Monthly Market Perspectives

'What You Need to Know'

September 4.2026

August ended on a positive note for investors, with equity markets rebounding following a more turbulent July. The fundamental backdrop remains supportive. Economic growth continues to hold up, inflation has delivered fewer negative surprises, the labour market remains relatively balanced, and corporate earnings have been exceptionally strong. Expected S&P 500 earnings have risen nearly 38% over the past year, providing an important foundation for the continued strength in equity markets.

Another encouraging development has been the broadening of market leadership. While several AI-related stocks cooled over the summer, other areas of the market stepped forward. At the same time, the underlying AI investment cycle remains healthy, with revenues, profit margins and capital spending continuing to rise. This suggests that while enthusiasm surrounding AI deserves attention, the fundamental story remains intact, and the market is not solely dependent on a handful of technology companies.

Looking ahead, investors are primarily focused on three risks: AI, debt and geopolitical conflict. U.S. government finances are becoming increasingly important as large deficits and rising interest costs put pressure on longer-term bond yields. Rather than an imminent debt crisis, the bigger concern is that investors may continue demanding higher yields to compensate for fiscal and policy uncertainty. Federal Reserve policy remains another important variable as markets assess the future direction of interest rates.

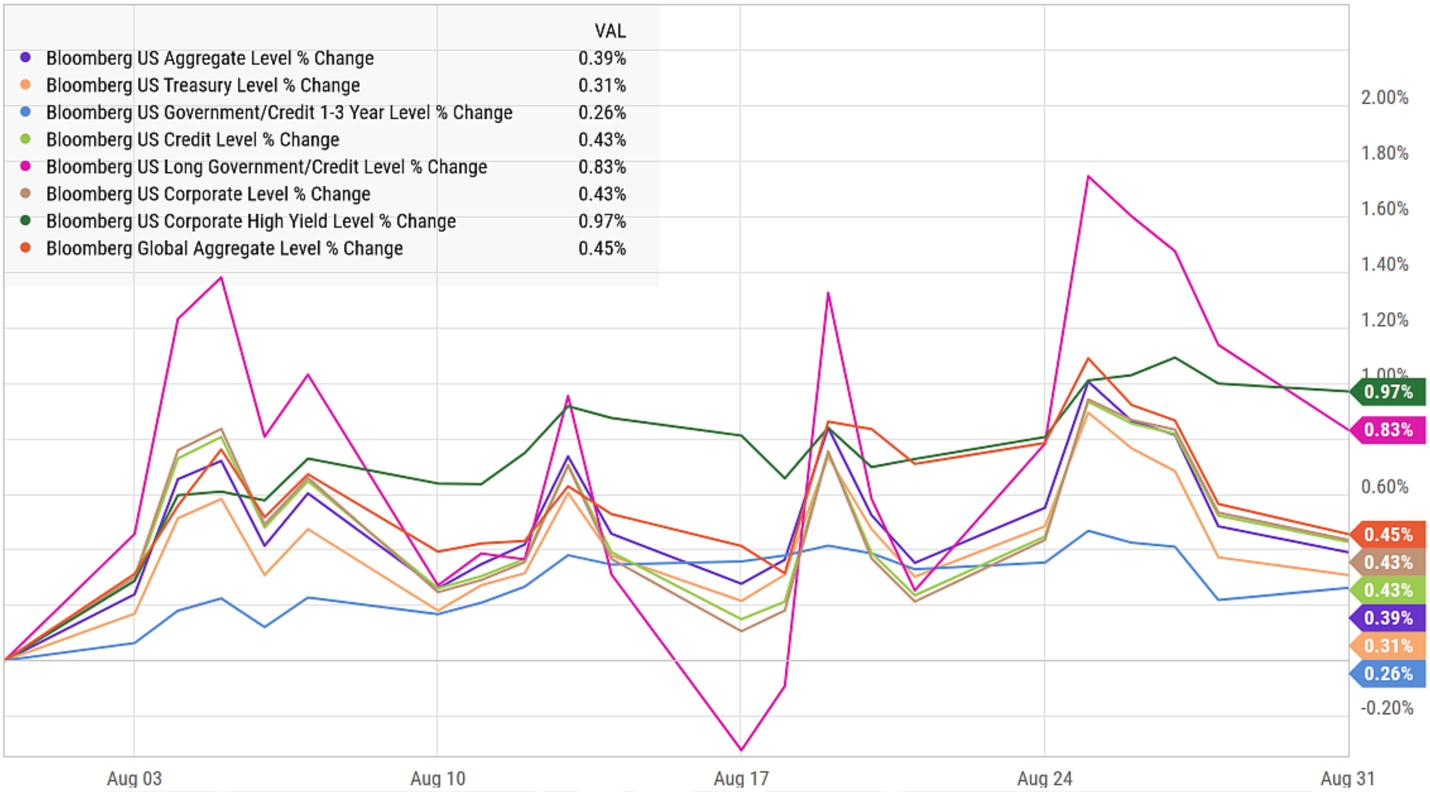
Geopolitical uncertainty also remains elevated. The ongoing U.S.–Iran conflict, Russia–Ukraine war and renewed Canada–U.S. trade tensions all have the potential to influence energy prices, inflation and investor sentiment. With the U.S. midterm elections approaching, political uncertainty could become another source of market volatility, and I believe investors should fully expect this.

The Bottom Line

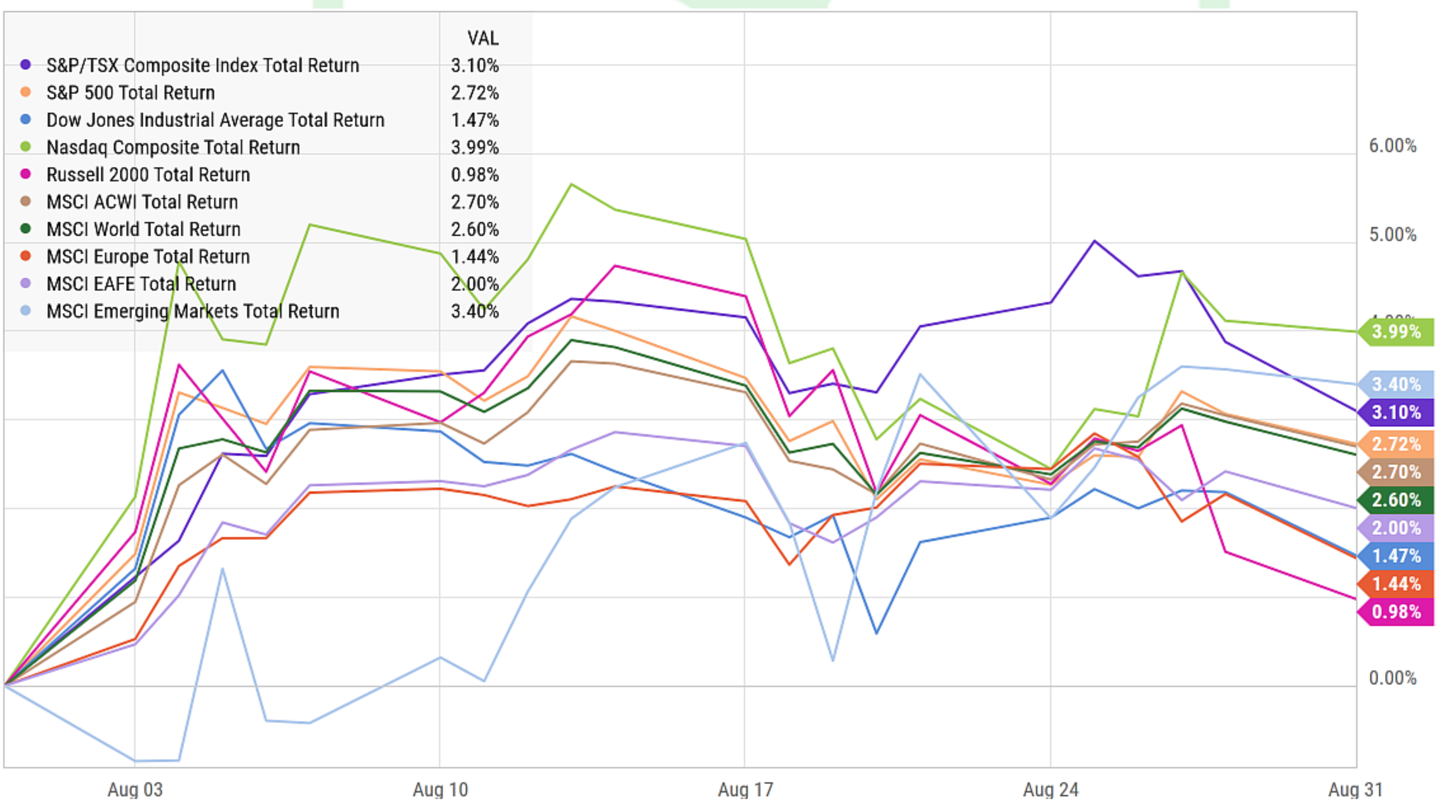
Overall, the fundamental backdrop supporting the bull market remains intact. Economic growth is resilient, corporate profitability is strong and the AI investment cycle continues. However, after strong market gains, periods of volatility should be expected. For investors, the focus should remain on diversification, discipline and maintaining a long-term perspective rather than reacting to short-term headlines.

This month, we'll take a closer look at what August delivered across stocks, bonds, commodities and currencies before stepping back to consider the bigger picture. Despite no shortage of unsettling headlines in recent years, markets have continued to reward investors willing to remain patient—and we'll explore why time, discipline and having a plan remain some of the most powerful tools an investor has. We'll also look at nearly 75 years of S&P 500 history to show why the market's long-term "average" return rarely resembles what investors actually experience in any individual year. Finally, with September upon us, we'll examine its reputation as historically the worst month of the year for stocks. While the seasonal numbers may sound gloomy, the market's strong start to 2026 and positive August could be telling us a very different story about what may lie ahead.

Fixed Income Indices – August 2026



Equity Indices – August 2026



August Market Review

Fixed Income

- The Canadian fixed-income universe ended August slightly lower amid growing concerns over government debt levels and central bank credibility, particularly in the United States.
- U.S. corporate bonds performed better, benefitting from their shorter duration and higher yields to maturity.

Equities

- After a more turbulent July, equity markets regained their footing and resumed their upward trend in August, supported by a spectacular earnings season around the world. Against this backdrop, all four equity regions posted reasonably similar monthly gains. Emerging Markets maintained their position at the top of the leaderboard year to date.
- In Canada, gold miners and technology stocks strongly outperformed the S&P TSX, while the financials posted a rare decline.

FX & Commodities

- Oil prices ended the month relatively unchanged, despite all the developments surrounding the conflict between the United States and Iran. Gold, however, posted significant gains amid geopolitical tensions and central bank purchases.
- The Canadian dollar appreciated against the U.S. dollar despite ongoing trade tensions between Canada and the United States, helped among other things by elevated commodity prices.

Market Total Returns

Asset Classes	August	YTD	12M
Cash (S&P Canada T-bill)	**0.2%**	**1.6%**	**2.5%**
Bonds (ICE Canada Universe)	**-0.3%**	**0.3%**	**1.8%**
Short Term	0.1%	1.1%	2.2%
Mid Term	-0.2%	0.6%	1.9%
Long Term	-0.9%	-1.4%	0.7%
Federal Government	-0.2%	0.3%	1.3%
Corporate	-0.2%	0.7%	2.6%
U.S. Treasuries (US$)	0.3%	-0.4%	1.2%
U.S. Corporate (US$)	0.4%	-0.2%	2.0%
U.S. High Yield (US$)	1.0%	2.6%	4.8%
Canadian Equities (S&P/TSX)	**3.1%**	**16.0%**	**29.9%**
Communication Services	4.0%	-4.3%	-7.6%
Consumer Discretionary	-4.2%	1.4%	13.5%
Consumer Staples	-6.9%	3.0%	10.2%
Energy	0.3%	32.5%	42.4%
Financials	-2.9%	20.8%	39.6%
Health Care	-7.0%	3.7%	8.3%
Industrials	-2.5%	8.1%	5.7%
Information Technology	12.9%	-6.0%	-1.4%
Materials	25.8%	19.4%	58.8%
Real Estate	-4.6%	-0.6%	-7.6%
Utilities	-5.6%	12.1%	18.7%
S&P/TSX Small Caps	6.8%	23.0%	47.7%
U.S. Equities (S&P 500 US$)	**2.7%**	**13.1%**	**20.4%**
Communication Services	-1.2%	0.1%	13.4%
Consumer Discretionary	0.0%	0.0%	3.9%
Consumer Staples	-0.7%	9.6%	7.9%
Energy	7.0%	44.2%	45.8%
Financials	1.3%	6.3%	8.6%
Health Care	4.9%	11.1%	26.3%
Industrials	-2.6%	13.6%	16.8%
Information Technology	6.2%	22.9%	33.7%
Materials	6.0%	16.7%	15.5%
Real Estate	-1.9%	12.2%	9.5%
Utilities	-4.8%	0.3%	3.0%
Russell 2000 (US$)	1.0%	20.0%	26.5%
World Equities (MSCI ACWI US$)	**2.7%**	**14.6%**	**22.8%**
MSCI EAFE (US$)	2.0%	14.2%	22.2%
MSCI Emerging Markets (US$)	3.4%	24.4%	39.7%
Commodities (GSCI US$)	**6.1%**	**48.1%**	**50.6%**
WTI Oil (US$/barrel)	1.0%	52.0%	35.2%
Gold (US$/oz)	9.6%	2.6%	28.9%
Copper (US$/tonne)	4.4%	16.0%	47.1%
Forex (US$ Index DXY)	**-0.5%**	**1.1%**	**1.7%**
USD per EUR	1.0%	-1.1%	-0.8%
CAD per USD	-1.2%	0.9%	0.8%

CIO Office (data via Refinitiv, as of 2026-08-31)

What a Run

If you only followed the headlines over the past several years, you might wonder how the stock market ever managed to make any progress. Think about what investors have lived through since 2020.

A global pandemic. The fastest inflation in decades. Rapidly rising interest rates. Wars and geopolitical conflicts. A bear market. Banking concerns. Tariffs and trade uncertainty. Elections. Recession predictions. Government debt worries. Artificial intelligence fears. And seemingly endless predictions about when the next market crash will arrive.

There has rarely been a shortage of reasons to worry.

And yet, here we are. Markets around the world have continued to advance, with many major indexes reaching record highs in 2026.

It is another reminder of one of the most important—and perhaps most difficult—lessons in investing: ***The hard part isn't always knowing what to buy. The hard part is having the patience to hold it.***

Investing Requires Patience

When we build portfolios, we spend a great deal of time thinking about diversification, asset allocation, risk, fees, managers and investment opportunities.

Those things matter. But even the best-designed portfolio still requires one ingredient that can't be purchased: ***Time.***

Businesses need time to grow their revenues and earnings. New technologies need time to develop. Economies need time to expand. And markets need time to work through the inevitable recessions, wars, political uncertainty and financial crises that periodically come along.

Unfortunately, patience becomes hardest precisely when it matters most.

When markets fall, investors want to sell. When markets rise quickly, investors worry they've missed their opportunity. When markets reach all-time highs, they wonder whether they should wait for a pullback.

There is almost always a reason to postpone investing. That's why trying to find the "perfect" time to invest can become such a costly exercise.

The Headlines and the Market Are Two Different Things

One of the most counterintuitive aspects of investing is that the world does not need to be calm for markets to rise.

Markets have historically climbed through wars, recessions, political crises, inflation, pandemics and countless other periods of uncertainty.

Why? Because underneath all of those headlines, millions of businesses and people continue doing something remarkably powerful: ***They adapt.***

Companies innovate. Productivity improves. New businesses are created. Technology advances. Consumers continue spending. Entrepreneurs take risks. And over long periods of time, successful businesses find ways to grow their earnings.

Artificial intelligence may be the latest example, but it certainly won't be the last.

Twenty years from now there will almost certainly be industries, technologies and companies playing important roles in the global economy that barely exist today.

As investors, we don't need to predict exactly what they will be. We simply need to make sure we participate.

That Doesn’t Mean Ignoring Risk

Long-term investing doesn't mean blindly owning stocks regardless of your circumstances.

A 35-year-old accumulating retirement savings and a 75-year-old drawing income from a portfolio have very different financial needs.

That's why proper asset allocation matters.

Money that may be needed in the short term shouldn't necessarily be exposed to the same volatility as money that won't be needed for another 20 years.

The objective isn't to take as much risk as possible. It's to take the right amount of risk for your goals, time horizon and financial plan.

Once that foundation is established, however, constantly changing the portfolio because of the latest headline can often do more harm than good.

Your Portfolio Doesn’t Need a Prediction. It Needs a Plan.

Nobody knows what markets will do next month. What I can tell you is that at some point:

- There will be another correction.
- There will eventually be another recession.
- There will be another bear market.
- And there will undoubtedly be another event that feels unprecedented while we're living through it.

That's simply part of investing.

But there will also be new companies, new technologies, economic growth, innovation and opportunities that we can't possibly imagine today.

Our job isn't to successfully predict every twist and turn along the way. It's to build a diversified portfolio, make sure the level of risk fits your life, continue investing when appropriate, rebalance when necessary—and allow time and compounding to do the heavy lifting.

Sometimes the most productive thing an investor can do is also the most difficult: ***Wait.***

Years from now, we'll undoubtedly look back at this period and remember the pandemic, inflation, wars, elections, market corrections and countless scary headlines.

But hopefully, we'll also look at the wealth that was created along the way and say: ***What a Run!***

Chart of the Month – *Most Years Are Not "Average" for the S&P 500*

Since 1950 through year end 2025, the S&P 500 has provided an average rate of return of around 10%, including dividends.

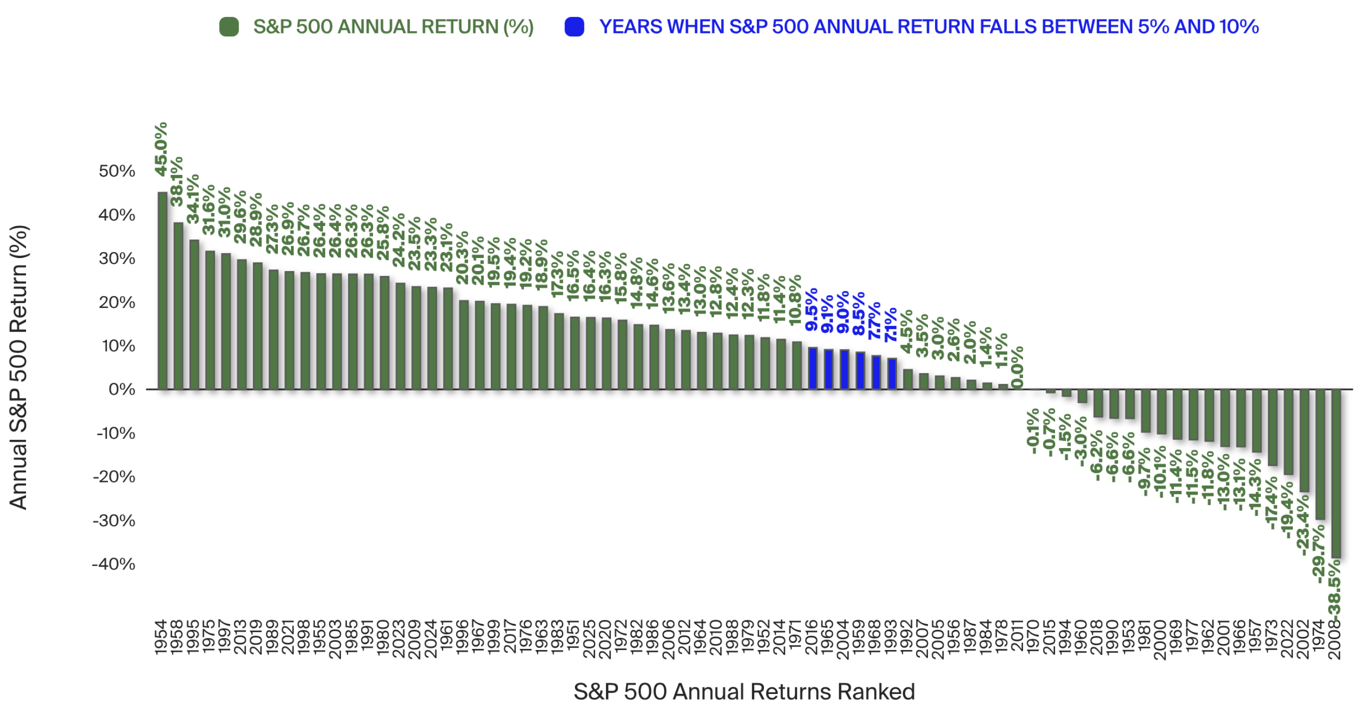
This month edition of 'chart of the month' sorts all those annual returns from highest to lowest. By organizing it this way, it is clear that the distribution of annual returns is far from evenly spread out.

The key takeaway here is that most years' returns are either much higher or much lower than say the "average" return of 5-10%. In fact, only 6 instances have the year-end return fell inside that range.

Most Years Are Not "Average" for the S&P 500

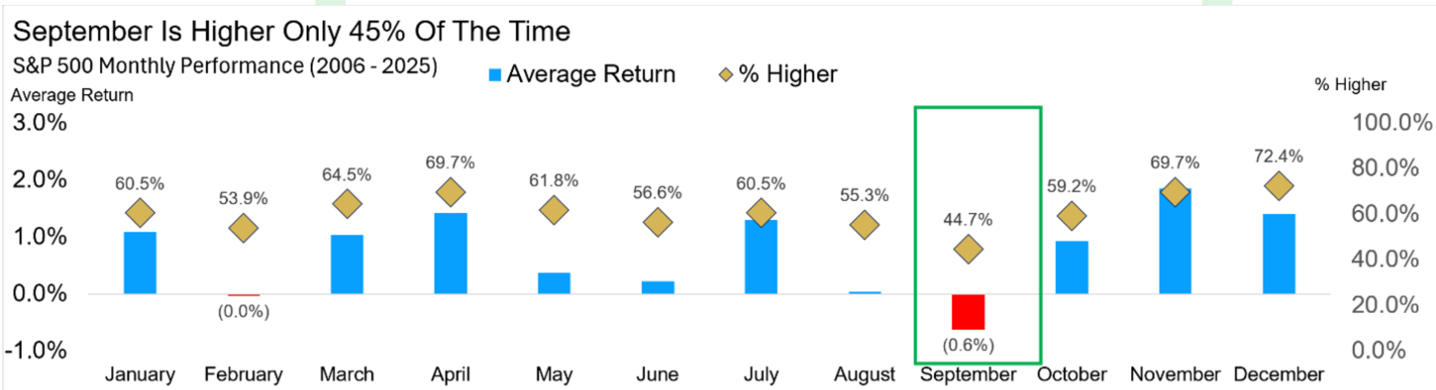
S&P 500 Annual Returns Sorted Highest to Lowest With Years Between 5% and 10% Highlighted

Since 1950

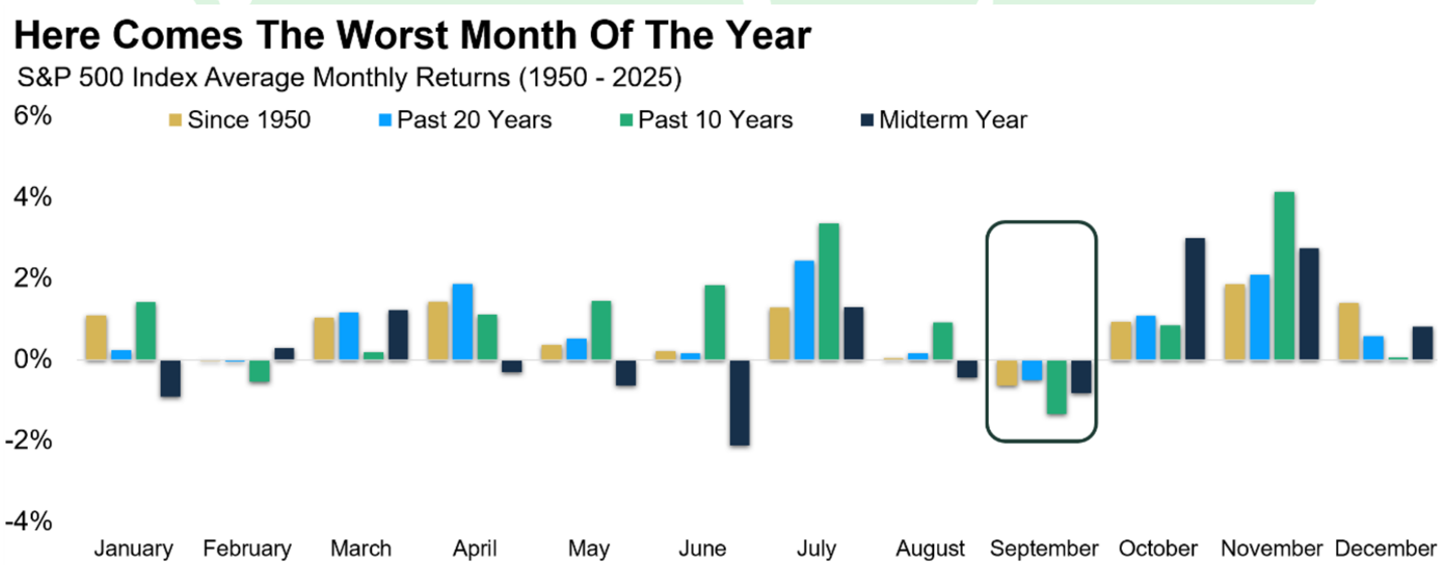


The Worst Month is Here

Get ready to hear this a lot, but September is, historically, the worst month of the year for the S&P 500, down 0.6% on average and higher only 45% of the time. Both are the lowest out of all 12 months. February is the only other month with a negative average return, and no other month is higher less than 50% of the time.



Not to pour salt on a wound here but not only is September the worst month since 1950, but it's also the worst month over the past 10 years, the worst month over the past 20 years, and the third-worst month in a midterm year (only January and June are worse).



With all that said, if you recall last month, I had the same tone of message that August historically isn't a strong month and yet we had a solid return. So, there are some clues that this year could buck the bearish trend and that this month isn't one to fear. Stay with me on this…

The Trend is Your Friend

Some of the very worst September returns ever took place during weak markets, but this year the S&P 500 is up close to 13% for the year and a good day or two away from new highs. In fact, the four worst Septembers ever saw the S&P 500 down year to date heading into the month, and down at least double digits each time. Only 1 out of the 10 worst Septembers ever saw stocks higher for the year heading into September.

The Worst Septembers Saw Weakness Coming Into Them

10 Worst Septembers Ever And S&P 500 YTD Coming Into Those Months (1950 - Current)

Year	September	YTD End Of August
1974	-11.9%	-26.0%
2002	-11.0%	-20.2%
2022	-9.3%	-17.0%
2008	-9.1%	-12.6%
1986	-8.5%	19.7%
2001	-8.2%	-14.1%
2011	-7.2%	-3.1%
1957	-6.2%	-3.1%
1960	-6.0%	-4.9%
1981	-5.4%	-9.6%

Building on this, looking at the flipside and exploring the 10 best September returns ever shows that seven of them saw a positive return heading into them. With stocks up close to 13% so far in 2026, this could be a clue that a large drop this September isn't likely.

The Best Septembers Ever Tend To See Strength Into Them

10 Best Septembers Ever And YTD Coming Into Them (1950 - Current)

Year	September	YTD End Of August
2010	8.8%	-5.9%
1954	8.3%	20.2%
1998	6.2%	-1.4%
1950	5.6%	9.7%
1996	5.4%	5.9%
1997	5.3%	21.4%
1958	4.8%	19.4%
1995	4.0%	22.3%
1973	4.0%	-11.7%
1988	4.0%	5.8%

So August is the Clue?

Could the strong yearly return so far, along with a solid August, be another clue? It very well could be.

There have been 11 other times August was higher while the S&P 500 was up for the year between 10% and 17.5%, so a solid year, but not a super strong year. September was higher six out of 11 times here, with a solid median return of 1.2%. I know that is nothing flashy, but it is the rest of the year that really catches my attention. The final four months gained 10 out of 11 times, with a very strong 5.6% average return.

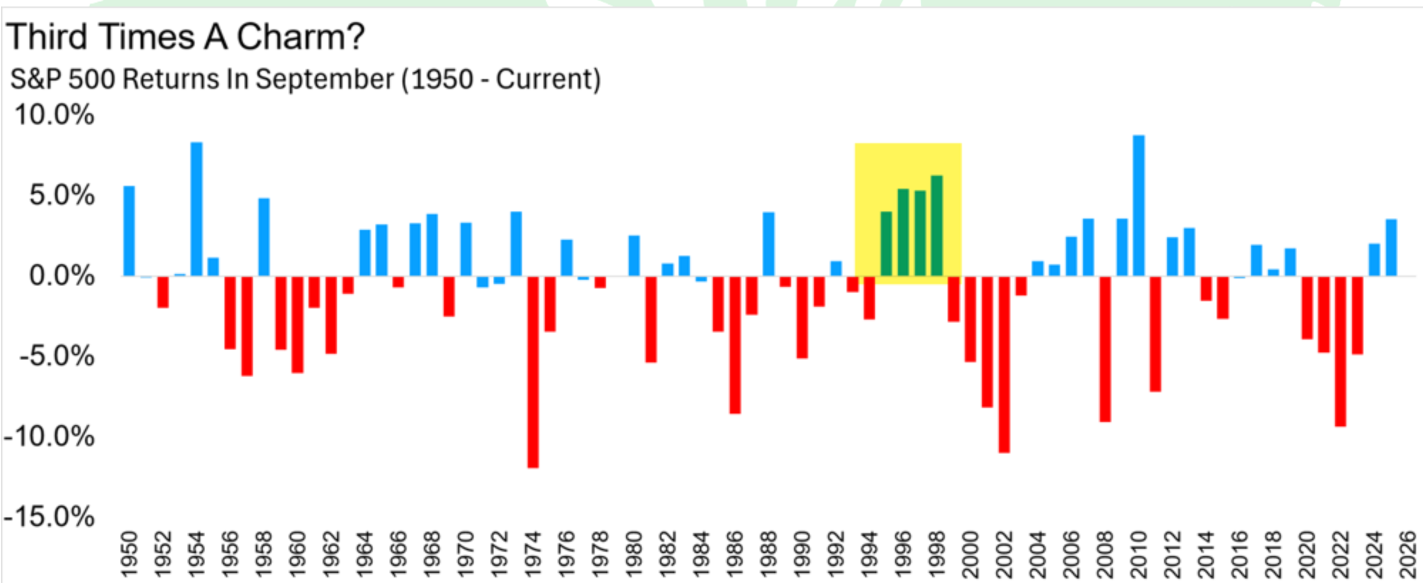
A Green August And Good Year So Far Should Bode Well For The Bulls

S&P 500 Performance After A Positive August And YTD Between 10% And 17.5% (WWII - Current)

			S&P 500 Forward Returns	
Year	YTD	August	September	Final Four Months
1945	16.8%	4.3%	3.5%	11.9%
1951	14.0%	11.1%	-0.1%	2.1%
1961	17.1%	5.3%	-2.0%	5.1%
1963	14.9%	4.5%	-1.1%	3.5%
1979	13.7%	6.2%	0.0%	-1.3%
1980	13.4%	7.1%	2.5%	10.9%
1983	16.6%	-2.4%	1.2%	0.5%
2003	14.6%	3.4%	-1.2%	10.3%
2009	13.0%	11.0%	3.6%	9.3%
2012	11.8%	3.3%	2.4%	1.4%
2017	10.4%	2.0%	1.9%	8.2%
2026	12.8%*	3.0%*	?	?
	Average		1.0%	5.6%
	Median		1.2%	5.1%
	Higher		6	10
	Count		11	11
	% Higher		54.5%	90.9%

Third Time's the Charm

The S&P 500 gained roughly 2.0% and 3.5% in September the past two years. Only once in history has it gained more than 2% three years in a row, and that was a record four years in a row in the late 1990s. Could this year be three in a row? I think there is a better chance of this than most think.



Final Thoughts

As we head into the final months of 2026, there will undoubtedly be more headlines competing for our attention—whether around interest rates, geopolitics, government debt, artificial intelligence or the economy. Markets will have good days and difficult ones, and periods of volatility will inevitably return. That is simply part of investing.

What matters most is not predicting every twist and turn, but having a plan built around your goals, maintaining the right level of risk, and having the patience and discipline to allow that plan to work over time. History has repeatedly shown us that uncertainty and opportunity often exist side by side.

As always, thank you for taking the time to read this month's Market Perspectives, and more importantly, thank you for the trust and confidence you continue to place in me. I consider it a privilege to be your advisor and truly value the relationships and partnership we have built.

If you ever have questions about your investments, financial plan, or simply want to talk through what's happening in the markets, please don't hesitate to reach out.

Together, we'll continue to navigate whatever comes next—with patience, perspective and confidence.

Warmly,

Aaron Pedlar, HBA, CHS, PFA™