iA Global Asset Management

Keys to the market

What happened this week

October 30, 2026

In Canada, the economy remained soft heading into the fall, with GDP estimated to have contracted 0.1% month on month in September after activity stalled for a second time in August. Despite this, preliminary data point to 0.3% growth in the third quarter, following a stronger 0.8% expansion in the second. The slowdown suggests that underlying economic momentum remains subdued. Against a backdrop of more persistent inflation, the Bank of Canada raised its policy rate by 25 bps to 2.5%, its first increase in three years. Looking ahead, higher U.S. tariffs are expected to weigh on near-term growth, with population declines, elevated oil prices, and tighter financial conditions potentially keeping the recovery modest.

In the United States, economic activity remained resilient, while inflation pressures persisted. The Federal Reserve held its policy rate at 3.75%–4.00% after September's first rate increase since 2023, noting strong economic activity, solid domestic spending, and elevated inflation. Durable goods orders rose 1.8% in September, exceeding expectations, supported by a 28.4% surge in civilian aircraft bookings, while core capital goods orders advanced 0.5%. The continued rise in core orders suggests that businesses remain willing to invest in equipment, pointing to resilient capital spending heading into the final quarter of the year. Meanwhile, core PCE inflation rose 0.3% month over month and accelerated to 3.1% annually, its highest level since May and still above the Fed's 2% target. Overall, the data suggest that underlying demand remains solid, while persistent inflation continues to limit the scope for a more accommodative Fed stance.

Federal Reserve: Number of Hikes/Cuts Expected By Month

Market Implied, OIS Model, as at 10/30/2026

Bond market

With equities taking it on the chin this week, the rates markets provided some cover for investors. Yields in both Canada and the U.S. dipped by a few basis points, taking us further away from the overblown inflation fears that punished bonds in September and the first half of October. With the week's declines, U.S. 10s moved perceptibly below 5% and are now hovering around 4.9%, which is a far cry from the 5.3% they peaked at earlier in the month. The easing tension in bond yields came on the back of the Fed's credibility hike in September, reinforced by Chair Warsh saying more things the market wanted to hear about price stability, which allowed it to stay on hold at the latest meeting. By comparison, the BoC raised some eyebrows by hiking 25 basis points, as it decided to be proactive in getting ahead of any future inflation risks. In spread product, ongoing risk-off sentiment pushed U.S. HY towards 340 basis points and its highest levels of the year, with fears about the amount of debt financing needed for the AI buildout circulating in the markets. U.S. IG was much better behaved, but did move a few basis points higher towards 90. The outperformance of U.S. IG is supported by the technical bid for higher quality corporate bonds, with persistent demand for annuities and attractive all-in yields.

Highlights

- In Canada, economic momentum softened, while persistent inflation prompted the Bank of Canada to raise rates for the first time in three years.
- In the U.S., resilient business investment and persistent inflation pointed to solid underlying demand, keeping the Fed cautious.

On our radar

- Canada: Unemployment rate, Ivey PMI and S&P Global Manufacturing PMI
- United States: Midterm election results, ISM Manufacturing PMI and nonfarm payrolls

Stock market

Markets experienced a volatile week, as investor sentiment was driven by earnings from major AI-linked companies. At the same time, a sharp pullback in AI-related technology stocks weighed on the broader market, as earnings results disappointed against elevated investor expectations. Geopolitical tensions in the Middle East added to uncertainty, leaving investor sentiment in fearful territory.

Alphabet's stock declined after earnings missed expectations, specifically with weaker-than-expected results from its core "search and other" business. Revenue grew 12% year over year, but fell short of consensus. The miss was notable, given that Google reported its strongest search query growth in five years, highlighting a growing disconnect between user engagement and revenue generation.

Amazon delivered its strongest AWS revenue growth in years, reflecting continued demand for cloud and AI services. However, focus remains on its significant AI investments, with capital expenditures expected to reach approximately $220 billion this year, largely to expand data centre capacity.

Intel's outlook disappointed investors, as management pointed to persistent weakness in the global PC market. The company expects pressure from high memory costs to continue, while supply shortages and manufacturing disruptions in its server business are likely to weigh on fourth-quarter shipments.

Markets

(Total returns, in CAD)

As of October 29, 2026	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	1.24	-0.61	16.07	14.02	25.29	15.21
S&P/TSX	1.34	2.99	16.35	22.96	28.00	14.74
NASDAQ	1.51	-4.81	18.75	13.24	27.89	15.91
MSCI ACWI	1.24	-0.83	14.78	13.59	23.81	13.52
MSCI EAFE	1.25	-1.88	12.13	13.34	20.32	11.36
MSCI EM	0.89	-7.97	17.94	15.79	23.70	10.38
Commodities (USD)						
Gold	0.64	-3.27	-6.90	2.33	26.08	17.66
BCOM	-1.57	0.00	32.87	37.51	15.18	10.71
WTI	-1.23	12.81	77.64	68.65	6.04	4.07
Fixed income						
FTSE Canada Universe	0.13	1.30	0.51	-0.32	4.86	0.77
FTSE Canada Long	0.25	2.76	-0.45	-2.77	4.33	-2.01
FTSE Canada Corporate	0.13	0.88	0.92	0.70	6.38	2.36
FTSE Canada Short Term	0.04	0.51	1.03	1.06	4.61	2.37
Bloomberg Global-Aggregate (CAD-Hedged)	0.20	1.38	-1.30	-1.71	3.48	-0.35
Bloomberg US Aggregate (CAD-Hedged)	0.24	1.97	-2.26	-2.32	3.67	-1.32
Currencies (USD)						
DXY	0.22	0.58	3.78	2.84	-1.44	1.63
USDCAD	-0.10	-1.71	1.93	0.33	0.29	2.46
USDEUR	0.20	1.35	5.06	3.77	-1.87	0.67
USDJPY	0.54	0.19	0.64	3.26	1.76	6.72
USDGBP	-0.01	-0.84	0.74	-1.36	-3.23	0.46

	CA	U.S.
Bond yields		
2Y	3.33	4.60
5Y	3.54	4.74
10Y	3.80	4.94
30Y	4.10	5.30

Source: iA Global Asset Management, Bloomberg

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