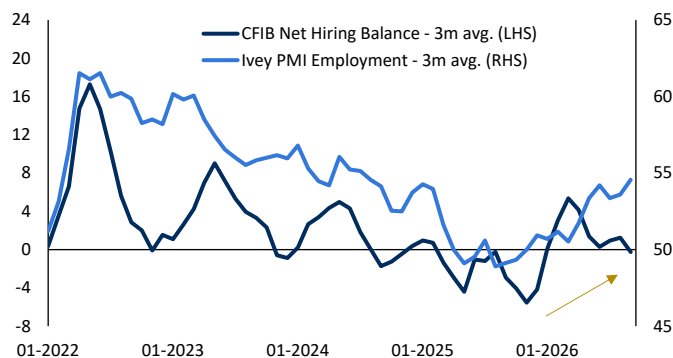


Source: Statistics Canada, Raymond James Ltd.; Data as of August 31, 2026. Data represent January to August cumulative exports for each year.

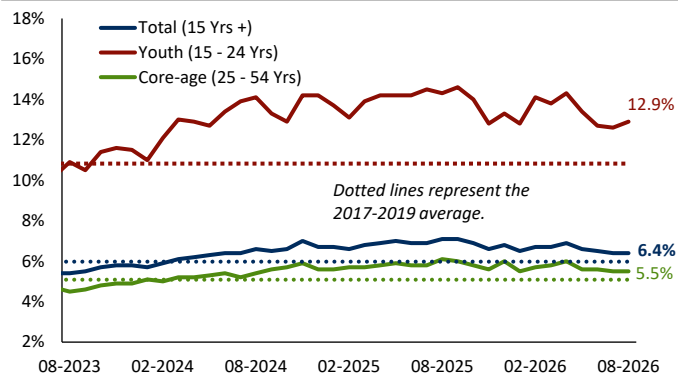
Labour market remains fragile, but broadly stable

With the official September employment data not due until October 9, recent business surveys provide some indication of how labour demand is evolving. The three-month average of CFIB's net hiring intentions has improved considerably from the weakness seen around the turn of the year, although it remains near balance, suggesting businesses are broadly neither adding nor reducing headcount. Similarly, the three-month average of the Ivey PMI Employment Index has recovered from below 50 toward the end of 2025 and has remained modestly in expansion territory (>50) in recent months (Chart 11).

This is broadly consistent with the gradual improvement in the unemployment rate, which has declined from 6.8% in December 2025 to 6.4% in August this year, and remains well below the 7.1% rate recorded in August last year (Chart 12). However, a significant portion of this improvement reflects slower labour-force growth, as reduced population growth has eased the pace at which the economy needs to create jobs to keep unemployment stable. Overall, employment growth remains relatively slow, but there are limited signs of any further deterioration in labour demand. Combined with slower labour-force growth, this continues to point to a labour market that remains fragile, but broadly stable.

Chart 11 - Hiring Conditions Improving from Earlier Weakness

Source: CFIB, Ivey Business School, Raymond James Ltd.; Data as of September 30, 2026.

Chart 12 - Unemployment Rate Broadly Stable in Recent Months

Source: Statistics Canada, Raymond James Ltd.; Data as of August 31, 2026.

Headline inflation holds steady, while core pressures warrant monitoring

Headline CPI inflation held at 3.0% y/y in August, unchanged from July. Gasoline prices increased at a slower year-over-year pace, providing some downward pressure on headline inflation, although this was offset by stronger increases in travel tour and rent prices. Excluding gasoline, inflation increased to 2.4% y/y from 2.2% in July, while CPI excluding food and energy rose 2.1% y/y, remaining close to the 2.0% target. Despite elevated energy prices, there continues to be limited evidence of broader spillover into other consumer prices (Chart 13).

Travel tour prices increased 26.1% y/y in August, up from 15.2% in July, although the acceleration partly reflected base effects following weakness in travel prices last year, amid a sharp decline in Canadian travel to the U.S. On a monthly basis, travel tour prices actually declined 2.9%. Meanwhile, grocery inflation continued to ease, slowing to 2.8% y/y from 3.1% in July and, for the first month since July 2024, falling below the pace of headline inflation.

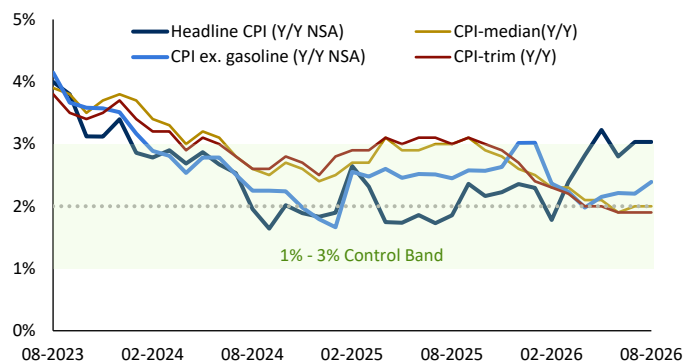
The Bank of Canada's preferred core measures remained relatively contained, with CPI-trim at 1.9% y/y and CPI-median at 2.0% y/y in August. However, the average of the two measures increased 0.23% m/m for a second consecutive month, moderately above a monthly pace consistent with 2.0% annualized inflation. While the recent firming bears watching, the year-over-year measures remain around the Bank's target and there continues to be limited evidence of broad-based inflationary pressures.

Bank of Canada expected to remain on hold, but inflation remains key

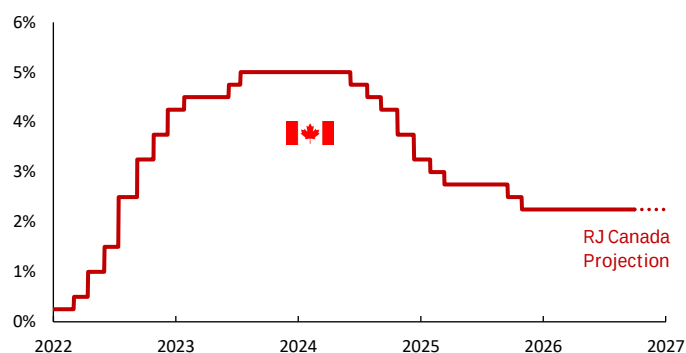
The Bank of Canada held its policy rate at 2.25% in September, emphasizing increased upside risks to inflation from persistently elevated energy prices while acknowledging greater uncertainty surrounding the growth outlook amid renewed Canada-U.S. trade tensions. Importantly, the Bank indicated that it continues to look through the direct impact of higher energy prices on headline inflation but remains focused on whether those pressures begin to spill over more broadly into other goods and services.

For now, recent developments continue to support our base case that the Bank will leave its policy rate unchanged through the remainder of the year. As discussed above, CPI-trim and CPI-median remain close to 2% y/y target, while there continues to be limited evidence of higher energy costs spilling over more broadly into consumer prices. At the same time, labour market conditions have remained relatively stable, particularly against the backdrop of slower labour-force growth. Economic activity remains fragile, but has held up sufficiently well that, alongside relatively contained underlying inflation, there appears to be little urgency for a change in monetary policy.

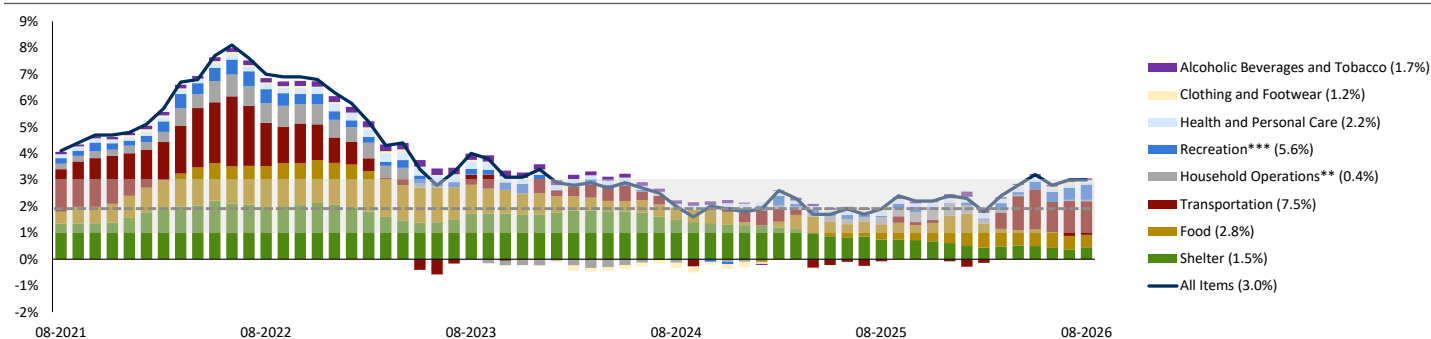
However, upcoming inflation readings will be important. A further pickup in the monthly pace of the Bank's preferred core measures, or clearer evidence that elevated energy costs are beginning to feed into broader consumer prices, could strengthen the case for an earlier rate hike, particularly if energy prices remain elevated. The Bank's more hawkish messaging in September suggests that Governing Council is increasingly attentive to these upside inflation risks, leaving open the possibility of a rate increase before year-end if underlying inflation pressures become more persistent. For now, however, this remains a risk to our outlook, with our base case continuing to favour no change in the policy rate through year-end (Chart 14).

Chart 13 - Core Inflation Measures Remain Near Target

Source: Statistics Canada, Raymond James Ltd.; Data as of August 31, 2026.

Chart 14 - Bank of Canada Likely to Remain on Hold

Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026.

Chart 15 - Major Components' Contributions to Canada CPI (Stacked Bars) and Latest Monthly CPI (Bracket Beside the Legend)

Source: Statistics Canada, Raymond James Ltd.; Data as of August 31, 2026. **Household operations, furnishing and equipment; ***Recreation, education and reading.

The U.S. economy remains resilient

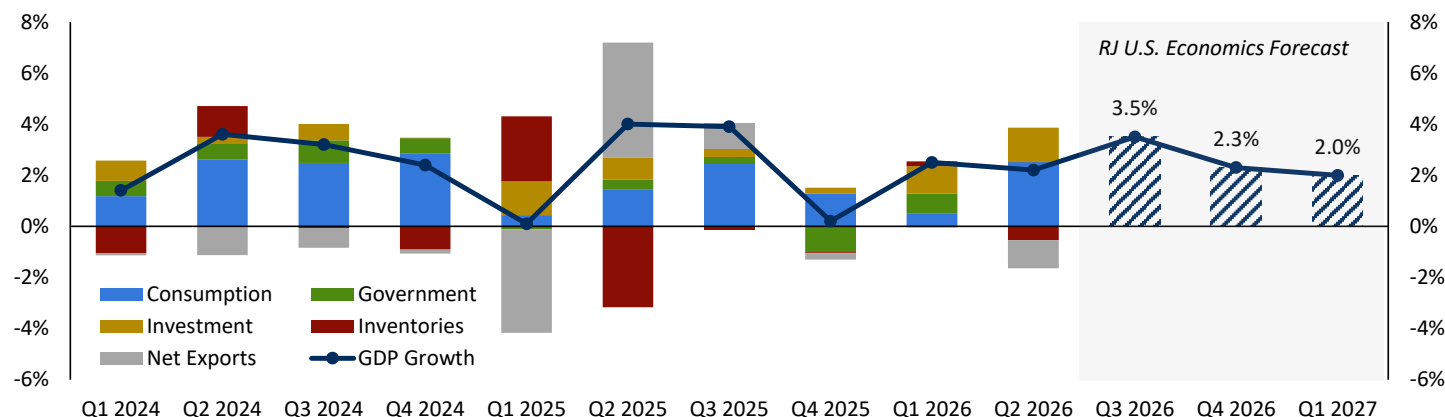
The big thing we're watching is the rise in long-term interest rates, specifically in the 10-year U.S. Treasury, which broke out sustainably above the psychological 5.0% level. Economic growth has been resilient in the U.S., despite oil prices being elevated, which has contributed to diesel prices and inflation. This is pressuring the Fed to tighten policy, through higher interest rates, and that adds upward pressure to the longer-term rates.

Domestic demand remained robust in 2Q26

U.S. real GDP growth was revised notably higher to a 2.2% q/q annualized pace in the final estimate for 2Q26, up from 1.5% previously (Chart 16). The release coincided with the BEA's annual update, which also revised 1Q26 growth higher to 2.5% q/q annualized from earlier 2.1%. Importantly, the revisions reinforced the strength in underlying domestic demand. Final sales to private domestic purchasers increased 4.6% q/q annualized, up from 4.2% in the second estimate and 3.9% initially, marking the strongest pace since 1Q23.

The upward revision to second-quarter growth was driven primarily by stronger consumer spending and business investment. Consumer spending contributed 2.5 percentage points to growth, up from 2.1 percentage points previously, while gross private domestic investment contributed another 1.4 percentage points, up from 1.2 percentage points. Meanwhile, net exports remained a sizeable drag, subtracting 1.1 percentage points from growth.

Overall, the final estimate reinforces the theme seen in recent quarters, with consumer spending and business investment remaining key drivers of U.S. economic growth. The continued surge in A.I.-related capital spending has become an increasingly important source of strength for the economy, alongside a resilient U.S. consumer.

Chart 16 - Contribution to % Change in U.S. GDP (q/q annualized)

Source: U.S. Bureau of Economic Analysis, Raymond James Ltd.; Data as of June 30, 2026.

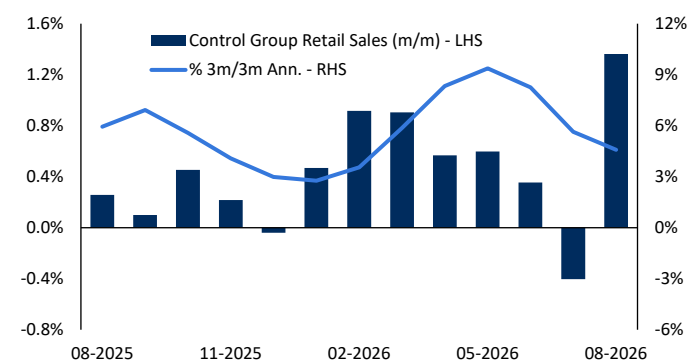
U.S. consumer strength carries into 3Q26

The strength in consumer spending seen in 2Q26 appears to have extended into the third quarter, despite a softer start in July. Retail sales increased a stronger-than-expected 1.2% m/m in August, following an upwardly revised 0.5% decline in July. More importantly, control group retail sales, which feed more directly into the calculation of consumer spending in GDP, increased a strong 1.4% m/m (Chart 17). The broader spending data showed a similar improvement, with personal consumption expenditures (PCE) rising 0.9% m/m in August after increasing just 0.1% in July. In real terms, PCE increased 0.6% m/m, also up from 0.1% in the prior month.

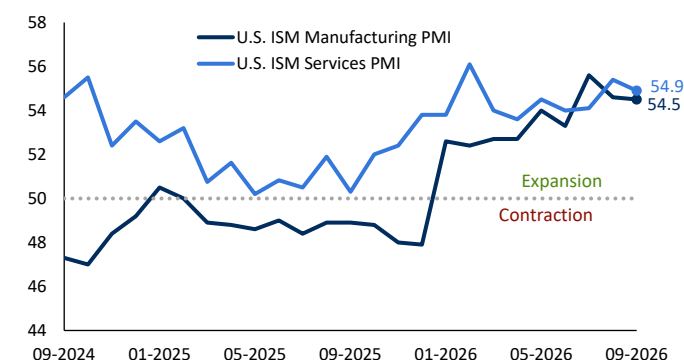
U.S. PMIs remain strong, but price pressures pick up

The ISM Manufacturing PMI remained firmly in expansion territory in September, holding almost unchanged at 54.5 compared with 54.6 in August (Chart 18). The underlying components were mixed, with the New Orders Index increasing 1.6 percentage points, while the Production Index declined by the same amount. Employment also strengthened during the month. However, the Prices Index increased sharply, as higher fuel and transportation costs put upward pressure on manufacturers' input costs. The pickup in cost pressures was not unexpected given the elevated oil prices.

The ISM Services PMI edged lower to 54.9 in September from 55.4 in August, slightly below expectations but remaining firmly in expansion territory. Business activity and new orders moderated from August but continued to signal growth, while the employment index moved back into expansion territory after two consecutive months in contraction. However, similar to the manufacturing PMI survey, the prices index continued to move higher, with survey commentary frequently highlighting higher fuel, transportation, and broader supply costs.

Chart 17 - U.S. Consumer Remains Resilient

Source: U.S. Census Bureau, Raymond James Ltd.; Data as of August 31, 2026.

Chart 18 - PMIs Continue to Signal Growth

Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026.

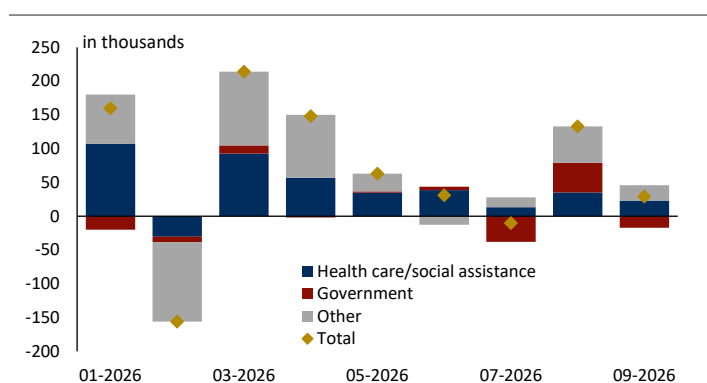
U.S. payroll growth moderates in September

U.S. non-farm payroll employment increased by 29k in September, below expectations for a 90k gain and down from a downward revised 133k increase in August (Chart 19). Revisions also subtracted a combined 60k jobs from the previous two months, including a revision to July payrolls to a 10k decline. Private-sector employment (excluding health care) increased by 23k in September, while downward revisions to prior months left the three-month average gain at 31k, broadly consistent with the moderate pace of job creation seen so far this year.

The labour force increased by 485k in September, alongside a 0.2 percentage point rise in the participation rate to 61.8%. The increase in labour supply contributed to the unemployment rate edging slightly higher to 4.2% from 4.1%. While participation has increased over the past two months, it has generally been on a declining trend since late 2025 (Chart 20).

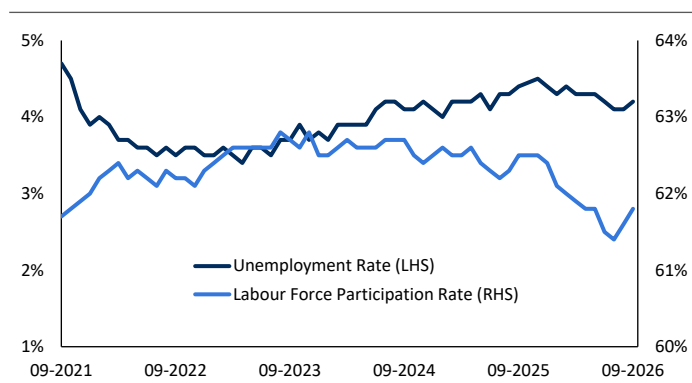
Overall, the September report remains consistent with a labour market characterized by moderate employment growth rather than a more significant deterioration. Initial and continuing jobless claims remain consistent with a relatively stable, low-layoff environment, while slower labour-force growth means fewer monthly job gains are required to keep the unemployment rate relatively stable. Wage pressures have also continued to moderate, with average hourly earnings rising just 0.1% m/m in September and 3.0% y/y, while the three-month annualized pace slowed to 2.4%. Taken together, labour market conditions remain relatively stable, despite weaker than expected job growth in September.

Chart 19 - U.S. Employment Growth Remains Moderate



Source: U.S. Bureau of Labor Statistics, Raymond James Ltd.; Data as of September 30, 2026.

Chart 20 - Unemployment Ticks Up as Labour Force Participation Increases



Source: U.S. Bureau of Labor Statistics, Raymond James Ltd.; Data as of September 30, 2026.

Higher energy prices keep headline inflation elevated in the U.S.

U.S. headline CPI increased 0.4% m/m in August, while the year-over-year rate remained unchanged at 3.4% (Chart 21). Higher energy prices was the main driver of the monthly increase, with gasoline prices rising 3.9% m/m and accounting for roughly one-third of the increase in headline CPI. Core CPI increased 0.3% m/m, although the year-over-year rate continued to moderate, edging down to 2.4% from 2.5% in July.

The Federal Reserve's preferred inflation gauge provided a somewhat more encouraging picture. Headline PCE prices increased 0.3% m/m in August, while core PCE increased 0.2% m/m, with both coming in below expectations. The release also included historical revisions, which lowered both headline and core PCE inflation in July to 0.1% m/m from 0.2% previously. On a year-over-year basis, headline and core PCE inflation were unchanged in August at 3.4% and 3.0%, respectively.

Upstream price pressures also increased in August, with the Producer Price Index (PPI) for final demand rising 0.4% m/m and 5.4% y/y. However, the increase was concentrated in goods prices (+1.1% m/m), driven by sharp increases in diesel, gasoline, and jet fuel prices. Services prices, meanwhile, increased just 0.1% m/m.

Overall, the August data continue to show a distinction between energy-driven headline inflation and underlying price pressures. Higher gasoline and diesel prices are putting upward pressure on headline inflation, while underlying inflation pressures remain relatively contained, albeit still above levels consistent with the Fed's target. As before, the broader inflation implications will depend on the persistence of elevated energy prices and the extent to which higher energy and transportation costs begin to spill over into other categories.

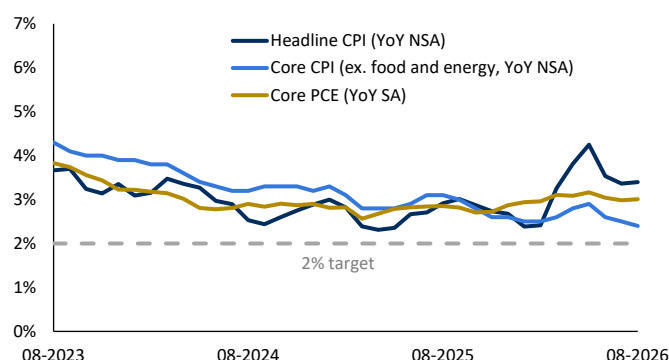
Fed now in a hiking cycle

The Federal Reserve increased the federal funds target range by 25 bps to 3.75%–4.00% at its September meeting, confirming the shift back toward tightening monetary policy. The accompanying dot plot reinforced the more hawkish stance, with the median projection pointing to one additional 25 bps hike by year-end, which would take the target range to 4.00%–4.25%. The median projection then keeps the policy rate around that level through the end of 2027, although given the continued strength in economic activity and persistence of above-target inflation, we see the potential for further tightening in early 2027.

The updated economic projections also reflected a stronger growth outlook alongside more persistent inflation. The Fed raised its 2026 real GDP growth forecast to 2.3% from 2.2% in June and its 2027 forecast to 2.4% from 2.3%. At the same time, the unemployment rate projection was lowered to 4.1% from 4.3% prior, for both years, while the 2026 PCE inflation forecast was increased to 3.7% from 3.6%. Importantly, the Fed does not expect PCE inflation to return to its 2% target until 2029, reinforcing the case for maintaining a restrictive policy stance for longer.

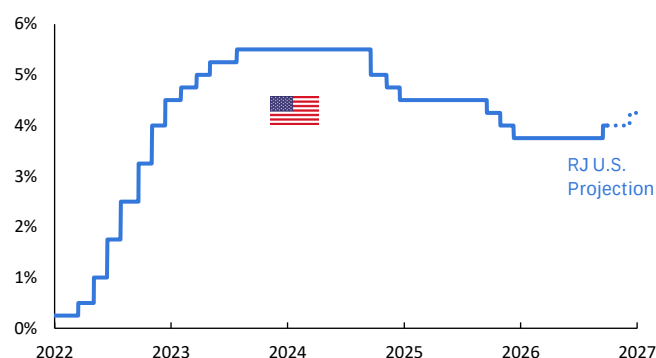
For now, our U.S. Economics team expects the Fed to remain on hold at its October meeting before delivering another 25 bps hike in December, ending the year at 4.00%–4.25% (Chart 22). Beyond year-end, the combination of resilient economic growth and inflation that remains above target could require additional tightening, with another one or two hikes possible early next year, although our base case is for rates to be held steady through 2027. Overall, the September meeting provided a clearer message that the Fed has moved back into a hiking cycle.

Chart 21 - U.S. Inflation Remains Elevated



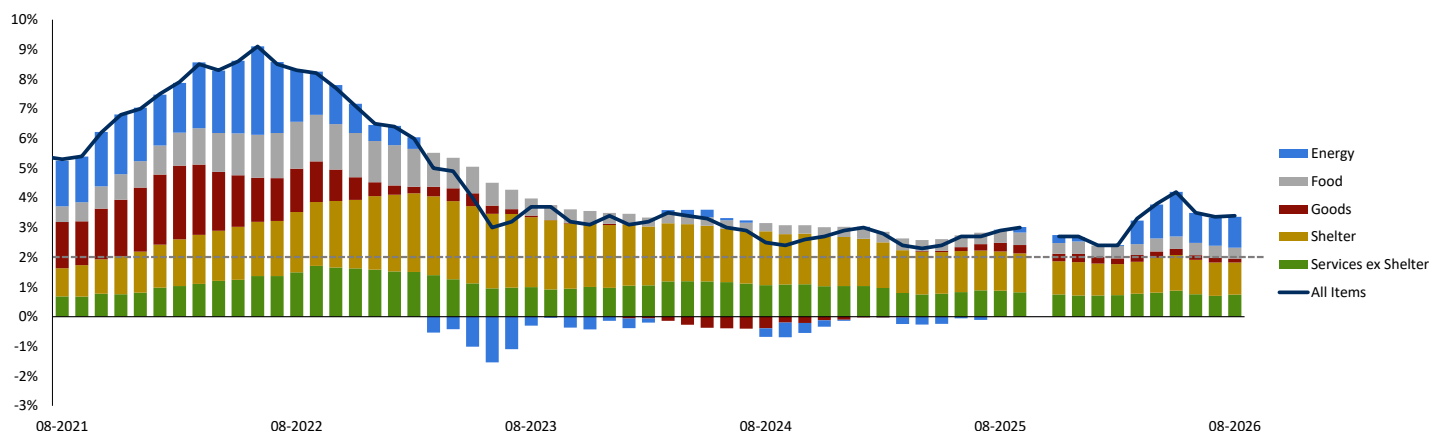
Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Raymond James Ltd.; Data as of August 31, 2026.

Chart 22 - Fed Shifts Back to Tightening



Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026.

Chart 23 - Major Components' Contributions to U.S. CPI



Source: U.S. Bureau of Labor Statistics, Raymond James Ltd.; Data as of August 31, 2026.

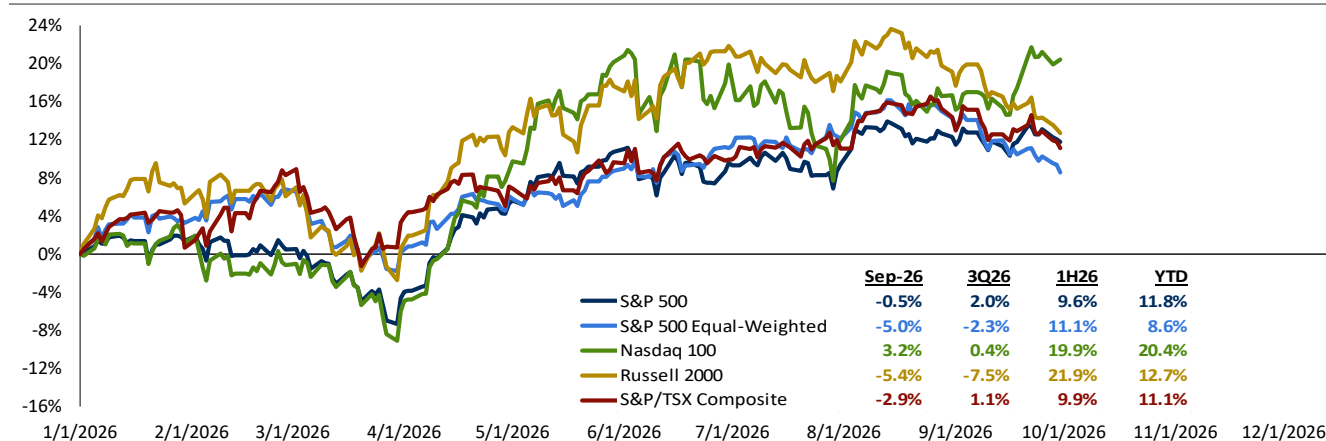
Financial Markets

Both the S&P 500 and S&P/TSX Composite succumbed to September's historically weak seasonality. With the strong 2Q26 earnings season now in the rear-view mirror, investor attention shifted back toward a range of macro headwinds, weighing on market sentiment as the month progressed. The S&P 500 declined modestly in September, posting a price return of -0.5% and a total return of -0.3%. Despite the monthly pullback, the index finished 3Q26 with price and total returns of 2.0% and 2.3%, respectively, bringing year-to-date gains to 11.8% and 12.7%. The advance has been supported by robust upward revisions to forward earnings expectations, which have more than offset the compression in forward valuation multiples.

Performance across other major U.S. equity indices was broadly consistent with the recent rise in the U.S. 10-year Treasury yield and a more challenging macro backdrop. Historically, mega-cap stocks have tended to outperform as the 10-year yield approaches a peak, a pattern that was again evident in September, with mega caps gaining 3.2% on a price basis. The picture was much tougher beneath the surface, however, as market breadth weakened considerably. By month-end, only 198 companies in the S&P 500 were trading above their 200-day moving average, while just 105 remained above their 50-day moving average, both down sharply from mid-August levels of 368 and 347, respectively (Chart 25). Against this backdrop, it was not surprising to see the S&P 500 Equal Weight Index and Russell 2000 each decline by around 5%, marking their second-worst monthly performance of the year after March, when the U.S.–Iran conflict began.

The S&P/TSX Composite saw a steeper decline, falling 2.9% on a price basis and 2.6% on a total return basis. Market breadth also weakened from mid-August levels. By month-end, 107 and 58 companies were trading above their 200-day and 50-day moving averages, respectively, down from 149 and 143 in mid-August (Chart 29). The pullback was broad-based, but weakness in the heavily weighted Materials and Energy sectors accounted for an outsized share of the decline. September's setback also erased more than half of the gains accumulated earlier in the quarter, leaving the index with 3Q26 price and total returns of 1.1% and 1.6%, respectively. Year to date, the S&P/TSX Composite has gained 11.1% on a price basis, slightly trailing the S&P 500, while its 13.0% total return remains modestly ahead.

Chart 24 - Selected Indices Price Returns



Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026. Price return in local currency.

U.S. Equities

We believe the U.S. market cycle is maturing, but that does not necessarily mean the bull market is nearing its end. Historical patterns around 10-year yield peaks, together with supportive year-end and post-midterm seasonality, suggest there may still be room for further gains over the next 12 months. We remain constructive on U.S. equities, but believe a more mature cycle calls for greater selectivity as valuations face increasing pressure. For now, we continue to favour high-quality mega-cap technology given its durable earnings growth and leadership in A.I.; as yields eventually stabilize, opportunities could broaden to select year-to-date lagging sectors. Oil remains an important macro risk, while the durability of the current bull cycle will increasingly depend on A.I. monetization and continued earnings delivery.

Signals of a Maturing Cycle

Looking through the recent crosswinds, several market and economic signals increasingly point to a similar conclusion: we are likely moving through the mid-to-later stages of the cycle. Importantly, a maturing cycle does not necessarily mean the bull market is nearing its end. Historically, this phase can still deliver meaningful equity gains, although leadership, valuations and the sources of returns often begin to change.

The four main signals we are watching collectively paint an increasingly consistent picture of a maturing cycle:

Earnings: Earnings growth has been exceptionally strong, a characteristic typically associated with the middle stage of the cycle. While A.I.-related sectors have been the largest contributors to overall index-level growth, earnings strength has remained relatively broad-based, supported by healthy demand and margin expansion. However, after seven consecutive quarters of double-digit year-over-year growth, increasingly difficult comparisons should gradually raise the bar. At the same time, much of the earnings strength in semiconductors and IT hardware ultimately reflects capital spending elsewhere in the ecosystem, particularly by hyperscalers. While A.I.-related CAPEX remains robust, there are early signs that its rate of growth is beginning to moderate. Market cycles are rarely linear, but these dynamics suggest earnings growth is likely to normalize from the recent 25%+ pace as we move into 2027.

Breadth: Market breadth has deteriorated since mid-August. As volatility has increased and macro headwinds have resurfaced, fewer stocks have participated even as the headline index has held up relatively well (Chart 25). This narrowing in participation is consistent with a market becoming increasingly selective as the cycle matures.

Market-cap and sector leadership: Mega caps have outperformed while equal-weight and small-cap indices have struggled. As uncertainty rises, capital has tended to gravitate toward larger companies given their greater liquidity, stronger balance sheets and lower sensitivity to higher borrowing costs. Many mega caps also remain at the center of powerful structural growth themes, particularly A.I., giving investors greater confidence in their ability to weather near-term volatility. Against this backdrop, it is not surprising that mega-cap technology has led the market over the past two months.

10-year Treasury: Several factors have contributed to the recent rise in the U.S. 10-year Treasury yield. While fiscal concerns have been an important and potentially longer-lasting driver that is not necessarily tied to a particular stage of the economic cycle, other factors behind the increase, including stronger real growth and inflation expectations, carry more cyclical significance. These suggest increasing concern that the economy may be running above a sustainable pace, a characteristic more commonly associated with the expansionary phase of the economic cycle. Because financial markets are forward-looking and typically move ahead of the underlying economy, this would be more consistent with a mid-to-later stage of the market cycle. This interpretation also aligns with historical patterns around 10-year yield peaks, when market leadership has tended to shift toward mega caps and become more concentrated, similar to what we are seeing today.

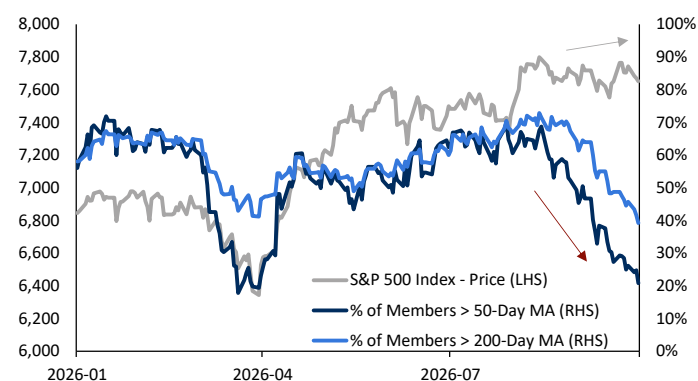
Lessons From Past 10-Year Yield Peaks

If these signals are indeed pointing toward a more mature phase of the market cycle, the next question is what typically follows. The 10-year Treasury yield provides a useful historical roadmap, particularly given the close relationship between recent yield movements and changing market leadership.

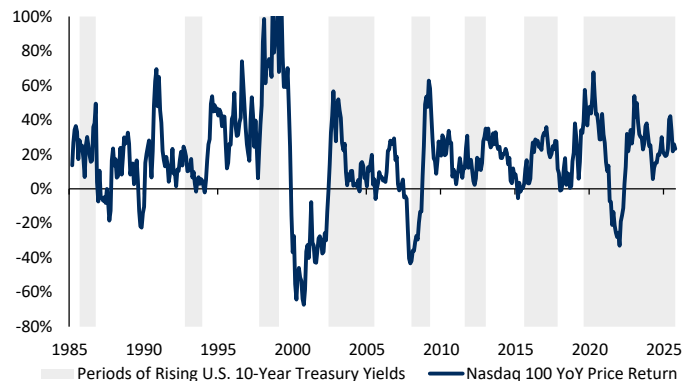
As discussed, rising 10-year Treasury yields can partly reflect expectations for stronger growth and inflation as the economy runs at a robust pace. While higher yields increase borrowing costs and put downward pressure on equity valuations through higher discount rates, the underlying economic strength can also support earnings growth. At the index level, stronger earnings have historically helped offset some of the pressure from multiple compression.

If the 10-year yield is indeed approaching a peak, history suggests market leadership could become increasingly concentrated. Historically, the tech-heavy Nasdaq 100 has meaningfully outperformed major U.S. large-, mid- and small-cap indices during the period approaching past yield peaks. Its performance in the months immediately preceding a yield peak has generally remained resilient, if not strengthened (Chart 26), even as returns across other major indices have weakened. The S&P 500 Equal Weight Index, in particular, has historically experienced more pronounced weakness approaching the peak. This pattern of mega-cap leadership and narrowing breadth is broadly consistent with what we are seeing today. The shift in leadership has also historically been visible at the sector level. Information Technology has historically been the strongest-performing sector over the 12 months leading up to a 10-year yield peak. As the peak draws closer, particularly within the final six months, leadership has tended to shift increasingly toward defensive sectors such as Consumer Staples, Health Care and Utilities, while Financials have faced the greatest pressure.

The encouraging part of the historical pattern is what has tended to follow. During the first 12 months after the 10-year yield peaks, equities have generally continued to perform well while market participation has broadened, with the S&P 500 Equal Weight Index historically outperforming both the cap-weighted S&P 500 and the Nasdaq 100. Beyond that initial period, however, returns have historically become choppy and downside risks have increased, broadly coinciding with the point at which slowing economic activity begins to weigh more meaningfully on markets.

Chart 25 - A Few Leaders Support the Index as Breadth Narrows

Source: Bloomberg, Raymond James Ltd.; Data as of September 30, 2026.

Chart 26 - U.S. Mega Caps* Have Historically Held Up Near 10-Year Yield Peaks

Source: Bloomberg, Raymond James Ltd.; Data as of September 30, 2026.

*Represented by the Nasdaq 100 Index, which comprises 100 of the largest non-financial companies listed on Nasdaq.

What Matters in the Months Ahead

Looking ahead, the U.S. midterm election is likely the next major event for markets. Historically, 3-, 6- and 12-month returns following midterms have tended to be stronger than in non-election years, as fading political uncertainty provides an additional tailwind. Year-end seasonality could also support broader participation, with year-to-date laggards and weaker-performing sectors historically seeing some catch-up in November and December. However, the extent of any broadening will likely depend in part on the path of oil prices and long-term yields.

The more difficult variable to predict is the U.S.–Iran conflict, given its influence on energy prices, inflation and, in turn, bond yields. Our base case remains that oil prices normalize in 2027. If geopolitical tensions ease, a meaningful increase in global oil supply could push prices lower. Even in a less likely scenario where the conflict escalates and oil prices spike, sufficiently high prices could eventually weaken economic activity and oil demand, ultimately bringing prices back down. The path to normalization, however, would be much more disruptive and could put the current bull cycle at risk.

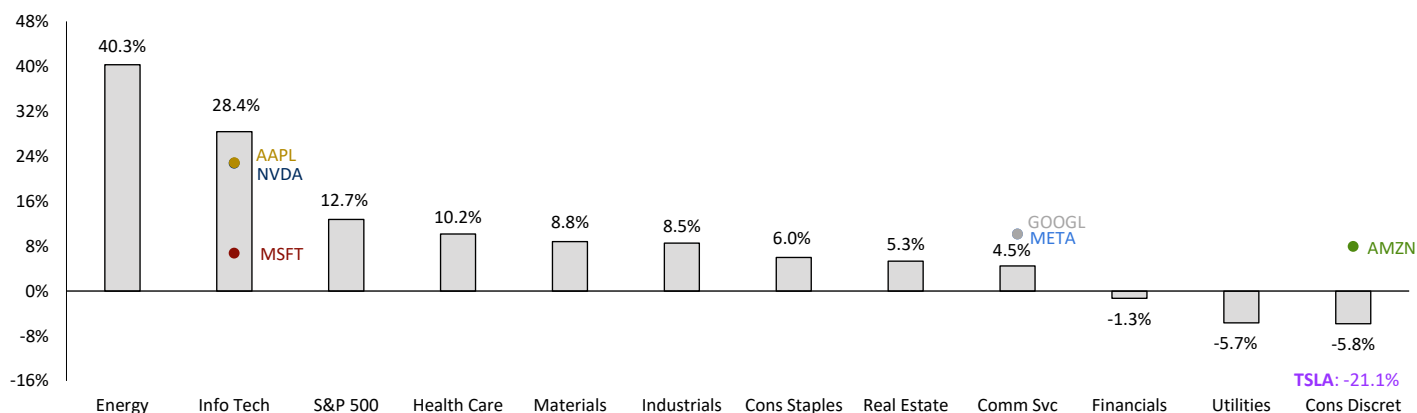
The scenario that could keep oil prices elevated for longer is a prolonged but contained conflict, similar to what we have experienced since late July. If WTI remains around \$90/bbl through 2027, high enough to sustain inflation pressure but not high enough to trigger a recession, the 10-year yield could remain elevated, and market breadth could stay narrow. In that environment, the bull market would not necessarily end, but leadership would likely remain concentrated and selectivity increasingly important.

How Much Runway Is Left?

How long the current market cycle can run will increasingly depend on several interconnected factors. Continued fiscal and industrial-policy support could help sustain economic activity and corporate earnings, providing a supportive backdrop for equities. At the same time, the durability of the A.I. theme, an increasingly important driver of market earnings and sentiment, will ultimately depend on whether monetization can catch up with investment. Strong semiconductor, hardware and cloud earnings demonstrate robust demand for building A.I. infrastructure, but infrastructure spending alone may not be enough to sustain the broader market indefinitely; the application layer will increasingly need to demonstrate credible earnings visibility and returns on that investment. Capital-market appetite will also be important, as hyperscalers require substantial financing to support their investment plans. A meaningful deterioration in demand for incremental debt or equity issuance, particularly before broader A.I. monetization becomes visible, could challenge an important source of earnings growth and market support. Similarly, a high-profile A.I. IPO that prices materially below elevated private-market expectations could test valuations and investor confidence across the broader A.I. ecosystem.

Outside of A.I., a more significant macro risk remains the ongoing U.S.–Iran conflict. A further escalation that sends oil prices sharply higher, or keeps them elevated for a prolonged period, could intensify inflation pressures, keep yields higher and ultimately push the economy toward recession. It remains difficult to know what will ultimately mark the end of the cycle, but these are among the key developments that could materially shift the balance of risks.

Chart 27 - S&P 500 Sector and “Magnificent Seven” YTD Total Returns



Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026.

Chart 28 - S&P 500 & Sector Performance Quilt

S&P 500 & Sector Performance Quilt																			
S&P 500	S&P 500 Eq. Wgt.	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
-0.7%	-2.3%	3	2	2	6	4	2	5	2	7	5	10	8	1	6	11	7	8	2
6.3%	4.3%	0.8%	9.6%	7.3%	2.4%	3.6%	5.6%	1.9%	6.4%	-1.0%	5.8%	-5.1%	-7.3%	18.5%	-0.9%	-7.8%	0.6%	-1.2%	4.3%
5.1%	3.4%	17.9x	19.3x	20.4x	20.1x	20.7x	21.9x	22.1x	23.2x	22.7x	23.5x	22.0x	20.1x	21.5x	21.3x	19.4x	17.8x	17.6x	18.5x
2.2%	1.0%	6	3	7	5	5	4	3	10	4	7	11	5	3	2	9	6	0.0%	7
2.0%	2.7%	-0.3%	9.4%	2.2%	2.6%	3.4%	3.2%	2.4%	-2.4%	0.8%	1.7%	-5.4%	-5.6%	11.7%	2.6%	-4.7%	0.8%	25.2x	-5.8%
3.7%	1.1%	26.3x	28.8x	29.1x	29.6x	29.5x	30.4x	30.6x	29.7x	29.6x	30.4x	28.7x	26.8x	28.6x	29.0x	27.2x	25.0x	25.2x	23.8x
2.3%	-0.9%	2	8	11	10	8	10	8	4	9	3	4	9	7	9	6	5	7	5
0.2%	1.9%	1.2%	1.8%	-1.9%	-2.4%	1.6%	-1.6%	-2.3%	4.0%	-1.6%	7.7%	7.9%	-7.4%	3.1%	-3.2%	0.5%	2.1%	-0.7%	-3.3%
0.1%	0.4%	23.6x	24.0x	23.4x	22.6x	22.7x	22.4x	21.8x	22.7x	22.2x	23.7x	25.6x	23.6x	24.3x	23.0x	22.8x	23.0x	22.5x	21.6x
1.5%	-0.8%	11	9	3	4	3	9	7	5	5	1	2	1	11	11	10	1	1	4
-0.8%	-5.0%	-13.6%	14.2x	14.6x	15.1x	15.3x	15.5x	15.4x	15.6x	16.0x	19.2x	20.8x	19.4x	15.1x	13.1x	12.5x	13.7x	14.1x	12.9x
-5.0%	10.5%	8	5	5	7	6	8	10	7	1	11	8	3	6	8	3	2	5	11
10.5%	5.3%	-2.1%	4.4%	3.2%	0.0%	3.1%	0.1%	-2.8%	1.9%	3.1%	-2.4%	-3.7%	-3.5%	5.6%	-1.1%	4.4%	6.2%	1.3%	-7.2%
5.3%	2.7%	16.0x	16.7x	17.1x	16.6x	16.9x	16.7x	15.8x	15.9x	16.3x	15.6x	14.8x	14.2x	14.7x	14.4x	14.8x	15.2x	15.2x	14.0x
-1.0%	-0.1%	10	11	8	11	2	6	2	1	8	9	7	10	10	3	2	4	4	3
-0.1%	2.1%	-3.7%	-5.5%	2.1%	-3.3%	5.4%	1.8%	3.6%	9.3%	-1.4%	0.0%	3.5%	-8.1%	-0.4%	2.5%	6.6%	2.4%	4.9%	-0.9%
2.7%	-0.3%	17.3x	16.4x	16.6x	16.4x	17.0x	17.1x	17.6x	19.0x	18.6x	18.9x	19.2x	17.4x	17.0x	17.7x	18.5x	18.7x	19.0x	18.6x
-0.3%	-4.8%	4	4	4	3	10	5	6	9	3	4	5	11	5	5	1	10	10	6
		0.2%	8.8%	3.6%	3.0%	0.0%	1.9%	0.5%	-0.9%	1.3%	6.7%	7.1%	-8.4%	7.9%	-0.8%	7.3%	-3.0%	-2.6%	-4.4%
		22.0x	23.6x	24.2x	24.7x	24.3x	24.6x	24.7x	24.1x	24.0x	25.4x	26.9x	24.4x	25.7x	24.9x	26.5x	23.7x	23.7x	22.5x
		1	1	1	1	9	1	11	6	10	9	9	4	2	1	8	11	2	1
		1.6%	10.9%	9.8%	5.2%	0.3%	7.2%	6.2%	-4.3%	-0.3%	-1.7%	-3.9%	-3.8%	17.5%	16.0%	-3.3%	-3.4%	6.2%	4.5%
		24.6x	27.0x	29.2x	30.0x	29.1x	30.3x	31.1x	28.3x	26.6x	25.2x	23.5x	20.9x	23.8x	25.9x	23.3x	21.6x	21.4x	21.5x
		9	7	6	9	1	11	11	3	2	2	3	7	8	4	7	8	3	10
		-2.2%	3.0%	2.3%	-0.4%	5.8%	-2.1%	-5.0%	4.2%	2.2%	8.7%	8.4%	-6.9%	2.7%	-0.7%	0.0%	-1.7%	6.0%	-6.7%
		20.0x	20.4x	20.6x	20.0x	21.0x	20.6x	19.0x	19.5x	19.3x	20.3x	21.5x	19.2x	18.4x	17.7x	17.5x	17.2x	18.1x	16.7x
		7	10	10	8	7	7	9	6	10	6	6	6	4	7	5	3	9	9
		-1.2%	1.0%	0.2%	-0.1%	2.2%	0.5%	-2.6%	2.0%	-2.2%	2.8%	6.4%	-6.0%	8.8%	-1.1%	0.8%	2.5%	-1.9%	-6.1%
		18.0x	18.0x	17.8x	17.8x	18.1x	17.9x	17.4x	17.7x	17.1x	17.6x	18.7x	17.4x	18.6x	18.3x	18.1x	18.1x	18.1x	16.8x
		5	6	9	2	11	3	4	8	11	8	1	2	9	10	4	9	11	8
		0.1%	3.8%	0.3%	4.9%	-1.6%	4.2%	2.1%	1.8%	-5.1%	1.4%	10.3%	-3.2%	2.1%	-5.1%	2.7%	-2.2%	-4.8%	-5.9%
		17.7x	18.1x	18.0x	18.7x	18.2x	18.7x	19.0x	19.1x	17.9x	18.0x	19.6x	18.8x	19.0x	17.8x	18.1x	17.6x	16.6x	15.5x

Legend
Sector Rank
Total Return
P/E NTM

Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026.

Canadian Equity Markets

We remain constructive on Canadian equities despite the recent narrowing in market breadth. A strengthening government- and private-sector investment cycle, manageable U.S. tariff impacts, and a relatively favourable rate backdrop, continue to support the outlook. We maintain our preference for Energy and our long-term bullish view on gold, while seeing encouraging signs that fiscal support and trade diversification are translating into broader investment opportunities. Overall, we believe the Canadian market remains well positioned, although greater selectivity may be warranted following the strong year-to-date advance.

Commodities Drive, Tech Rebounds, Breadth Narrows

In 3Q26, volatile commodity prices were a key driver of S&P/TSX Composite performance. Given the index's significant exposure to Energy and Materials, global macro developments continued to have an outsized influence on returns. Outside of commodities, Information Technology was a notable bright spot, rebounding after a difficult first half, as broad negative sentiment toward Software & Services began to ease and investors became more selective in reassessing individual companies' positioning in the A.I. era. This shift has favoured the TSX's leading software company, which is emerging as an important player in agentic commerce. The divergence became particularly evident in September, when Information

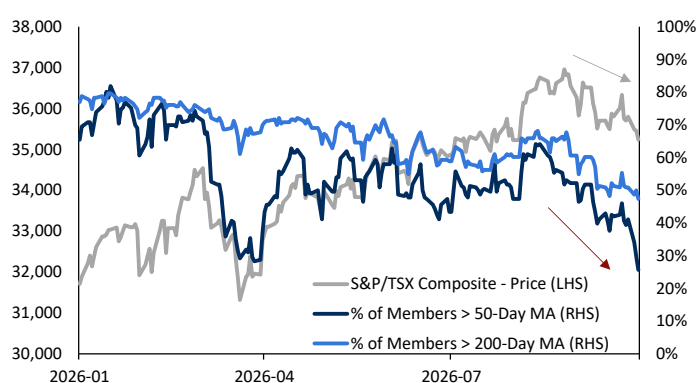
Technology was the only sector to generate a positive return, while all other sectors declined amid varying degrees of multiple compression. More broadly, market participation deteriorated, with the number of S&P/TSX Composite companies trading above their 50- and 200-day moving averages falling to their lowest levels of the year (Chart 29).

Investment Tailwinds Continue to Build

Stepping back from the recent weakness, three quarters into 2026, an encouraging development has been the strong performance of sectors we identified [last year](#) as key potential beneficiaries of Budget 2025. Many of these areas now rank among the year-to-date market leaders. While their performance also reflects other factors, including the global macro backdrop, progress on major projects and improving signs of investment activity suggest that fiscal support and government-led investment are beginning to translate into tangible benefits for companies exposed to these themes. Market performance increasingly suggests that investors are also gaining confidence in that outlook.

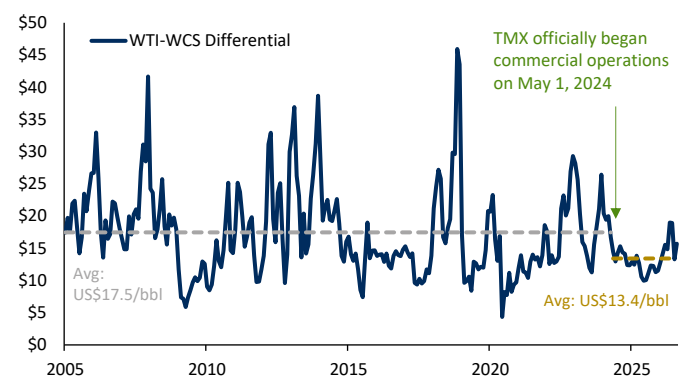
Looking ahead, we remain constructive on Canadian equities. A strengthening government- and private-sector investment cycle, our long-term bullish view on gold, and growing trade diversification, particularly benefiting Energy, provide important tailwinds. Meanwhile, the impact of U.S. tariffs remains manageable, and a lower, more contained Canadian 10-year yield provides a relatively supportive backdrop for valuations.

Chart 29 - Market Breadth Falls to Its Weakest Level of the Year



Source: Bloomberg, Raymond James Ltd.; Data as of September 30, 2026.

Chart 30 - WTI-WCS Differential Has Narrowed Since TMX Began Operations



Source: U.S. Energy Information Administration, Alberta Energy, Raymond James Ltd.; Data as of August 31, 2026.

Energy: Export Capacity Matters Beyond Oil Prices

For Energy, as discussed above (see “What Matters in the Months Ahead”), our base case remains that oil prices normalize in 2027. If geopolitical tensions ease, rising global supply could bring WTI back toward the mid-to-high US\$60s/bbl range. While lower oil prices would compress upstream margins, relatively low operating break-evens in the C\$40s and additional midstream capacity should continue to support incremental production growth and underpin sector performance.

Beyond the near-term path of oil prices, midstream capacity is the more important factor to watch. As upstream producers increase output to serve U.S. and Indo-Pacific demand, transportation and export capacity must expand alongside production. If midstream capacity becomes a bottleneck, excess Western Canadian supply could put downward pressure on WCS prices and widen differentials. Conversely, if capacity keeps pace with production growth, improved access to end markets could provide more durable support for the sector.

The Trans Mountain Expansion Project (TMX) provides a good example of the value of additional capacity. The expansion increased Western Canada's tidewater export capacity roughly seven-fold, improving access to Indo-Pacific markets and helping Canadian crude exports to non-U.S. destinations roughly triple. A more diversified customer base has also improved pricing dynamics, with the average WTI-WCS differential narrowing from approximately US\$17.50/bbl before TMX to around US\$13.40/bbl afterward (Chart 30). For this reason, while oil prices will remain an important near-term driver of Energy returns, the pace of midstream buildout relative to upstream production may be the more consequential factor for the sector's longer-term outlook.

Gold: Inflation Can Work Both Ways

For gold, we maintain our view that 3Q26 prices were broadly aligned with prevailing macro expectations, with anticipated Fed rate hikes already largely priced in. Looking ahead, we see greater potential for a downside surprise to policy-rate expectations than an upside surprise,

which could provide additional support for gold over time. More importantly, the structural case remains intact, supported by continued reserve diversification and institutional demand. That said, the ongoing U.S.–Iran conflict could complicate the near-term rate backdrop. Even if Fed policy expectations become less hawkish, higher energy prices and persistent inflation concerns could keep longer-term yields elevated, weighing on gold by increasing the opportunity cost of holding a non-yielding asset. Over a longer horizon, however, heightened inflation concerns and geopolitical uncertainty could increasingly work in gold's favour by strengthening its appeal as an inflation hedge and safe haven.

Top 3 Sectors (3Q26):

- **Information Technology:** After a difficult first half of 2026, Information Technology rebounded strongly in 3Q26, although performance remained volatile. Given the sector's heavy weighting toward Software & Services, the earlier weakness largely reflected concerns over the disruptive impact of A.I. Sentiment improved following the 2Q26 earnings season, supported by stronger-than-expected results and encouraging business outlooks from several leading software companies. The rebound has been led by the TSX's largest software company, which is emerging as an important player in agentic commerce. Both multiple expansion and improving earnings expectations contributed to the sector's 17.9% price return, bringing its forward P/E to 29.1x, around the 66th percentile of its historical range. We believe the rebound has further room to run, but expect performance to become increasingly differentiated at the company level as competition intensifies, particularly as mega-cap technology companies expand further into the application layer.
- **Materials:** The sector experienced significant volatility through 3Q26, finishing flat in July before surging 25.8% in August and giving back 7.4% in September. Overall, the quarterly gain was driven entirely by multiple expansion, although the sector's forward P/E of 14.1x remains at just the 21st percentile of its historical range. Gold was a key driver of the quarter's swings: Treasury Secretary Bessent's Treasury buyback plan renewed attention on U.S. fiscal sustainability, while U.S. dollar weakness helped propel gold above US\$4,600/oz in August. In September, however, the Fed rate hike and renewed inflation concerns created near-term headwinds. As discussed above, we remain constructive on the longer-term outlook for gold, supported by continued central bank purchases, increased institutional allocations, and heightened geopolitical, inflation and U.S. fiscal concerns.
- **Energy:** Sector performance largely tracked volatile oil prices through the quarter, generating a total return of 3.3% in 3Q26. Both multiple expansion and upward revisions to earnings expectations contributed to the gain, leaving the sector trading at a forward P/E of 15.4x, slightly above its historical median. Looking ahead, even if our base case for oil-price normalization in 2027 materializes, we continue to see opportunities within the sector. Companies with greater downstream exposure could be well positioned, as lower crude prices reduce feedstock costs and could support refining margins. Integrated producers with meaningful refining operations may therefore be better positioned to navigate a lower oil-price environment while continuing to benefit from growth elsewhere in their businesses.

Bottom 3 Sectors (3Q26):

- **Communication Services:** As we noted last month, the sector's 4.0% rebound in August appeared to be a modest recovery following meaningful losses in June and July, rather than a clear change in trend. That weakness resurfaced in September, with the sector falling nearly 10% and posting its worst monthly performance of the year. Higher long-term yields weighed on rate-sensitive telecom stocks, while fundamentals remained challenged by elevated leverage, intense competition, and subdued subscriber and ARPU growth. We continue to view 2026 as a transition year for the sector. Absent support from a more risk-off environment or a rotation toward defensive areas of the market, these structural headwinds are likely to limit investor interest in the near term. Valuations remain inexpensive, with the sector trading at 11.3x forward earnings, around the 2nd percentile of its historical range.
- **Utilities:** The sector's underperformance in 3Q26 was broad-based. Elevated valuations left this rate-sensitive area particularly vulnerable to the recent rise in 10-year government bond yields, with the sector ending September at 23.2x forward earnings, around the 86th percentile of its historical range. More moderate earnings growth relative to other areas of the market also weighed on its appeal. Longer term, we remain constructive on the demand outlook, supported by rising power needs from A.I.-related infrastructure and broader electrification. However, lengthy development timelines and regulatory constraints mean these tailwinds may take time to translate into earnings. Against a near-term backdrop of elevated valuations and higher yields, we maintain a neutral stance on the sector.
- **Real Estate:** The sector's underperformance in 3Q26 was broad-based, with weakness across all segments. Despite valuations remaining near the lower end of their historical range, the sector's rate sensitivity left it particularly vulnerable to the recent rise in 10-year government bond

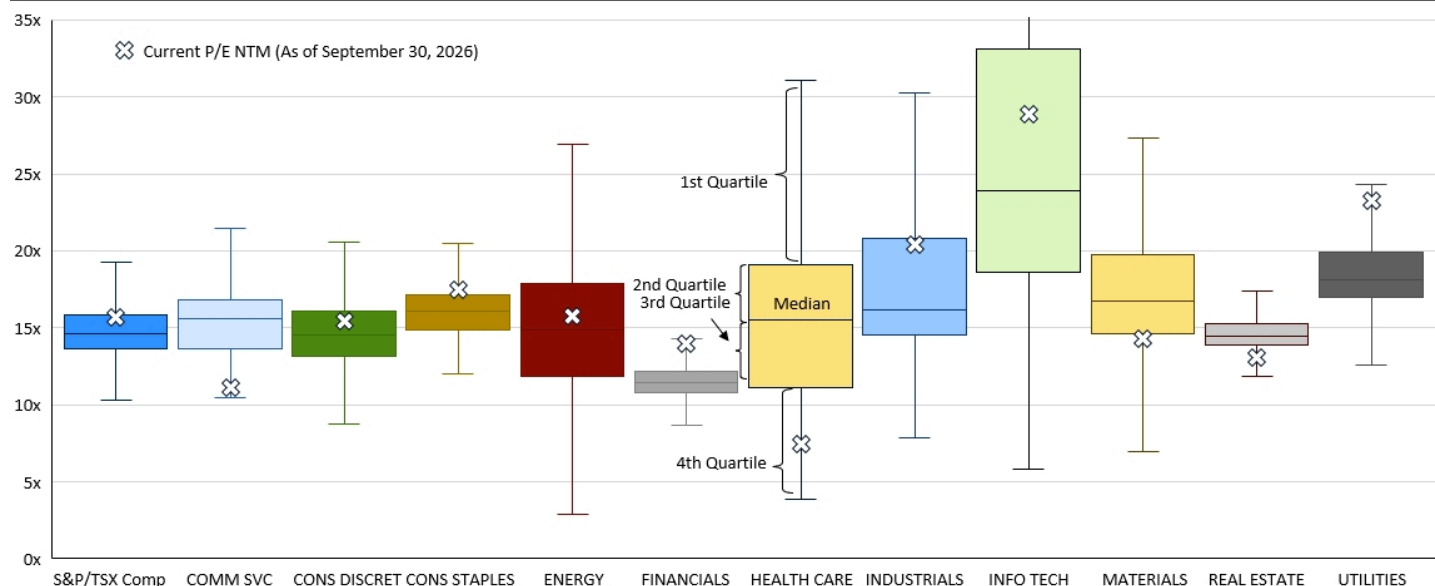
yields. Negative earnings growth in 2Q26, the weakest among S&P/TSX Composite sectors, provided little fundamental support to offset the pressure from higher yields. Looking ahead, Retail and Industrial REITs may continue to stand out on a relative basis. At the broader sector level, however, limited exposure to higher-growth areas such as data centres may constrain the potential for sustained outperformance.

Table 2 - S&P/TSX Composite Sector Performance and Valuations (Ranked by 3Q26 Total Return)

Sector Name	Sector Weight	YTD Total Return	3Q26 Total Return	1M Total Return	Current P/E NTM	Historical P/E NTM
Information Technology	8.8%	-2.8%	17.9%	3.5%	29.1	23.8
Materials	18.3%	10.5%	12.9%	-7.4%	14.1	16.7
Energy	16.4%	27.7%	3.3%	-3.7%	15.4	14.9
S&P/TSX Composite	--	13.0%	1.6%	-2.6%	15.6	14.6
Financials	34.2%	19.5%	-3.0%	-1.1%	14.0	11.5
Industrials	10.1%	6.8%	-3.2%	-1.2%	20.3	16.2
Consumer Discretionary	2.9%	-0.7%	-5.1%	-2.1%	15.2	14.5
Health Care	0.3%	3.0%	-5.4%	-0.6%	7.7	15.5
Consumer Staples	3.0%	1.3%	-7.0%	-1.6%	17.3	16.1
Utilities	3.3%	9.3%	-7.2%	-2.5%	23.2	18.1
Real Estate	1.2%	-3.9%	-7.3%	-3.3%	12.8	14.5
Communication Services	1.4%	-13.6%	-9.3%	-9.8%	11.3	15.6

Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026. The S&P/TSX Healthcare sector has been excluded from the performance commentary due to its minimal representation in the S&P/TSX Composite Index.

Chart 31 - S&P/TSX Composite Sector Current vs. Historical P/E NTM



Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026. Historical P/E: 1/1/2000 – 9/30/2026. Excluding outliers.

Chart 32 - S&P/TSX Composite & Sector Performance Quilt

TSX Composite & Sector Performance Quilt																		
TSX Composite	-0.1%	5.6%	2.9%	1.7%	5.0%	5.4%	1.0%	3.9%	1.3%	0.8%	7.7%	-4.3%	3.8%	2.5%	0.5%	1.2%	3.1%	-2.6%
	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Communication Services	9	8	7	1	4	11	6	8	7	3	8	4	11	1	10	11	3	11
	-2.5%	2.2%	2.9%	5.0%	4.4%	-1.8%	0.3%	-1.3%	-0.6%	3.7%	2.8%	-0.7%	-6.5%	6.9%	-9.9%	-3.3%	4.0%	-9.8%
	12.3x	12.4x	12.5x	13.1x	13.7x	13.3x	13.2x	13.0x	12.8x	13.2x	14.1x	13.8x	12.9x	13.7x	12.2x	12.4x	12.7x	11.3x
Consumer Discretionary	3	2	4	6	8	7	5	3	4	10	2	10	4	8	6	4	7	6
	1.8%	8.1%	3.7%	2.1%	0.7%	0.9%	1.6%	7.5%	1.6%	-5.3%	10.5%	-8.2%	6.2%	0.3%	2.3%	1.2%	-4.2%	-2.1%
	16.1x	17.3x	17.8x	17.8x	17.6x	17.3x	17.0x	18.0x	17.9x	16.8x	17.8x	16.2x	17.2x	17.0x	17.2x	16.7x	15.8x	15.2x
Consumer Staples	1	10	11	7	11	8	9	2	8	6	3	5	9	9	2	3	10	5
	5.6%	1.2%	-2.1%	2.1%	-0.8%	0.3%	-1.2%	8.8%	-0.7%	-3.9%	10.0%	-2.5%	-0.8%	-1.3%	8.0%	1.5%	-6.9%	-1.6%
	18.3x	18.5x	18.3x	18.4x	18.1x	17.8x	17.3x	18.7x	18.5x	17.8x	19.3x	18.6x	18.5x	18.1x	19.0x	19.3x	18.0x	17.3x
Energy	10	5	6	4	6	2	8	4	9	1	4	1	7	10	9	1	4	9
	-6.3%	4.5%	3.4%	2.6%	4.0%	5.6%	-0.9%	4.4%	-1.7%	10.6%	8.8%	8.2%	2.0%	-2.8%	-4.1%	6.9%	0.3%	-3.7%
	13.9x	15.3x	16.1x	16.4x	16.6x	17.4x	17.6x	18.1x	17.8x	21.6x	23.4x	23.4x	17.0x	15.7x	15.2x	16.3x	16.2x	15.4x
Financials	5	4	5	8	5	3	4	5	1	7	9	6	2	3	1	5	6	3
	1.6%	6.5%	3.6%	1.5%	4.3%	4.5%	1.7%	4.1%	4.4%	-1.5%	2.7%	-3.0%	10.6%	4.4%	8.8%	1.0%	-2.9%	-1.1%
	11.4x	12.0x	12.4x	12.4x	12.6x	13.0x	13.0x	13.3x	13.6x	13.2x	13.2x	12.6x	13.8x	14.1x	15.2x	15.1x	14.3x	14.0x
Health Care	11	11	1	11	2	5	2	10	3	9	6	9	1	11	3	2	11	2
	-6.8%	1.1%	9.4%	-6.2%	9.2%	3.0%	4.3%	-4.7%	2.0%	-4.2%	8.6%	-8.2%	13.2%	-5.0%	6.0%	2.4%	-7.0%	-0.6%
	5.7x	5.9x	4.7x	4.5x	4.9x	7.2x	7.3x	6.9x	6.9x	6.7x	7.4x	6.6x	7.6x	6.9x	8.3x	8.2x	7.4x	7.7x
Industrials	8	1	9	10	10	9	7	7	5	6	7	8	3	6	4	8	5	4
	-1.0%	8.9%	0.3%	-0.5%	0.0%	-0.8%	-0.7%	-1.3%	0.5%	0.4%	6.3%	-6.5%	6.3%	0.9%	3.1%	0.6%	-2.5%	-1.2%
	21.1x	22.8x	22.7x	22.5x	22.2x	21.9x	21.5x	21.4x	21.2x	21.2x	22.5x	20.9x	21.8x	21.5x	21.7x	21.4x	20.6x	20.3x
Information Technology	6	3	2	3	3	6	1	11	11	11	11	3	5	5	8	6	2	1
	0.8%	8.0%	4.9%	4.5%	6.2%	2.1%	13.8%	-7.1%	-2.8%	-17.6%	-6.2%	0.4%	5.4%	2.5%	-1.6%	1.0%	12.9%	3.5%
	32.7x	35.7x	37.2x	37.9x	39.3x	39.5x	43.1x	39.4x	38.4x	31.2x	29.0x	28.7x	29.1x	29.0x	27.8x	26.4x	29.1x	29.1x
Materials	4	7	3	9	1	11	1	1	2	2	1	11	10	2	11	10	1	10
	1.7%	2.5%	3.7%	0.0%	15.9%	18.9%	-5.0%	14.6%	2.7%	8.9%	21.7%	-16.4%	-5.3%	6.2%	-12.1%	-3.1%	25.8%	-7.4%
	16.2x	16.1x	16.5x	14.9x	16.6x	18.3x	14.8x	16.0x	15.2x	15.2x	17.5x	13.8x	13.2x	13.5x	11.7x	12.1x	15.3x	14.1x
Real Estate	7	6	8	2	7	10	10	9	6	5	10	7	6	7	5	9	8	8
	-0.9%	4.4%	1.4%	4.7%	3.7%	-1.0%	-4.0%	-1.8%	-0.5%	1.7%	-0.3%	-5.6%	4.6%	0.6%	3.1%	0.4%	-4.6%	-3.3%
	13.4x	14.0x	14.1x	14.6x	15.0x	14.8x	14.1x	13.9x	13.8x	13.9x	14.2x	13.3x	13.9x	14.0x	14.3x	14.1x	13.4x	12.8x
Utilities	2	9	10	5	9	4	3	6	10	4	5	2	8	4	7	7	9	7
	2.6%	1.9%	0.2%	2.5%	0.3%	3.9%	4.1%	0.2%	-2.4%	2.0%	8.7%	0.4%	0.1%	3.6%	2.1%	0.9%	-5.6%	-2.5%
	21.6x	21.7x	21.3x	22.0x	22.9x	23.4x	24.1x	23.6x	21.6x	21.8x	23.5x	24.1x	23.7x	23.9x	24.1x	24.8x	25.7x	23.2x

Legend
Sector Rank
Total Return
P/E NTM

Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026.

Table 3 - Global Equities Performance

Select Global Equity Indices	Sep (in LCL)	Sep (in USD)	Sep (in CAD)	3Q26 (in LCL)	3Q26 (in USD)	3Q26 (in CAD)	YTD (in LCL)	YTD (in USD)	YTD (in CAD)	Current PE NTM	Historical PE Median	Premium (RED) / Discount (GREEN)
Major Aggregates												
World (Global)*	-1.2	-1.2	1.1	1.7	1.7	1.7	11.7	11.7	15.7	17.8	16.2	1.6
EAFE (DM ex U.S. & Canada)*	-3.3	-3.3	-1.0	-0.1	-0.1	0.0	10.0	10.0	13.9	14.7	13.8	0.9
EM (Emerging Markets)*	-0.4	-0.4	2.0	-2.4	-2.4	-2.3	22.8	22.8	27.2	9.7	11.4	-1.8
Selected Developed Markets												
Nikkei 225 (Japan)	1.3	2.9	5.4	-4.1	-0.8	-0.7	34.6	33.9	38.9	19.7	17.4	2.3
Euro STOXX 50 (Europe)	-2.2	-4.5	-2.2	-0.6	-1.6	-1.5	11.0	4.7	8.4	15.0	13.6	1.4
FTSE 100 (U.K.)	-2.0	-4.1	-1.9	1.8	1.1	1.2	9.6	5.5	9.2	12.0	12.3	-0.4
CAC 40 (France)	-4.2	-6.3	-4.0	-4.9	-5.5	-5.4	0.6	-2.7	0.7	13.6	13.6	0.0
DAX (Germany)	-4.0	-6.2	-3.9	0.8	0.2	0.2	2.9	-0.6	3.1	14.4	12.8	1.6
Hang Seng (Hong Kong)	-3.3	-3.4	-1.0	8.6	8.6	8.7	-1.4	-2.2	1.3	10.2	11.6	-1.4
Selected Emerging Markets												
CSI 300 (China)	-5.6	-5.4	-3.0	-11.7	-10.6	-10.6	-4.1	0.0	3.6	14.1	14.0	0.1
Nifty 50 (India)	-6.0	-6.9	-4.5	-4.9	-6.3	-6.2	-12.4	-17.9	-14.9	18.2	19.1	-0.9

Source: FactSet, Raymond James Ltd.; Total returns, data as of September 30, 2026. LCL: listed in local currency. Historical P/E Median: 1/1/2000 – 09/30/2026. *Indices are represented by their corresponding iShares ETFs, serving as proxies.

Fixed Income & Treasury Yields

The U.S. Treasury selloff broadened across the curve over 3Q26, although the drivers differed by maturity. At the front end, yields moved higher as inflation concerns, elevated oil prices and Chair Warsh's hawkish Jackson Hole message culminated in a September rate hike and expectations for further tightening. The belly of the curve also repriced higher as resilient economic data reduced concerns about a near-term slowdown. Further out, 10- and 30-year yields faced additional pressure from stronger real-growth and inflation expectations, fiscal concerns and elevated term premiums. Treasury Secretary Bessent's decision to expand long-dated Treasury buybacks provided only temporary relief, with the muted market response to the larger September operations reinforcing the view that buybacks alone could not offset the underlying fiscal, inflation and growth pressures pushing long-term yields higher.

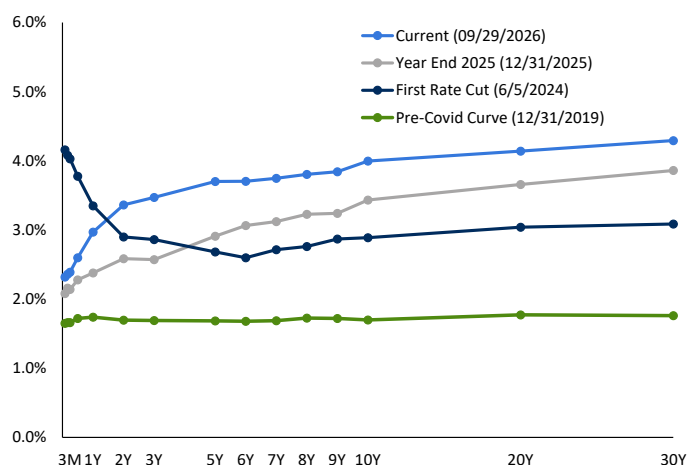
Looking into 2027, our base case for oil-price normalization should help ease inflation pressures and, in turn, reduce the need for the more than three additional rate hikes currently priced through the end of next year. Under this scenario, we expect the 10-year U.S. Treasury yield to moderate toward the 4.5%–4.75% range as inflation and policy-rate expectations become less restrictive.

In credit, signs of differentiation have become more pronounced. High-yield spreads widened sharply, while investment-grade spreads also moved wider, but to a much lesser extent, reinforcing our preference for quality. U.S. hyperscaler bond issuance remains an area to watch closely. Issuance

has increased substantially since 2024, adding supply pressure and contributing to a more pronounced widening in technology-sector investment-grade spreads relative to the broader market.

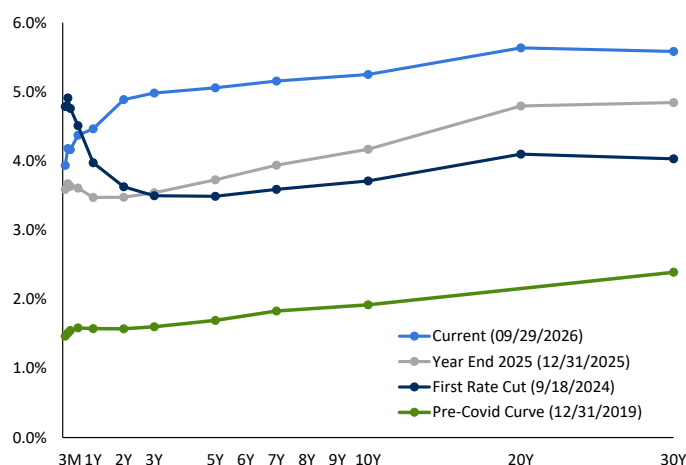
In Canada, the government yield curve experienced a bear steepening over 3Q26. Elevated oil prices and associated inflation concerns pushed front-end yields higher, while the longer end also faced spillover pressure from rising U.S. Treasury yields and broader global bond-market volatility. Looking into 2027, our base case for oil-price normalization should help ease inflation pressures, suggesting greater downside than upside risk to the Canadian 10-year yield from current levels. In credit, investment-grade spreads were little changed over the quarter, consistent with a still-resilient Canadian economic backdrop and limited signs of near-term credit deterioration. With spreads remaining relatively tight, however, we continue to favour quality and selectivity, particularly as uncertainty around tariffs, trade and the longer-term growth outlook persists.

Chart 33 - Canada Government Yield Curves



Source: FactSet, Raymond James Ltd.; Data as of September 29, 2026.

Chart 34 - U.S. Treasury Yield Curves



Source: FactSet, Raymond James Ltd.; Data as of September 29, 2026.

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