

KEYS TO THE MARKET

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Agenda

- Economic Recap
- Bond Market
- Stock Market
- Market Returns

What happened this week?

Canada

- Economic data were mixed. Manufacturing sales rose 1.5% in August, beating expectations for a 1.1% increase and marking the strongest gain since April. The increase was led by primary metals and chemicals, while transportation equipment sales declined. Capacity utilization also improved to 81.9%, compared to 80.7% in July.
- Housing activity remained resilient, with housing starts reaching an annualized 248,896 units in September, above expectations of 232,500. Meanwhile, building permits rebounded 8.8% in August, following a sharp decline in the previous month, while wholesale sales fell 1.6%. Overall, the data suggest resilient economic activity despite uneven momentum across sectors.

United States

- Inflation pressures intensified in September, while underlying consumer spending showed signs of softening. Core CPI rose 0.3% month over month, above expectations, as shelter and services inflation remained elevated. Producer prices surged 1.3%, well above forecasts, driven largely by higher energy costs. Retail sales increased a stronger-than-expected 0.8%, though the control group rose just 0.1%, suggesting weaker underlying spending.
- Meanwhile, initial jobless claims remained low at 199,000, indicating continued labour market resilience. Existing home sales edged higher by 1.5% in September. Overall, persistent inflation pressures may keep the Federal Reserve cautious, while softer underlying consumption points to some moderation in economic momentum.

Bond Market

- Volatility was the name of the game in the bond market. U.S. 10-year Treasuries fell roughly 15 basis points to hover around 5.2%, down 20 basis points from their recent peak. Meanwhile, the 2s-30s curve has flattened by 20 basis points since the start of October, in lock step with declining long yields, as the fear that gripped the global bond market eased a touch. The downward shift in bond yields during the week came despite modestly hotter-than-expected U.S. CPI data, which initially caused levels to spike. That was followed by concerns about the AI trade, on the surface, that appeared to cycle money from equities into bonds.
- Yet with another strong earnings season expected, the narrative out of equities does not seem to tell the story. More likely, the rise in yields over the past few weeks lacked conviction, causing them to subside just as easily, with U.S. 10s approaching a four-handle again. Even rates futures are pulling back, as an October hike by the Federal Reserve is now not very likely, although three more rate increases under the current restrictive regime are still priced.
- In credit, U.S. HY continued to exhibit similar fears to technology equities, as spreads stayed above 320 basis points with concerns building about lower-rated AI financings. Conversely, U.S. IG stayed fairly resilient, showing little movement around 80 basis points.

Stock Market

- The S&P 500 declined after trading near record highs. Market sentiment was characterized by a sharp rotation out of information technology and into more defensive sectors. The rotation followed Anthropic's pre-IPO investor meetings, where management disclosed a September annualized revenue run rate below investor expectations, signalling a moderation in month-over-month growth.
- Meanwhile, all major U.S. banks reported quarterly earnings. Results were broadly ahead of expectations, with management commentary largely focused on AI-related investment opportunities, IPO market uncertainty, elevated fuel prices, and higher borrowing costs.
- A notable theme across the banking sector was continued improvement in consumer credit quality. Generally improving year over year were card delinquency rates, which measure the percentage of borrowers falling behind on credit card payments, and net charge-off rates, which represent debt deemed unlikely to be collected and written off by lenders. JPMorgan's card delinquency and net charge-off rates are now below 2019 levels, while Citigroup revised its guidance for card net charge-offs toward the low end of its previously communicated range. This suggests that consumer balance sheets remain more resilient than many investors had anticipated, despite a higher interest rate environment.

Market Returns (TR in CAD)

As of October 15, 2026	WTD (%)	MTD (%)	YTD (%)	1Y (%)	3Y (%)	5Y (%)
Equities						
S&P 500	-1.40	1.24	18.23	18.76	24.59	16.40
S&P/TSX	1.33	2.63	15.93	20.61	26.29	14.79
NASDAQ	-3.60	-1.57	22.79	22.34	27.55	17.82
MSCI ACWI	-1.13	0.64	16.49	17.37	23.09	14.41
MSCI EAFE	-0.39	-1.34	12.74	15.10	19.76	11.67
MSCI EM	-6.43	-5.66	20.89	21.88	23.92	10.67
Commodities (USD)						
Gold	-0.54	0.34	-3.42	-0.86	29.23	18.74
BCOM	0.04	1.65	35.06	41.43	16.02	10.78
WTI	6.66	8.35	70.62	68.13	3.76	3.55
Fixed income						
FTSE Canada Universe	0.25	1.13	0.33	-0.35	4.93	0.56
FTSE Canada Long	0.72	2.01	-1.17	-2.89	4.00	-2.29
FTSE Canada Corporate	0.18	0.91	0.96	0.93	6.56	2.22
FTSE Canada Short Term	0.02	0.59	1.11	1.17	4.90	2.23
Bloomberg Global-Aggregate (CAD-Hedged)	0.62	0.93	-1.74	-2.08	3.09	-0.45
Bloomberg US Aggregate (CAD-Hedged)	0.82	1.22	-2.97	-3.06	3.03	-1.44
Currencies						
Currencies (USD)						
DXY	-0.21	0.54	3.74	3.25	-1.47	1.66
USDCAD	-0.50	-0.32	3.37	1.02	1.27	2.78
USDEUR	-0.17	0.99	4.69	3.81	-2.16	0.67
USDJPY	-0.20	0.37	0.82	4.60	1.84	6.70
USDGBP	-0.30	-0.08	1.51	0.97	-2.93	0.70

	CA	US
Bond yields		
2Y	3.20	4.74
5Y	3.53	4.88
10Y	3.83	5.06
30Y	4.17	5.41

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