

Monthly Market Perspectives

'What You Need to Know'

October 3, 2026

If there is one thing 2026 has reminded investors of, it's that markets rarely move in a straight line. September was another good example. Bond yields moved sharply higher as inflation concerns resurfaced, the Federal Reserve struck a more hawkish tone, and longer-term interest rates climbed to levels we haven't seen in decades. Oil prices jumped, the U.S. dollar strengthened, and equity markets became increasingly dependent on technology and AI-related companies to carry the load. On the surface, there was plenty for investors to worry about.

And yet, here we are entering the fourth quarter with the broader investment backdrop still looking relatively healthy. Economic growth has remained resilient, corporate earnings have been stellar, profit margins are hitting record highs, and the enormous amount of capital being invested into artificial intelligence continues to provide a meaningful tailwind.

My expectation coming into the year was that 2026 would be characterized by inflationary growth—an economy that continues to grow, strong corporate profitability, significant AI-related investment, but also inflation and interest rates that remain higher than many investors would prefer. Through nine months, that has largely been the story.

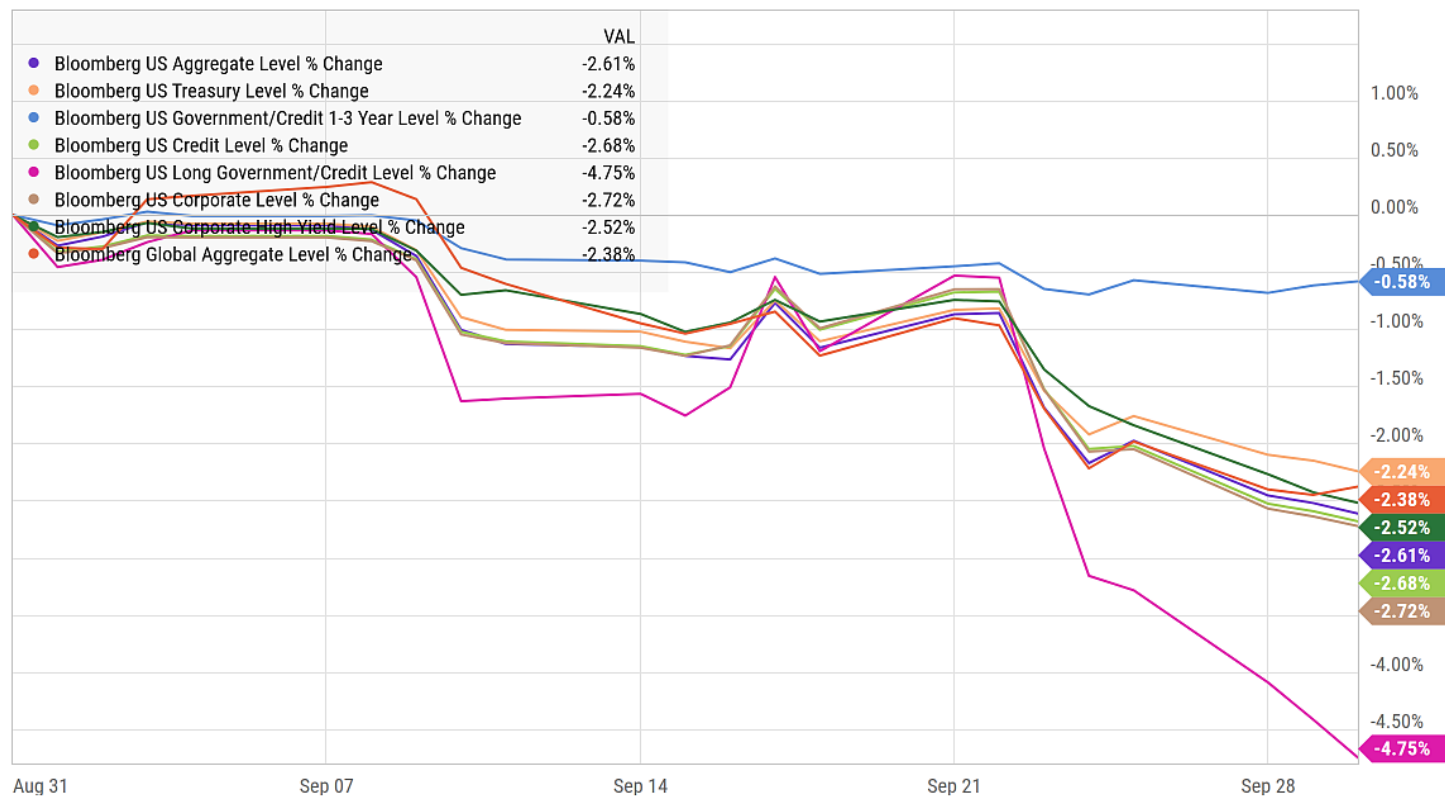
So, where do we go from here?

In this month's Market Perspectives, we'll look at what drove markets in September, discuss the seven virtues I believe successful investors tend to share, and then turn our attention toward the final quarter of the year. Historically, the stretch we are entering has been a favourable one for investors—particularly during midterm election years—and there are several interesting historical trends suggesting the opportunity may extend beyond just the next few months.

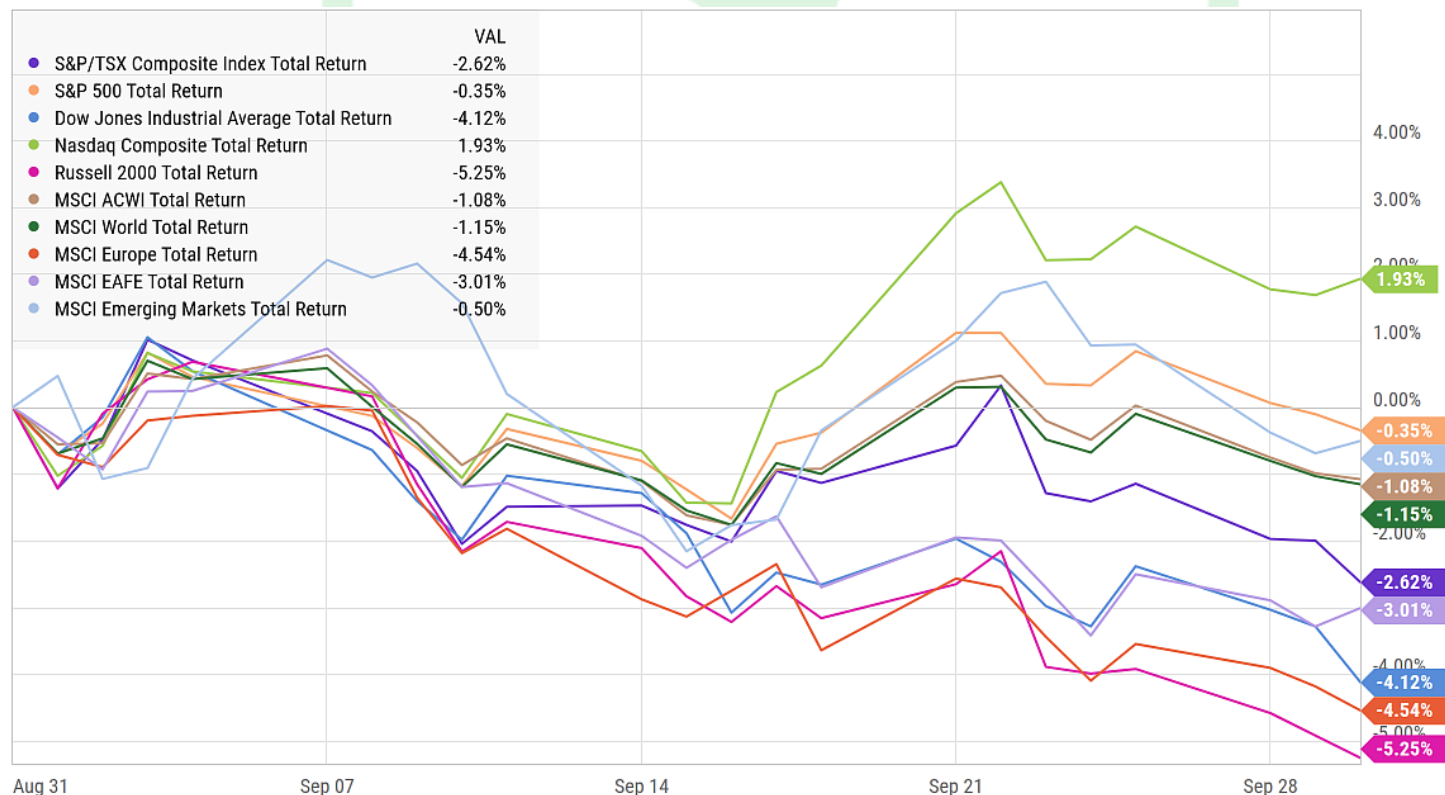
Bottom Line: We shouldn't confuse optimism with complacency. There are legitimate risks in front of us, and volatility should be expected. But successful investing has never required the absence of uncertainty. It requires having a plan for it. I continue to believe the better approach is to stay invested, remain disciplined, and perhaps most importantly, stay opportunistic. Markets will inevitably give us uncomfortable moments along the way. More often than not, those moments eventually prove to be opportunities rather than reasons to abandon a well-built investment plan.

"The way I see it, if you want the rainbow, you gotta put up with the rain." – Dolly Parton

Fixed Income Indices - September 2026



Equity Indices - September 2026



September Market Review

Fixed Income

- September was a difficult month for the Canadian bond universe, as bond yields rose sharply amid renewed concerns over inflation and the path of monetary policy. The asset class declined 1.2% over the month, pushing the year-to-date returns into negative territory.
- Conditions were even more challenging South of the border where 10-year and 30-year Treasury yields climbed to levels not seen in several decades.

Equities

- Despite the widespread anxiety gripping bond markets, global equities ended the month with only slight losses. The United States and Emerging Markets outperformed Canada and EAFE region on the back of strong returns for AI-related stocks
- Within the S&P 500, gains were highly concentrated in technology-related sectors, while every other sector finished the month in negative territory.

FX & Commodities

- Oil prices continued their volatile swings in September, posting a substantial increase as agreement between the United States and Iran remain elusive. Gold, meanwhile, came under pressure from rising real interest rates.
- The U.S. dollar appreciated significantly over the month, supported by resilient economic data and a Federal Reserve that struck a decidedly more hawkish tone than markets had anticipated in its approach to inflation.

Market Total Returns

Asset Classes	Sep	Q3	YTD
Cash (S&P Canada T-bill)	0.2%	0.6%	1.7%
Bonds (ICE Canada Universe)	-1.2%	-3.0%	-0.9%
Short Term	-0.6%	-0.9%	0.5%
Mid Term	-1.4%	-3.0%	-0.8%
Long Term	-1.8%	-6.4%	-3.2%
Federal Government	-1.2%	-2.7%	-0.9%
Corporate	-0.7%	-2.2%	0.0%
U.S. Treasuries (US\$)	-2.3%	-3.1%	-2.7%
U.S. Corporate (US\$)	-2.6%	-3.8%	-2.8%
U.S. High Yield (US\$)	-2.5%	-1.8%	0.0%
Canadian Equities (S&P/TSX)	-2.6%	1.6%	13.0%
Communication Services	-9.8%	-9.3%	-13.6%
Consumer Discretionary	-2.1%	-5.1%	-0.7%
Consumer Staples	-1.6%	-7.0%	1.3%
Energy	-3.7%	3.3%	27.7%
Financials	-1.1%	-3.0%	19.5%
Health Care	-0.6%	-5.4%	3.0%
Industrials	-1.2%	-3.2%	6.8%
Information Technology	3.5%	17.9%	-2.8%
Materials	-7.4%	12.9%	10.5%
Real Estate	-3.3%	-7.3%	-3.9%
Utilities	-2.5%	-7.2%	9.3%
S&P/TSX Small Caps	-1.8%	2.4%	20.8%
U.S. Equities (S&P 500 US\$)	-0.3%	2.3%	12.7%
Communication Services	4.3%	3.6%	4.5%
Consumer Discretionary	-5.8%	-5.1%	-5.8%
Consumer Staples	-3.3%	-1.9%	6.0%
Energy	-2.7%	17.2%	40.3%
Financials	-7.2%	-0.1%	-1.3%
Health Care	-0.9%	6.5%	10.2%
Industrials	-4.4%	-9.7%	8.5%
Information Technology	4.5%	7.2%	28.4%
Materials	-6.7%	-2.8%	8.8%
Real Estate	-6.1%	-5.6%	5.3%
Utilities	-5.9%	-12.4%	-5.7%
Russell 2000 (US\$)	-5.3%	-7.2%	13.7%
World Equities (MSCI ACWI US\$)	-1.1%	1.7%	13.4%
MSCI EAFE (US\$)	-3.0%	0.9%	10.8%
MSCI Emerging Markets (US\$)	-0.5%	-0.2%	23.7%
Commodities (GSCI US\$)	4.8%	25.1%	55.2%
WTI Oil (US\$/barrel)	11.7%	37.7%	69.7%
Gold (US\$/oz)	-6.2%	3.2%	-3.7%
Copper (US\$/tonne)	0.1%	8.3%	16.1%
Forex (US\$ Index DXY)	2.0%	0.3%	3.2%
USD per EUR	-2.2%	-0.7%	-3.3%
CAD per USD	2.7%	0.3%	3.7%

CIO Office (data via Refinitiv, as of 2026-09-30)

The 7 Virtues of Successful Investing

Far too often I find myself writing or discussing investor traits that are, for lack of better terms, 'sins of investing' in which investors fall victim of and, in turn, effectively sabotage their own long-term success.

While it's sobering to read about behaviors that cause people to struggle, I think we also need to celebrate the traits successful investors exhibit.

If you display any of the following, pat yourself on the back – you're among those who have learned how to navigate the difficult task of drowning out the noise and growing wealth in investment markets.

1. **They are optimists.** Let me define optimism as follows: a belief that things get slowly better over time. Optimists can be cautious in spurts, but their beliefs about the world tend toward "what can go right" instead of "what can go wrong." History shows us that the longer you stay invested, the higher the odds you succeed. Optimists embrace that statistic.
2. **They don't tinker.** Good investors don't meddle in their portfolio. They set the correct asset allocation (cash / bonds / stocks / hard assets) and let compounding work its magic. If they need cash to pay bills, they take it from their short-term holdings, not their long-term ones.
3. **They accept uncertainty as the default setting of the world.** Humans have this innate need to know what's going to happen next in a world that laughs at the notion. Good investors know they must be able to survive the world falling apart, and that they won't see it coming ahead of time. I think Dolly Parton said it best, "The way I see it, if you want the rainbow, you gotta put up with the rain."
4. **They have given their investment a specific purpose.** This is why planning is fundamental to what we do here. Money without a purpose will run from the market the moment it shows weakness. Why you're doing this must be clearly defined and a durable financial plan does just that.
5. **They do not let politics interfere.** Perhaps the best investing advice is also the simplest: don't allow your political opinions to shape investment decisions. Administrations come and go, but businesses continue to serve customers, employ people, and create value. As an investor, that's where your attention belongs.
6. **They focus on what they control.** Savings rate, allocation, their plan, how much news they watch, and their behavior. The best investors focus on what's in their power, not what's out of it. You don't control the Strait of Hormuz, the voting booth, inflation, interest rates, or what AI is doing.
7. **They understand that behavior, not intelligence, is the key to success.** The best investors aren't necessarily the smartest people in the room. They're the ones who remain calm when markets fall, patient when opportunities take time to play out, and disciplined when everyone else is acting on emotion. Great fortunes are often built not by knowing more than everyone else, but by avoiding the costly mistakes that fear, greed, and impulsiveness can cause. Over time, having the right behavior beats having the right prediction.

Notice that none of these virtues require a finance degree, a crystal ball, or extraordinary intelligence. They are habits, mindsets, and behaviors that anyone can develop. The greatest investors in history weren't necessarily successful because they knew more than everyone else. They were successful because they behaved better than everyone else.

Here Comes the Best Month in a Midterm Year

I shared my insights and thinking on how I believed 2026 would play out for investors in my January 'Monthly Market Perspectives'. Looking back at it through the first three quarters, I would say it was pretty much spot.

I believed 2026 would be a year of inflationary growth – with an economy that looks strong once you include inflation, robust earnings and profit margins, AI capex spending providing a boost, yields staying higher than most expected, and a labour market that keeps improving even as inflation stays sticky. Heading into the final quarter of the year, that call has generally been on target. Economic growth remains near trend, the unemployment rate has fallen despite modest job gains, and massive AI investment has helped fuel a historically large upside earnings surprise – which is what really matters to equity markets.

September Wasn't So Bad & Welcome to the Best Month of a Midterm Year

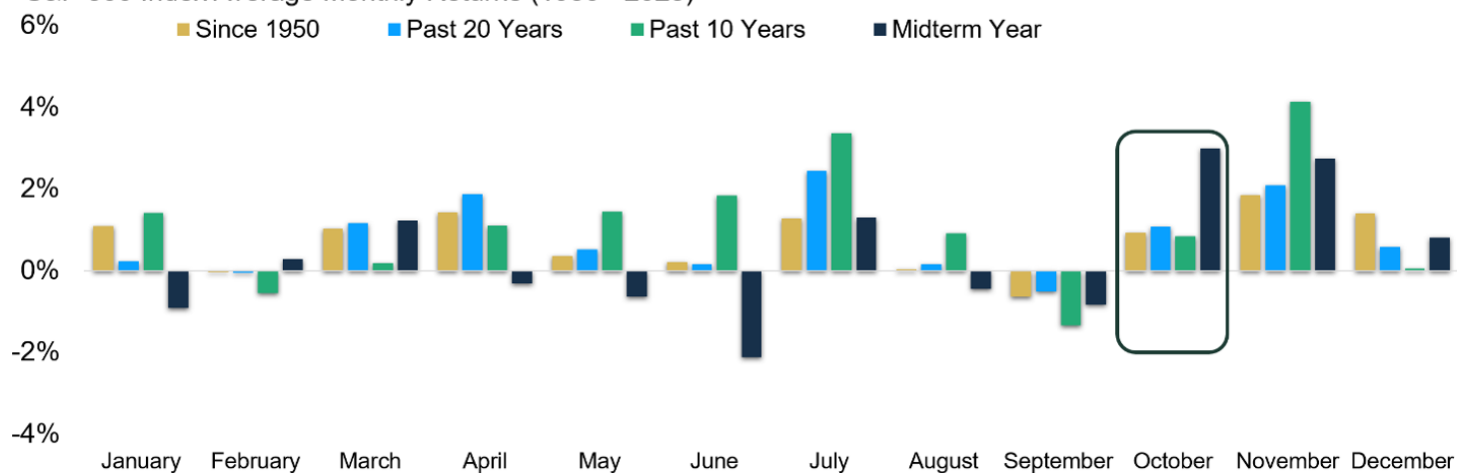
If you recall, I discussed over the last couple of months on how bad August and September typically are, specifically in midterm years, so the fact we got through those months pretty much unscathed is something I am personally chalking up as a win! It wasn't pretty by any stretch, but I'm sure glad we bucked that bearish trend and sentiment.

While I will be the first to admit you should never invest solely based on the calendar, it's important to understand history, and the good news for investors is some of the best times of the year to invest from a historically perspective is officially here.

Yes, October is known for spectacular crashes – 1929, 1932, 1937, 1987, and 2008 were all down double digits. Here's the thing, though: October might be very bad when it's bad, but overall, it ranks as the seventh-best month since 1950, the fifth-best over the past 20 years, and the eighth-best over the past 10 years. Not the best, but solid, and not so spooky overall.

Here Comes October 🐼🍊🦇

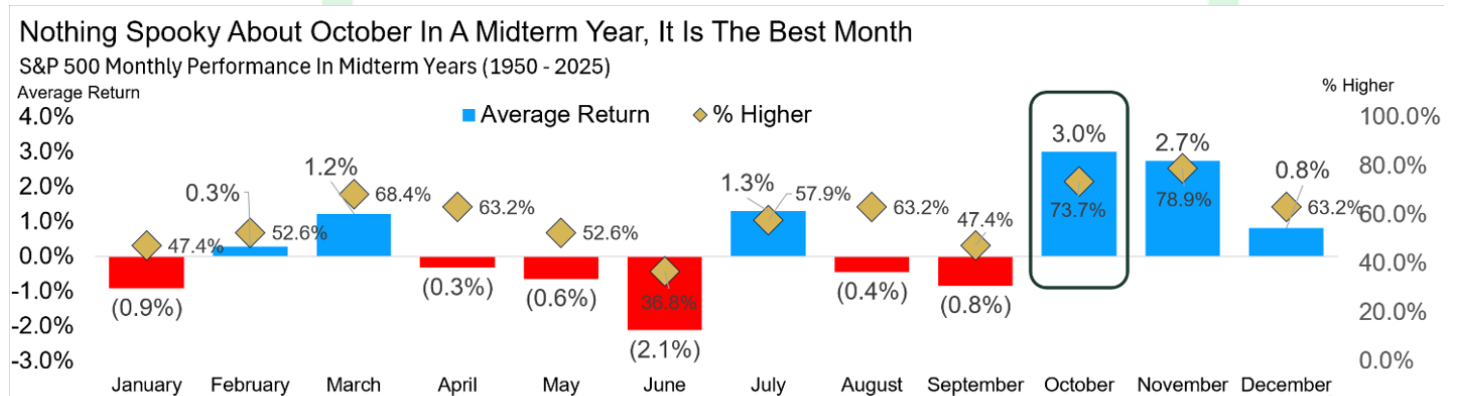
S&P 500 Index Average Monthly Returns (1950 - 2025)



Where this month gets really interesting is in midterm election years. In a midterm year, October has been the best month of the year, up 3.0% on average and higher nearly 74% of the time. The second-best month

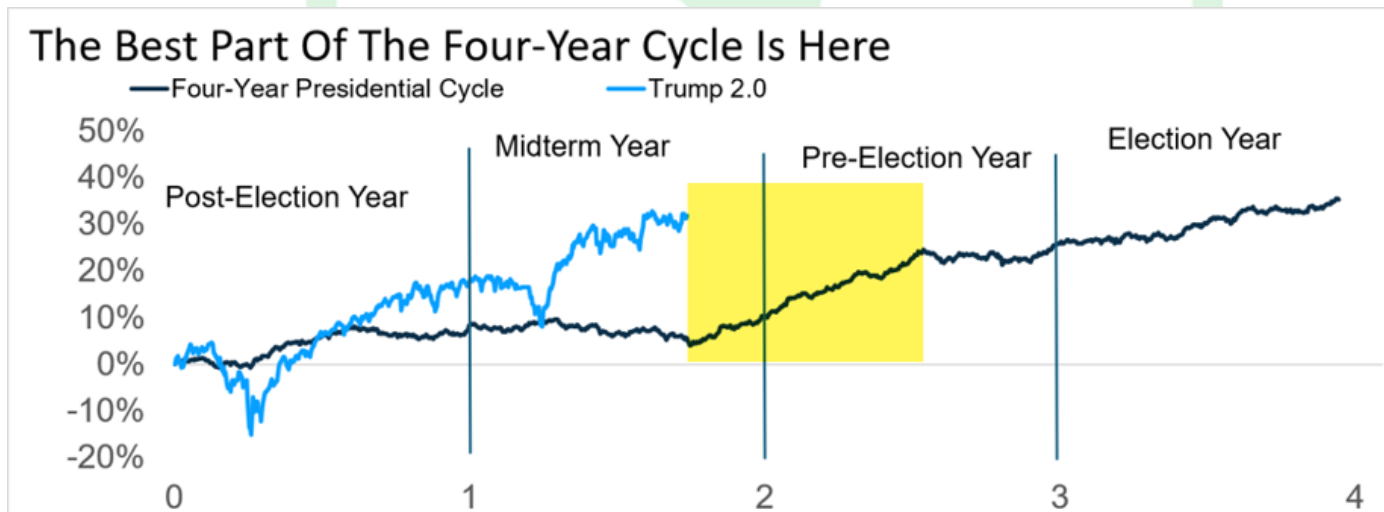
is right behind it – November, up 2.7% on average and higher nearly 80% of the time. But there’s something for everyone here. In President Trump’s first midterm year, back in 2018, the S&P 500 fell nearly 7% in October, the only negative October in a midterm year over the past eight cycles.

Like I said, I don’t suggest blindly investing based on this pattern, but I am expecting a strong fourth quarter to close out a nice year for investors, and this does little to change my view.

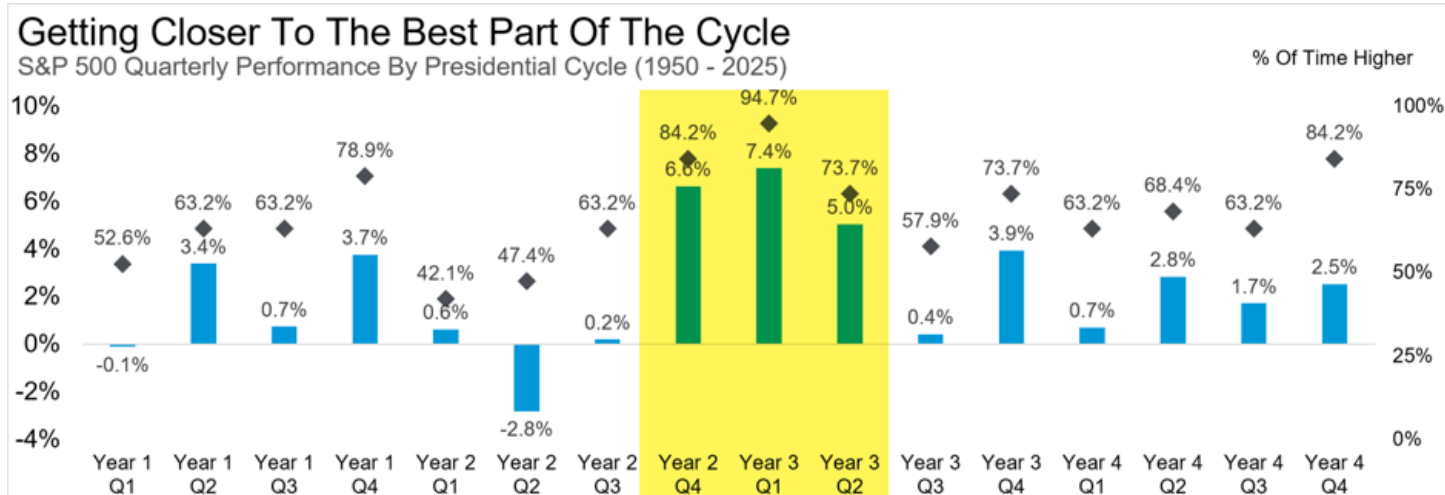


The Best Part of the Four-Year Presidential Cycle Is Now

Taking this a step further, the fourth quarter of a midterm year and the first two quarters of a pre-election year (so the next three quarters) are the three best quarters out of the entire 4-year presidential cycle. Love him or hate him, stocks have done well under President Trump so far this midterm year relative to other midterm years, so some of the gains could be pre-loaded here. That’s always a possibility, but overall, I remain optimistic this bull market is alive and well, and more gains are likely the rest of this year and into next.



Of course, the second quarter of a midterm year has historically been the worst quarter on average, and all it did this year was soar a record-breaking 15%. So, I would suggest using this as a guide, not gospel.



Welcome to the Fourth Quarter

Going all the way back to 1950, the fourth quarter is historically the best quarter of the year, up more than 80% of the time and up 4.2% on average, twice the next best quarter.

Lately, though, this quarter has been off the charts strong, higher than 12 of the past 13 years. But here's the catch: the one time it was lower was a big drop in 2018, the last time President Trump was in office in a midterm year.

Q4 Has Been Very Strong Lately

S&P 500 Q4 Return Past 13 Years

Year	Q4 Return
2013	9.9%
2014	4.4%
2015	6.5%
2016	3.3%
2017	6.1%
2018	-14.0%
2019	8.5%
2020	11.7%
2021	10.6%
2022	7.1%
2023	11.2%
2024	2.1%
2025	2.3%
2026	?
Average	5.4%
Median	6.5%
Higher	12
Count	13
% Positive	92.3%
All Years Since 1950	
Average	4.2%
Median	5.2%
% Higher	80.3%

Lastly, another clue this year could end on a good note is that the year has been good so far, but not too good. We found 21 times the S&P 500 was up 10-20% going into the fourth quarter and those last three months were higher more than 85% of the time and up more than 5% on average, both better than an average year. Just like in golf when you hit the sweet spot and good things happen, this year has been in the sweet spot for returns and it could bode well for investors.

YTD In The Sweet Spot? A Strong Q4 Is Likely

S&P 500 YTD Up Between 10-20% Heading Into Q4 (1950- Current)

Year	YTD Return End September	Q4 Return
1950	15.8%	5.0%
1951	13.9%	2.2%
1961	14.8%	7.2%
1963	13.6%	4.6%
1964	12.2%	0.7%
1976	16.7%	2.1%
1979	13.7%	-1.3%
1980	16.2%	8.2%
1983	18.1%	-0.7%
1988	10.0%	2.1%
1991	17.5%	7.5%
1996	11.6%	7.8%
2003	13.2%	11.6%
2009	17.0%	5.5%
2012	14.6%	-1.0%
2013	17.9%	9.9%
2017	12.5%	6.1%
2019	18.7%	8.5%
2021	14.7%	10.6%
2023	11.7%	11.2%
2025	13.7%	2.3%
2026	12.7%	?
Average		5.3%
Median		5.5%
Higher		18
Count		21
% Positive		85.7%
All Years Since 1950		
Average		4.2%
Median		5.2%
% Higher		80.3%

Final Thoughts

As we enter the final quarter of 2026, there is plenty to feel constructive about. Corporate earnings remain strong, economic growth has proven resilient, and history suggests we are entering what has traditionally been a favourable stretch for investors. That doesn't guarantee a smooth ride, but investing has never required perfect conditions.

There will always be something to worry about—interest rates, inflation, geopolitics, government debt or artificial intelligence. The challenge is separating what truly matters from the noise and focusing on what we can control.

Successful investing doesn't require predicting every market move. It requires a sound financial plan, an appropriate investment strategy, and the patience and discipline to stick with both.

Thank you, as always, for your continued trust and confidence.

Warmly,



Aaron Pedlar, HBA, CHS, PFA™