OCTOBER 2026

Quarterly Commentary

JoAnne Anderson

Financial Advisor, Portfolio Manager
905.272.3900 ext. 23
Joanne.Anderson@raymondjames.ca

Stephen Gibson

Financial Advisor
905.272.3900 ext. 22
Stephen.Gibson@raymondjames.ca

Justin Johnston

Associate Portfolio Manager
905.272.3900 ext. 24
Justin.Johnston@raymondjames.ca

Market Commentary

The third quarter of 2026 was another reminder that markets can continue to make progress even when the economic backdrop remains uncertain. Investor portfolios posted modest gains this quarter despite higher energy prices, ongoing trade tensions and renewed concerns about inflation and higher interest rates.

	3 Mo %	YTD %
Fixed Income		
FTSE Canada Bond Universe	-2.96%	-0.78%
Canada		
S&P/TSX Composite TR	1.62%	12.97%
United States		
S&P 500 Composite TR	2.38%	16.78%
Dow Jones Ind Avg	-2.27%	11.02%
International		
MSCI EAFE	0.95%	14.77%
MSCI Emerging Market	-0.17%	28.15%
Currency		
CAD/USD	-0.07%	-3.45%

SOURCE:
Factset, Morningstar, Raymond James Ltd. All returns are quoted in CAD as of September 30, 2026

While stock markets generally held up reasonably well, bond markets experienced greater volatility as interest rates moved higher. As always, the quarter reinforced the importance of maintaining a disciplined investment strategy rather than reacting to short-term headlines.

Inflation

Inflation remains one of the most important catalysts for markets.

Canada's inflation rate was 3% in both July and August, ahead of the Bank of Canada's 2% target. Most of the increase came from higher fuel and transportation costs. Despite elevated inflation, the Bank of Canada elected to not raise interest rates. However, the bank did acknowledge that higher oil prices and trade tensions with the United States could force the Bank of Canada to raise rates. This could present a challenge for Canada, as the economy continues to face high unemployment and weak productivity. Raising interest rates under these conditions could put additional pressure on the labour market and further slow economic growth.

Tariffs and high oil prices are also putting upward pressure on prices in the United States, with inflation up to 3.4%. As a result, the Federal Reserve elected to raise interest rates for the first time since 2023. Policy-makers have noted that more rate hikes could be needed if inflation remains persistent.

While inflation should gradually improve in 2027, getting back to 2% will require oil prices to fall and tariffs to fade.

Fixed Income

It has been a challenging quarter for fixed income, particularly towards the end of September. Strong economic data, higher oil prices, U.S. tariffs and large government deficits have all contributed to higher interest rates. While rising rates can create short-term losses for existing bonds, they also allow investors to reinvest at more attractive rates. This makes fixed income increasingly attractive relative to equities, after several years of strong stock market returns. Bonds continue to play an important role in providing income and diversification to all investors.

Canadian Equities

Canadian stocks produced another positive quarter despite a difficult September. The S&P/TSX Composite gained 1.62% over the past three months, helped by higher commodity and oil prices along with strong bank earnings. Canada-U.S. trade tensions are something to monitor and could put pressure on Canadian companies, going forward. However, their impact on the overall stock market is more subtle. The Canadian stock market is mostly made up of banks, energy and materials companies, all of which are mostly insulated from U.S. tariffs.

United States Equities

The S&P 500 gained approximately 2.38% during the third quarter of 2026, supported by continued enthusiasm surrounding artificial intelligence and a resilient U.S. economy. Consumer spending and business investment are helping corporate earnings but also contributing to concerns that inflation could remain higher for longer.

While the long-term outlook for U.S. companies remains positive, valuations are elevated. AI-related investments should remain a major economic driver; however, expectations are very high. While many companies will benefit from artificial intelligence, others may find it difficult to realize a return on their investment.

International Equities

European equities declined approximately -1.91% this past quarter, as rising energy prices and interest rates weighed on investor sentiment.

Emerging markets were relatively flat during the quarter, after experiencing strong gains earlier in the year. The MSCI Emerging Markets Index lost -0.17% during the quarter, however, it remained up more than 20% for the year. Asian technology companies were a standout, particularly companies involved in semiconductors and artificial intelligence. At the same time, China’s slower economic growth continued to create uncertainty for the region.

Conclusion

While the third quarter produced positive results, beneath the surface, there are several risks materializing.

Equity markets continue to make progress, led primarily by U.S. technology companies and selected areas of the Canadian market. At the same time, higher oil prices and persistent inflation pushed interest rates higher and reminded us that the path towards lower rates may not be so straightforward.

Looking ahead, we believe several themes will remain important: inflation and energy prices, the direction of interest rates, Canada-U.S. trade relations, geopolitical developments and the sustainability of corporate profits.

Periods of uncertainty are a normal part of investing. Rather than attempting to predict short-term market movements, we continue to believe that maintaining a well-diversified portfolio remains the most effective approach. Markets will continue to move as new information becomes available, but a disciplined financial plan helps ensure that short-term events do not distract from long-term objectives.

Over the next few months, our focus will be on:

- Year-end tax planning, including tax-loss selling
- Reviewing estate plans
- Ensuring portfolios align with long-term goals

The MoneyPower Group | RAYMOND JAMES®

4263 Sherwoodtowne Boulevard, Suite 200, Mississauga, ON L4Z 1Y5 • 905.272.3900 • moneypower.ca

© 2026 Raymond James Ltd. All rights reserved. Raymond James Ltd. is an indirect wholly-owned subsidiary of Raymond James Financial, Inc., regulated by the Canadian Investment Regulatory Organization (CIRO) and is a member of the Canadian Investor Protection Fund. Securities-related products and services are offered through Raymond James Ltd. Insurance products and services are offered through Raymond James Financial Planning Ltd, which is not a member of the Canadian Investor Protection Fund. Raymond James advisors are not tax advisors and we recommend that clients seek independent advice from a professional advisor on tax-related matters. Statistics and factual data and other information are from sources RJL believes to be reliable, but their accuracy cannot be guaranteed.Raymond James (USA) Ltd., member FINRA/SIPC. Raymond James (USA) Ltd. (RJLU) advisors may only conduct business with residents of the states and/or jurisdictions in which they are properly registered.