

## What happened this week

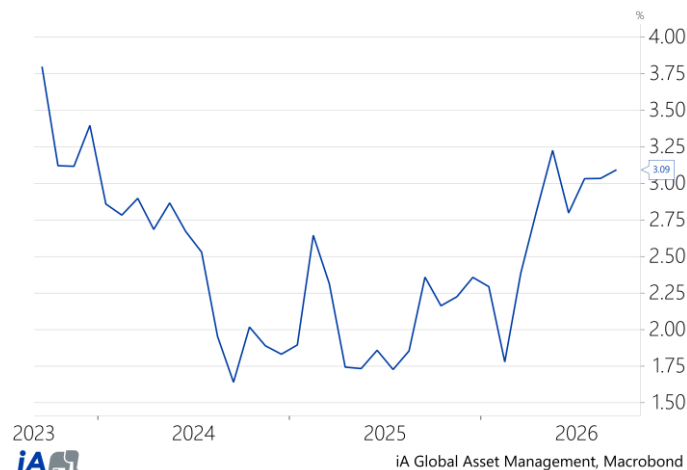
October 23, 2026

In Canada, economic data were mixed. Headline inflation edged up to 3.1% in September, driven by higher gasoline and shelter costs, while underlying price pressures continued to ease. Core inflation slowed to 2.2%, while the Bank of Canada's preferred measures remained below 2%. Meanwhile, housing activity softened, with housing prices declining 0.2% month over month. Retail sales rose 1.2% in August, largely supported by motor vehicles, gasoline stations (reflecting higher fuel prices rather than volumes), and food retailers, while preliminary estimates point to an increase in September. Overall, the data suggest resilient consumer activity alongside easing underlying inflation pressures ahead of the upcoming BoC meeting.

In the United States, housing activity weakened further in September. Housing starts fell 5.2% to an annualized 1.22 million units for a third consecutive monthly decline, while building permits edged down 0.2%. Elevated financing costs and sluggish demand continue to weigh on homebuilding activity. Meanwhile, S&P Global PMIs pointed to solid business activity in October. Manufacturing PMI rose to 56.0, beating expectations, while services PMI eased to 57.9 and the composite index declined to 57.6. Overall, the data point to continued weakness in housing, while strong PMI readings suggest broader economic activity remains resilient despite some moderation in services.

### Canada: Total Inflation

Statistics Canada, % YoY, as at 9/2026



### Bond market

The bond market experienced quite a wild ride, with yields ending materially lower than where they began. A flight to quality transpired amid ongoing worries over France's debt situation and a pivot away from the AI trade, with mounting concerns about rising capex and associated financing versus revenue growth prospects. As a result, U.S. 10-year Treasury yields slumped more than 15 basis points to lurch just below 5% for the first time in roughly a month. The risk-off tone also pared futures expectations for a 25-basis-point rate hike from the Fed this year: a move in 2026 is no longer priced while three moves in the current restrictive cycle are similarly not fully reflected. At the same

### Highlights

- In Canada, inflation edged higher, while resilient consumer spending and easing core pressures painted a mixed picture.
- In the U.S., housing activity weakened further, while strong PMI readings pointed to resilient broader economic momentum.

### On our radar

- Canada: BoC interest rate decision and GDP for August
- United States: Fed interest rate decision, durable goods order, and core PCE price index for September

time, renewed upward pressures on oil prices could contribute to a rebound in yields should the risk-off sentiment abate. Spread product was also caught up in the risk-off tone. U.S. IG tacked on another 5 basis points as it eyes 90 basis points for the first time since March. Meanwhile, U.S. HY is where the real damage was done as it added 10 basis points during the week; it has gained a whopping 80 basis points since September lows, now hovering near 340 basis points. The AI trade, massive HY new issue deals of late and the impact of rising yields on the functionality of CCC-rated firms are the primary culprits. A gridlocked U.S. government following the upcoming midterm elections may help ease some of the recent volatility.

### Stock market

The S&P 500 declined during the week as a risk-off rotation weighed on technology megacaps. The Nasdaq also fell, while the Dow Jones Industrial Average gained as investors favoured more defensive sectors. Sentiment weakened following a 7% decline in Meta shares and disappointing margins from Tesla, with both companies facing scrutiny over elevated AI-related capital expenditures.

Meta reported negative free cash flow of \$2.12 billion and raised the lower end of its full-year capex guidance to \$135–145 billion, highlighting the scale of its AI infrastructure investments. Despite concerns over spending, early adoption of Muse and the launch of new AI models provided some encouragement, with more than 10 million users creating Muse accounts within six weeks.

Tesla also delivered underwhelming results, citing lower average selling prices and battery supply constraints. Profitability was further pressured by increased spending on Optimus and other AI initiatives, with capital expenditures more than doubling to \$3.73 billion. Meanwhile, the company continues to advance its autonomous driving ambitions through Cybercab testing, with management expecting Robotaxi to meaningfully contribute to financial results in 2027.

# Markets

(Total returns, in CAD)

| As of October 22, 2026                  | WTD % | MTD % | YTD % | 1Y %  | 3Y %  | 5Y %  | CAU.S.      |          |
|-----------------------------------------|-------|-------|-------|-------|-------|-------|-------------|----------|
| Equities                                |       |       |       |       |       |       | Bond yields |          |
| S&P 500                                 | -0.69 | -0.95 | 15.67 | 16.06 | 24.58 | 15.52 | 2Y          | 3.234.64 |
| S&P/TSX                                 | -0.56 | 2.16  | 15.41 | 22.69 | 26.86 | 14.38 | 5Y          | 3.514.77 |
| NASDAQ                                  | -1.52 | -5.86 | 17.43 | 16.74 | 26.80 | 16.46 | 10Y         | 3.794.95 |
| MSCI ACWI                               | -1.00 | -1.27 | 14.28 | 14.96 | 23.24 | 13.67 | 30Y         | 4.105.28 |
| MSCI EAFE                               | -2.02 | -2.50 | 11.42 | 12.95 | 20.24 | 11.27 |             |          |
| MSCI EM                                 | -3.49 | -8.58 | 17.16 | 17.24 | 23.66 | 9.82  |             |          |
| Commodities (USD)                       |       |       |       |       |       |       |             |          |
| Gold                                    | -3.38 | -3.19 | -6.82 | -1.80 | 26.65 | 17.56 |             |          |
| BCOM                                    | -1.14 | 0.87  | 34.02 | 39.81 | 15.48 | 10.81 |             |          |
| WTI                                     | -1.91 | 10.01 | 73.23 | 70.03 | 3.87  | 3.50  |             |          |
| Fixed income                            |       |       |       |       |       |       |             |          |
| FTSE Canada Universe                    | 0.33  | 1.51  | 0.71  | -0.40 | 5.34  | 0.75  |             |          |
| FTSE Canada Long                        | 0.96  | 3.06  | -0.15 | -2.77 | 5.16  | -1.91 |             |          |
| FTSE Canada Corporate                   | 0.14  | 1.09  | 1.14  | 0.79  | 6.81  | 2.34  |             |          |
| FTSE Canada Short Term                  | 0.02  | 0.64  | 1.17  | 1.08  | 4.88  | 2.30  |             |          |
| Bloomberg Global-Aggregate (CAD-Hedged) | 0.29  | 1.23  | -1.44 | -2.09 | 3.59  | -0.33 |             |          |
| Bloomberg US Aggregate (CAD-Hedged)     | 0.68  | 1.93  | -2.29 | -2.86 | 3.89  | -1.23 |             |          |
| Currencies (USD)                        |       |       |       |       |       |       |             |          |
| DXY                                     | -0.23 | 0.15  | 3.34  | 2.74  | -1.45 | 1.65  |             |          |
| USDCAD                                  | -0.93 | -1.56 | 2.08  | 0.11  | 0.71  | 2.53  |             |          |
| USDEUR                                  | 0.20  | 1.02  | 4.72  | 3.52  | -1.88 | 0.75  |             |          |
| USDJPY                                  | -0.79 | -0.41 | 0.04  | 3.15  | 1.51  | 6.67  |             |          |
| USDGBP                                  | -0.56 | -1.02 | 0.55  | -0.33 | -3.18 | 0.52  |             |          |

Source: iA Global Asset Management, Bloomberg

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