RJL PCS: INSIGHTS & STRATEGIES

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November 2026 Insights & Strategies: Winds of change bring both opportunities and risks

Macro Highlights for October

- The BoC raised its policy rate by 25 bps, to 2.50%. The BoC has never done just one hike and then stopped, and with a more proactive policy, intended to keep higher energy costs from seeping into other inflation segments, we now expect to see one or two additional hikes between December and early 2027, bringing the policy rate to 2.75-3.00%. While hikes are driven by energy prices and inflation, another weaker labour report in October (4,700 job losses, unemployment rate rose to 6.7%) may inject caution into the timing of hikes.
- The U.S. Federal Reserve chose to hold its policy rate at 4.00% at its October meeting, despite growing indications of inflation pressures. This essentially locks in expectations of a 25 bp rate hike in the December meeting.
- Commentary from both sides of the border suggest that the Canada-U.S. trade discussions that were derailed in August might be back on the table and moving towards a resolution by the end of the year, before additional Section 232 tariffs are expected to come into effect. Areas of focus will likely be the most recent Section 338 tariffs and counter tariffs, Section 232 tariffs focused on the auto sector, and alcohol prohibitions. The broader USMCA renewal discussion will likely drag into 2027 or 2028.

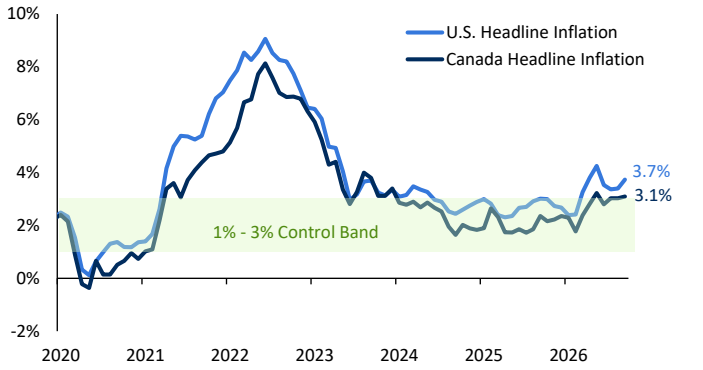
Financial Markets in October

- October ended in dramatic fashion as several large-tech darlings disappointed in various segments as 3Q26 earnings were released, and investors once again started to worry about return on A.I. investments and cash flow sustainability. Post month-end, the rout in semiconductor stocks has continued as the blue wave has cast doubts on the continuing speed of data centre build-out, with an even more dramatic selloff on November 5 as investors digested the potential for slower growth in A.I. related hardware and affects on other sectors.
- The S&P 500 declined 0.9% in October on both a price and total return basis, bringing year-to-date gains to 10.7% and 11.7%, respectively. In contrast, the S&P 500 Equal Weight Index gained 5.0% on a total return basis, recording its widest monthly outperformance relative to the standard, market-cap-weighted S&P 500 since April 2009. The S&P/TSX Composite advanced 1.1% on a price basis and 1.2% on a total return basis, bringing year-to-date gains to 12.3% and 14.4%, respectively. Excluding Materials, the TSX would have delivered a 4.6% total return for the month.
- Market participation improved significantly in both the U.S. and Canada during October. The number of constituents trading above their 50-day moving averages rose from approximately 100 to 300 in the S&P 500 and from 100 to 200 in the S&P/TSX Composite, signaling a meaningful broadening in market participation despite mixed headline index performance.

Upcoming

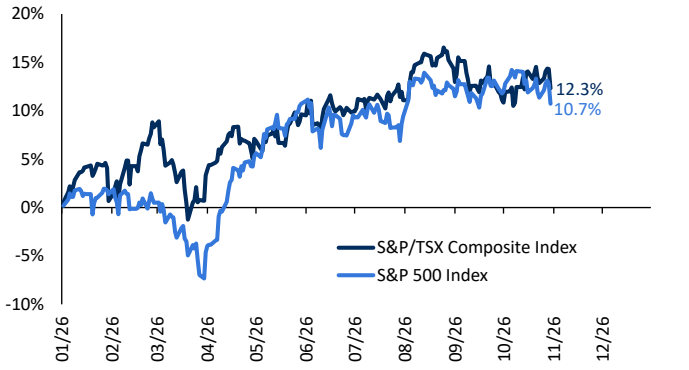
- As the dust settles on the mid-term elections, we will be watching to see how President Trump deals with the new political landscape. Without the constraints of concern for election outcomes, will the U.S. escalate military activity against Iran, or will funding constraints from a democratic congress force a more diplomatic and expedited resolution?
- Data centres were a point of discussion amongst various politicians during campaigning, notably in the Texas, Georgia, and Ohio gubernatorial races. Will popular resistance result in a slowing or moratorium on data centre build-outs? In general, we expect shifts in strategies and deferrals, but not outright halts in developments, but will be watching closely.
- With earnings season mostly complete, we will be watching how inflation pressures vary between the U.S. and Canada, and how that could affect the speed of number of interest rate hikes into 2027.

Chart 1 - Canada and U.S. Headline Inflation



Source: FactSet, Raymond James Ltd.; Data as of September 30, 2026. Not seasonally adjusted.

Chart 2 - S&P/TSX Composite and S&P 500 YTD Performance



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026. Price return in local currency.

Executive Summary

Last month, we emphasized the importance of rebalancing portfolios to ensure that investors were maintaining the appropriate risk/return profile. Investors who allowed strong technology gains to increase their portfolio concentration may have experienced a jolt as several Magnificent Seven stocks came under pressure toward the end of October. As we have now passed through the historical pressure and volatility of September and October, we are looking to benefit from the positive trends that are typical after U.S. mid-term elections. This does not, however, negate the need to ensure proper diversification and balance in portfolios. As the winds of change have rearranged the political landscape in the U.S., we are still faced with unresolved conflicts in Iran and Ukraine, elevated oil prices that will continue to challenge inflation measures, a still uncertain trade environment, and interest rate hiking cycles that have begun in both Canada and the U.S. The latest uncertainty is whether the democratic wave through U.S. governor races will impede the development of data centres in various U.S. regions, which could further influence the A.I. hardware supply chain. While we remain generally optimistic about the markets over the next year, we emphasize that selectivity, diversification, and balance, remain paramount.

Market breadth improves

Market breadth improved significantly in both the U.S. and Canada during October. By month-end, the number of constituents trading above their 50-day moving averages had tripled in the S&P 500 to approximately 300 and doubled in the S&P/TSX Composite to around 200, bringing both markets back to healthier levels of participation compared with the end of September.

Despite improving market breadth, the S&P 500 posted a negative return in October, weighed down by sharp underperformance in the Information Technology and Communication Services sectors. The index declined 0.9% on both a price and total return basis, bringing year-to-date gains to 10.7% and 11.7%, respectively. With nine of the 11 S&P 500 sectors posting positive returns in October, the S&P 500 Equal Weight Index delivered an impressive price return of 4.9%, outperforming its market-cap-weighted counterpart by the widest margin since April 2009.

October's weakness in mega-cap technology reflected growing concerns about A.I. profitability, the resilience of established business models and the financing of substantial capital expenditure plans. Encouragingly, however, the selling was accompanied by stronger performance elsewhere in the market, suggesting a rotation within equities rather than a broad retreat from risk. Defensive sectors, including Utilities, Consumer Staples and Health Care, were among the primary beneficiaries. Importantly, this rotation occurred against a backdrop of continued earnings strength, with S&P 500 third-quarter earnings growth exceeding 30% and contributions increasingly extending beyond A.I.-related sectors. This provides a stronger fundamental foundation for our constructive equity outlook.

Canadian equities also benefited from improving breadth, with the S&P/TSX Composite advancing 1.1% on a price basis and 1.2% on a total return basis, partially recovering from September's losses. This brought year-to-date price and total returns to 12.3% and 14.4%, respectively. Gains were broad-based, with 10 of the 11 sectors posting positive returns, led by Energy, Consumer Staples and Consumer Discretionary. Materials was the notable laggard as gold prices continued to retreat, weighing significantly on overall index performance. Excluding Materials, the S&P/TSX Composite would have delivered a 4.6% total return for the month.

Impacts on the A.I. trade and the bull market

Although we expect further rotation in market leadership, we believe the A.I. investment cycle has considerable room to run. Now, just over four years into the bull market, following substantial outperformance in semiconductors and other hardware-related businesses, investor attention is increasingly shifting toward hyperscalers, frontier model developers and the application layer. The latest earnings season suggests a clear shift in investor expectations, with aggressive capital expenditure no longer viewed as a positive signal in itself. Instead, investors are increasingly focused on A.I. monetization and free cash flow. This transition could create opportunities for software and applications to narrow the performance gap with hardware, although selectivity will become increasingly important.

Against this backdrop, a more measured pace of data centre development could provide an unexpected opportunity for greater capital discipline. Constraints on new construction may ease supply-chain pressures and rising infrastructure costs, while allowing commercial adoption more time to catch up with the rapid expansion in computing capacity. Such externally imposed moderation could be more favourably received than a voluntary slowdown, which might otherwise raise concerns about weakening demand or competitive positioning. It could also enhance the strategic value of existing operational data centres, particularly those with secured power access. However, these benefits would depend on continued revenue growth, while smaller, more leveraged infrastructure providers may face greater challenges from construction delays and financing requirements.

With the current bull market now just over four years old, against an average length of five-and-a-half years, a more sustainable pace of A.I. investment, supported by continued earnings growth and improving capital efficiency, could help extend the equity advance. Ultimately, we believe the next phase of the A.I. trade will increasingly be determined by companies' ability to translate investment into sustainable earnings and cash flow.

Two historical tailwinds support the equity outlook

Two events tend to favour equity markets over the next 12 months. The first is the resolution of the U.S. mid-term elections. In general, since 1980, following mid-term elections, the S&P 500 has been up an average of 18% in the following 12 months, with the TSX Composite up 13%. Also, we have seen a pullback on the U.S. 10-year Treasury yield, that peaked at 5.365% on October 7. If this holds up as a peak, as yields have been declining since, markets generally do well in the following 12 months, with rate-sensitive sectors leading, expanding into broad strength across more sectors and market capitalizations. While the A.I. trade is likely persistent through this period, we do expect some rotation between leaders, which might include between software and hardware as data centre build-outs face rising scrutiny.

Interest rates moving up

Both the U.S. Fed and BoC have embarked on hiking cycles. While the governors like to remind us that decisions are not made in advance of meetings, the BoC has never hiked just one time, and given the ~18 month lag before policy typically affects the economy, and the likely persistent pressure from the Iran war and elevated oil and diesel prices, we can likely expect at least one more hike between the December meeting and early 2027. The U.S. Fed has, by contrast, in one instance in 1997 hiked only once before reversing course following an 18-month hold. This was influenced however by international financial stresses. This hiking cycle however is likely to persist, as the inflation rate in the U.S. is elevated and moving in the wrong direction as the main stressors (crude oil, availability of diesel, and the Iran war) look likely to persist for the immediate future, yet the underlying economy and unemployment rate seem to be comfortably steady.

Canadian economy generally okay, and expected to get better

Canadian real GDP growth for 2026 is expected to be 1.0%, down from 1.9% in 2025, which is not great, but also not that bad, especially considering the trade environment that has caused significant concern over the last couple of years. The BoC is forecasting growth of 2.0% in both 2027 and 2028, taking some of the excess slack out of the economy. This likely factored into the BoC's justification that the economy could withstand higher interest rates. The new federal budget, which maintains fiscal stimulus, and optimism that a better trade environment could be forthcoming, provides further support to the notion that the Canadian economy is likely to improve, at least modestly, over the next couple of years.

In the U.S., our team is forecasting 2.3% growth in U.S. real GDP next year, with the labour market, household wealth, and A.I. spending all supporting the economy. This would be down marginally from the 2.4% growth forecasted for 2026 and in-line with the 2.3% growth achieved in 2025.

Tariffs

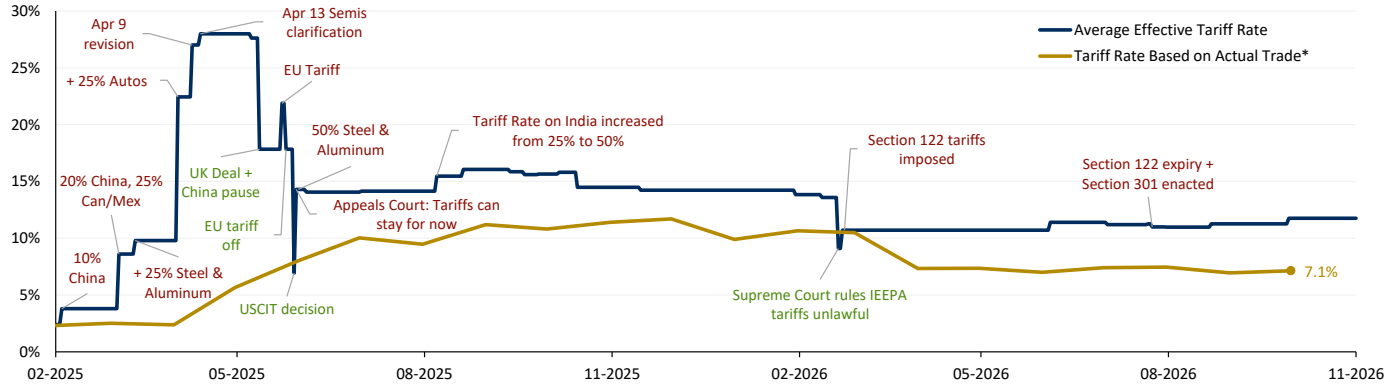
With the mid-terms in the rear-view mirror, and unpopular tariff policies being cited as a factor in the democratic sweep, we expect that Canada-U.S. trade negotiations are more likely to advance. The most immediate milestone, potentially before the end of 2026, would be a resurrection of the talks that fell apart on August 21. A favourable outcome could reverse the Section 338 tariffs on US$20 billion of Canadian exports into the U.S., and reciprocal Canadian tariffs, plus moratoriums on alcohol sales, and longer running Section 232 tariffs affecting Canadian steel, aluminum, automobiles, lumber, and other goods. The Section 232 tariffs are more likely to be reduced than repealed. Any cordial resolution could then set up a more constructive renewal of the USMCA, which has now shifted to annual reviews, before its expiry in 2036. A renewal would reset the expiry to 16 years and the next review to six years.

Table 1 - Section 232 Tariffs Summary, as of November 5, 2026

Sector	Effective Date	Tariff Rate*
Automobiles and auto parts	May 3, 2025	25%
Steel/aluminum and copper (including derivatives)	Jun 4, 2025 (Steel/alum.); Aug 1, 2025 (Copper)	10-50%
Primary steel/aluminum and most copper products		*50%*
Certain derivative articles substantially made of steel, aluminum, or copper		*25%*
Certain metal-intensive industrial, grid, agricultural, HVAC, and mobile industrial equipment through Dec. 2027		*15% transitional rate*
Derivative articles manufactured with at least 85% U.S.-melted/poured steel, U.S.-smelted/cast aluminum/copper		*10%*
Softwood timber and lumber	October 14, 2025	10%
Wooden furniture, kitchen cabinets and vanities	October 14, 2025	25%
Medium/heavy duty trucks & buses	November 1, 2025	25% on trucks/parts; 10% on buses
Specific semiconductors and related products	January 15, 2026	25%
Certain patented pharmaceuticals and ingredients	July 31, 2026	100% (20% for companies with onshoring plans)
Unmanned Aircraft Systems (incl. parts/components)	September 3, 2026	25-100%
Polysilicon and its derivatives	December 4, 2026	15% on specified derivatives + Minimum Import Price
Robotics and industrial machinery	Investigation completed October 28, 2026	Negotiations underway, no tariffs imposed yet
Processed critical minerals and derivative products	Investigation initiated April 22, 2025	-
Commercial aircraft and jet engines	Investigation initiated May 1, 2025	-
Wind turbines	Investigation initiated August 13, 2025	-
Personal protective equipment, medical consumables/equipment	Investigation initiated September 2, 2025	-

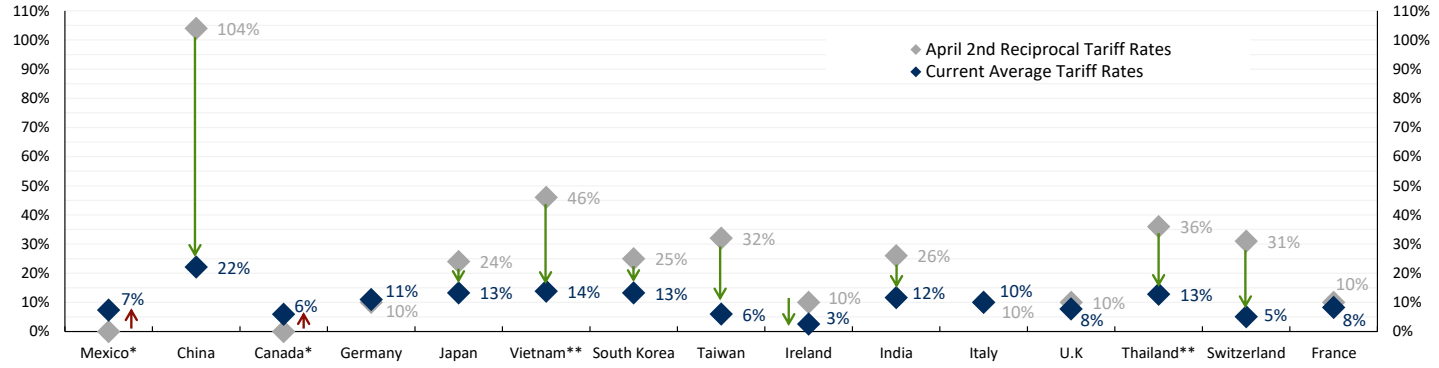
Source: U.S. Department of Commerce, Raymond James Ltd. *Headline tariff rates are shown. Actual rates may vary by trading partner, product characteristics, U.S. content, end use, or other applicable exemptions and preferential treatment.

Chart 3 - U.S. Effective and Actual Tariff Rate



Source: The Budget Lab at Yale. *Actual Trade Rate represents the customs duty revenue as a % of total value of U.S. imports.

Chart 4 - April 2 Reciprocal Tariff Rates vs. Current Average Tariff Rates, as of November 5, 2026



Source: U.S. Census Bureau, Capital Economics, Raymond James Ltd. *USMCA-compliant goods remain exempt (except for Section 338 tariffs). **40% tariff rate on transshipments.

Economics

Canadian GDP — Growth moderates following strong 2Q26

Following strong 3.3% q/q annualized growth in 2Q26, Canadian economic activity has moderated in the third quarter, with monthly real GDP essentially unchanged in August for a second consecutive month (Chart 5). The reading fell short of Statistics Canada's earlier estimate of a 0.2% m/m increase, with gains in manufacturing and retail trade offset by weakness in wholesale trade and utilities. Overall, 9 of 20 industrial sectors expanded during the month, while goods-producing industries edged up 0.1% m/m and services-producing industries declined 0.1% m/m.

Wholesale trade was the largest drag on growth, declining 1.4% m/m following strong gains in June and July, with motor vehicles/parts wholesalers (-4.4% m/m) contributing notably to the weakness. In contrast, retail trade rebounded 1.2% m/m, more than reversing July's 0.8% decline. Manufacturing output also increased 0.3% m/m, marking its fifth monthly gain in seven months, supported by strength in machinery manufacturing (+3.8% m/m) and a recovery in petroleum refining (+4.2% m/m) as production resumed following earlier maintenance disruptions. Meanwhile, utilities output declined 0.4% m/m, partly reflecting maintenance-related outages at nuclear power plants.

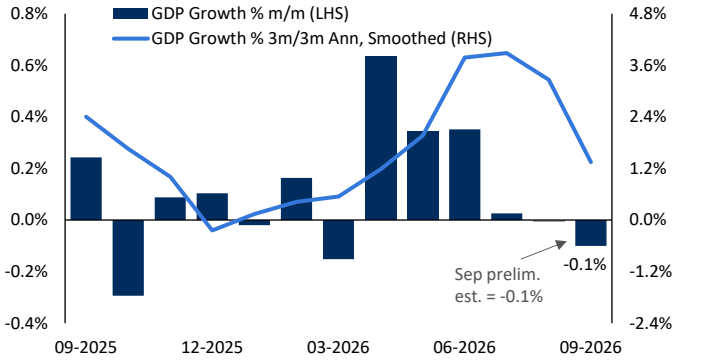
Overall, despite softer-than-expected growth, the strength in consumer spending and manufacturing sector suggest a mixed picture of underlying economic activity. Statistics Canada's advance estimate points to a 0.1% m/m GDP contraction in September. Based on this preliminary estimate, real GDP by industry is expected to have expanded approximately 1.3% q/q annualized in 3Q26, well below the Bank of Canada's 2.0% projection. However, the advance estimate and recent monthly readings remain subject to revision, and the quarterly expenditure-based GDP measure could differ from the industry-based estimate.

Recent indicators reinforce a mixed picture

Statistics Canada's advance estimates indicate that retail sales increased 0.7% m/m in September, extending the rebound seen in August. Wholesale sales are estimated to have risen 0.5% m/m, partially recovering from August's weakness, supported by higher sales of machinery/equipment and motor vehicles/parts. Meanwhile, manufacturing sales are expected to have edged up at a slower pace of 0.1% m/m in September, suggesting some moderation in momentum. This was also reflected in October's manufacturing PMI, which slipped to 49.6, marking its first reading in contractionary territory (below 50) since December 2025. Nevertheless, manufacturing activity has held up relatively well throughout the year despite tariffs and trade-related uncertainty (Chart 6).

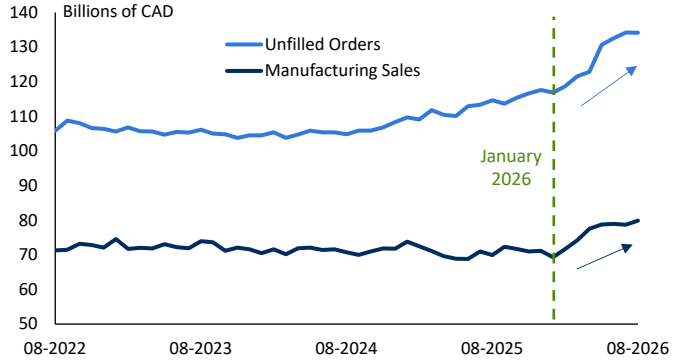
Overall, while economic growth slowed in 3Q26 following a strong second quarter, the pace of expansion remains moderate rather than weak. The renewed discussions around a potential trade agreement with the U.S. could also provide support to business confidence and economic activity, suggesting a somewhat more favourable balance of risks toward year-end.

Chart 5 - Monthly GDP Growth Moderates



Source: Statistics Canada, Raymond James Ltd.; Data as of August 31, 2026.

Chart 6 - Manufacturing Activity Has Held Up Well



Source: Statistics Canada, Raymond James Ltd.; Data as of August 31, 2026.

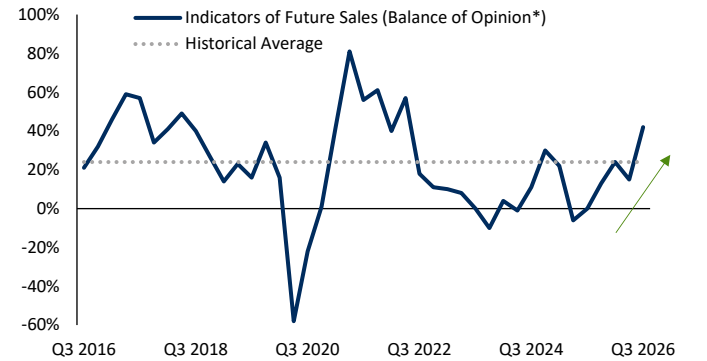
Business Outlook Survey signals improving sentiment

Results from the Bank of Canada's 3Q26 Business Outlook Survey indicate that business sentiment improved following a decline in 2Q26, as concerns around rising input costs and geopolitical uncertainty became less widespread. Firms reported stronger past 12-month sales and improved expectations for future sales, with the balance of opinion on future sales indicators rising above its historical average (Chart 7). Interestingly, the share of firms planning or budgeting for a Canadian recession over the next 12 months declined from 17% to just 6%, the lowest since the question was introduced in 2023.

Investment intentions eased slightly but remained relatively strong (Chart 8), supported by improving demand conditions and elevated commodity prices, particularly among natural resource firms. Businesses continued to prioritize productivity-enhancing investments, including digital technologies, A.I. integration, machinery upgrades, and automation. However, hiring intentions remained below their historical average, with most firms expecting to maintain current staffing levels as efficiency improvements help meet demand without additional hiring.

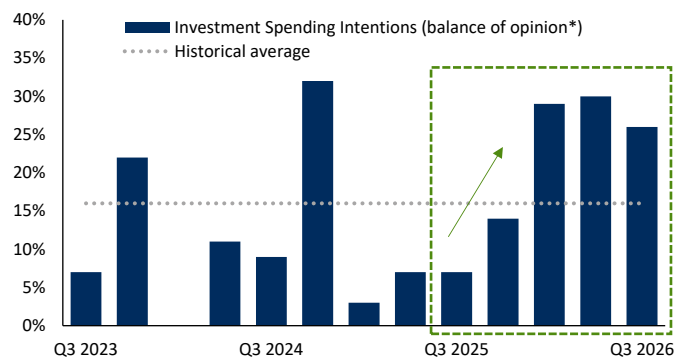
Despite the overall improvement, renewed Canada-U.S. trade tensions following the breakdown of negotiations in August weighed on sentiment later in the quarter. Firms surveyed after the breakdown reported weaker confidence and lower export sales expectations. Even so, sentiment and expectations remained considerably stronger than during the height of trade tensions in 2025, suggesting a moderation rather than a broader deterioration in the business outlook. More recently, renewed prospects for a potential trade agreement with the U.S. could help ease these concerns and sustain the improvement in business sentiment seen earlier in the quarter.

Chart 7 - Future Sales Expectations Strengthen in 3Q26



Source: Business Outlook Survey - 3Q26, Bank of Canada, Raymond James Ltd.; *% of firms reporting that indicators have improved minus the % reporting deterioration.

Chart 8 - Firms' Investment Intentions Remain Strong



Source: Business Outlook Survey - 3Q26, Bank of Canada, Raymond James Ltd.; *% of firms expecting higher investment spending minus the % expecting lower.

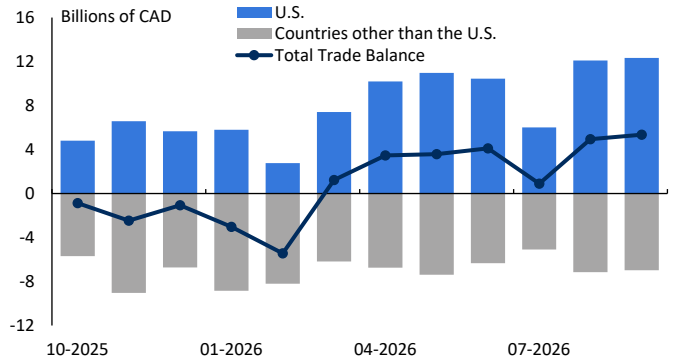
Trade surplus supported by commodity exports in September

Canada's merchandise trade surplus widened modestly from $5.0 billion in August (revised up from $4.2 billion) to $5.4 billion in September (Chart 9), as exports edged up 0.2% m/m while imports declined 0.3% m/m. However, the increase in exports was largely price-driven and almost entirely supported by energy and metal/non-metallic mineral products, with declines recorded across 8 of 11 product sections. In volume terms, exports fell 4.0% m/m.

Energy exports increased 8.2% m/m, led by crude oil and bitumen (+10.2% m/m) and natural gas (+32.1% m/m), while exports of metal and non-metallic mineral products rose 8.6% m/m, supported by higher gold shipments (Chart 10). Excluding these two categories, exports declined 5.6% m/m. Much of this broader weakness appears to reflect a partial reversal of August's strength, when shipments in several categories likely benefited from front-loading ahead of new U.S. tariffs. Meanwhile, the decline in imports was largely driven by motor vehicles/parts, with imports excluding this category increasing 1.5% m/m. On a positive note, imports of electronic/electrical equipment rose 10.3% m/m to a record high, including a 29.4% m/m increase in computers and computer peripherals, largely reflecting higher imports of data-centre processing units from the U.S.

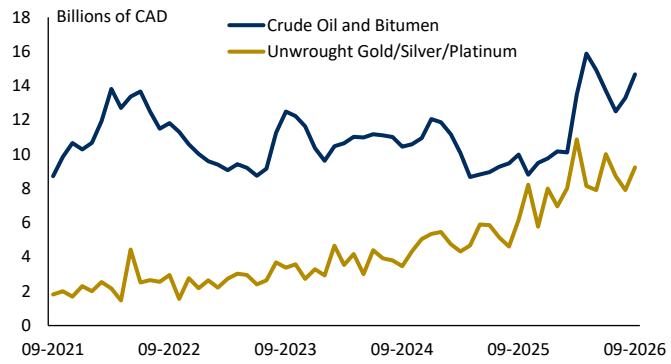
While some normalization following August's front-loading was expected, continued strength in energy and precious metals has helped cushion weakness elsewhere. Going forward, improving prospects for a potential Canada-U.S. trade agreement as negotiations intensify could provide some relief to other export sectors and support the broader trade activity.

Chart 9 - Trade Balance Stays in Surplus



Source: Statistics Canada, Raymond James Ltd.; Data as of September 30, 2026.

Chart 10 - Crude Oil and Gold Continue to Drive Exports



Source: Statistics Canada, Raymond James Ltd.; Data as of September 30, 2026.

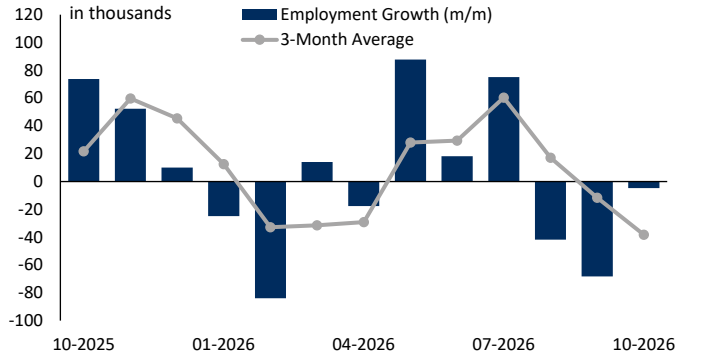
Employment growth remains subdued

Canadian employment was little changed in October (-4.7k), following declines of 68k in September and 42k in August, bringing the three-month average to -38k (Chart 11). The weakness in October was concentrated in the private sector, which shed 53k jobs, while public sector employment rebounded by 50k following four consecutive monthly declines. On an industry basis, employment fell in wholesale and retail trade (-29k), while construction (+16k) and educational services (+15k) recorded gains.

The unemployment rate rose 0.2 percentage points to 6.7% in October, marking its second consecutive monthly increase. Much of the increase was driven by younger workers (15 to 24 years), with the youth unemployment rate rising to 13.7%, while the rate for core-aged workers (25 to 54 years) remained unchanged at 5.6% (Chart 12). Despite three consecutive months of negative employment growth, the unemployment rate remains below its year-ago level (6.9%), with slower population and labour force growth continuing to limit upward pressure.

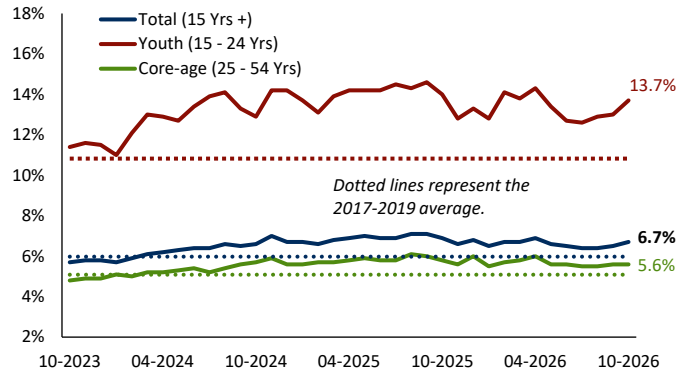
Looking ahead, while hiring has remained relatively muted outside the strong summer gains this year, we expect some improvement toward year-end. Recent timely indicators, including an increase in Indeed job postings, point to some recovery in hiring activity towards the end of October and early November. At the same time, labour force growth is expected to remain relatively subdued, which should help limit further upward pressure on the unemployment rate. And lastly, progress toward a potential trade agreement with the U.S. could help ease uncertainty weighing on business hiring intentions, particularly in industries more exposed to U.S. demand.

Chart 11 - Employment Declines for Third Consecutive Month



Source: Statistics Canada, Raymond James Ltd.; Data as of October 31, 2026.

Chart 12 - Youth Unemployment Lifts the Headline Rate in October



Source: Statistics Canada, Raymond James Ltd.; Data as of October 31, 2026.

Inflation pressures remain concentrated in transportation for now

Headline CPI inflation edged up to 3.1% y/y in September from 3.0% in August, with the acceleration largely attributable to higher energy prices. Gasoline prices increased 27.8% y/y, up from 22.8% in August, as crude oil prices reached their highest level since May amid ongoing conflict in the Middle East. Excluding gasoline, CPI inflation eased to 2.2% y/y, suggesting that the increase in headline figure has not yet translated into broader price pressures (Chart 13). Elsewhere, grocery inflation continued to moderate, slowing to 1.7% y/y from 2.8% in August, its lowest rate since May 2024.

The Bank of Canada's preferred core measures also remained close to the 2.0% target, with CPI-trim at 1.8% y/y and CPI-median at 1.9% y/y in September. Both measures increased a moderate 0.18% m/m, although their average three-month annualized pace reached 2.6%, pointing to some recent firming in monthly momentum. While this bears watching, the year-over-year core measures remain near target, and inflation excluding gasoline continues to suggest limited evidence of broad-based price pressures.

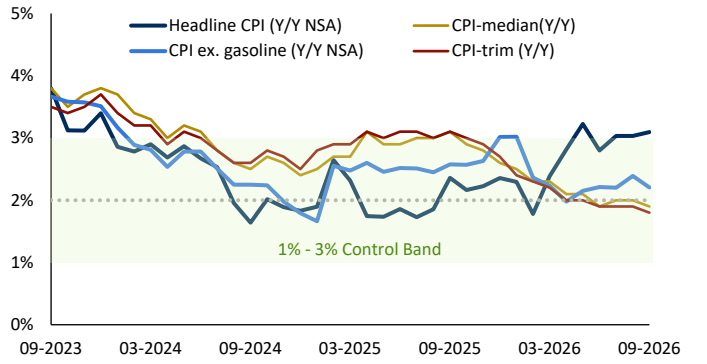
Bank of Canada acts pre-emptively against inflation risks

The Bank of Canada (BoC) raised its policy rate by 25bps to 2.50% in October, opting to act pre-emptively against rising inflation risks. While our view had favoured no change, as core inflation remained near the 2% target, suggesting little immediate urgency to tighten monetary policy, the Bank placed greater weight on the risk of persistently high energy prices spilling over into broader consumer prices. Rising production and transportation costs, alongside growing indications that businesses intend to pass higher input costs on to consumers, ultimately tipped the balance towards a rate hike. Stronger-than-expected economic activity in 2Q26 also gave the Bank greater confidence.

In its latest Monetary Policy Report, the BoC revised its year-end inflation forecast to 3.4%, from 2.4% in July, with inflation no longer expected to return to the 2% target through 2027. Meanwhile, stronger business investment, recovering exports, and supportive fiscal policy are expected to lift GDP growth to 2.0% in both 2027 and 2028. These revisions further reinforce the BoC's increasingly hawkish stance.

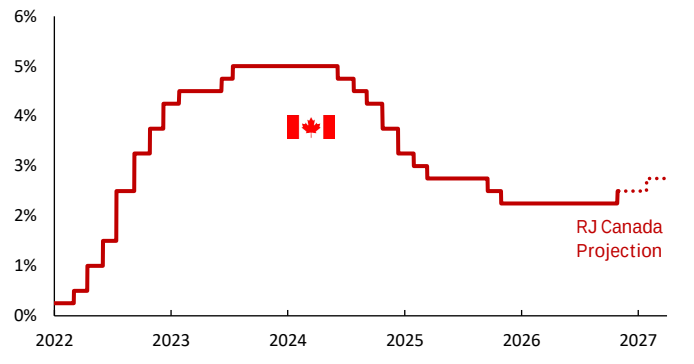
Looking ahead, the Bank has left the door open to further tightening, although Governor Macklem emphasized that the Council would proceed carefully given the considerable uncertainty surrounding the outlook. Historically, the BoC has tended to raise rates in successive moves rather than stop after a single hike. Coupled with its increasingly proactive approach to preventing energy-driven inflation from spreading more broadly, the impression following the October meeting was that one or two additional 25bp hikes could follow between December and early 2027. However, oil prices have eased since the October meeting, which, if sustained, could alleviate some inflation concerns. At the same time, recent weakness in monthly GDP data and subdued hiring activity warrant a more cautious approach. Against this backdrop, our base case is for one additional 25bp hike between December and the end of 1Q27, bringing the policy rate to 2.75% (Chart 14), which is also the mid-point of the 2.25-3.25% neutral range that has previously been referenced. A follow-on hike to 3.00% remains a possibility, although the timing and extent of any further tightening will depend on underlying inflation developments and how economic activity evolves in the coming months.

Chart 13 - Underlying Inflation Remains Contained



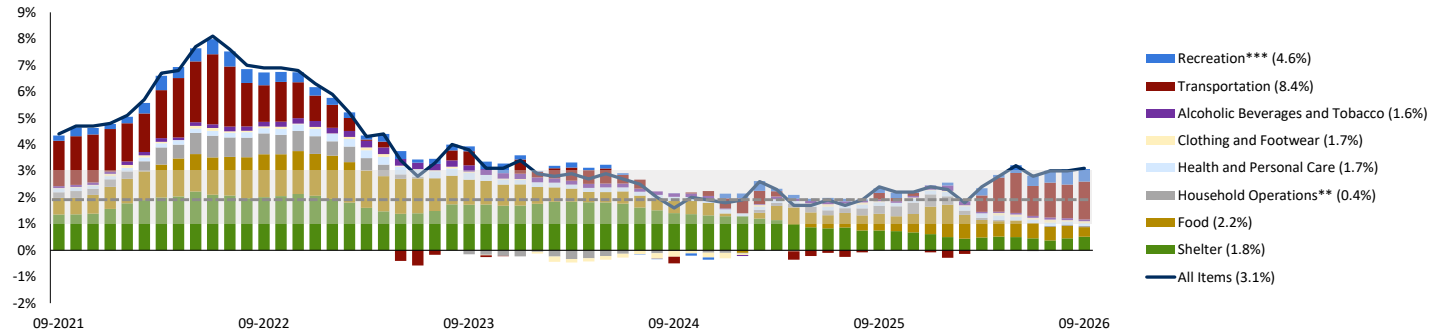
Source: Statistics Canada, Raymond James Ltd.; Data as of September 30, 2026.

Chart 14 - Another BoC Rate Hike Possible



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

Chart 15 - Major Components' Contributions to Canada CPI (Stacked Bars) and Latest Monthly CPI (Bracket Beside the Legend)



Source: Statistics Canada, Raymond James Ltd.; Data as of September 30, 2026. **Household operations, furnishing and equipment; ***Recreation, education and reading.

The U.S. — Growth accelerates in 3Q26

The U.S. economy expanded at a solid 3.4% q/q annualized pace in 3Q26, accelerating from 2.2% in the previous quarter and broadly in line with expectations (Chart 16). Importantly, underlying domestic demand remained particularly strong, with real final sales to private domestic purchasers rising 4.9% q/q annualized, up from 4.6% in 2Q26 and marking its fastest quarterly growth since the pandemic reopening boom in 2Q21.

Consumer spending and business investment remained key drivers of growth. Real personal consumption expenditures increased 3.8% q/q annualized, matching the previous quarter's pace, and contributing 2.5 percentage points to overall growth. Meanwhile, business investment remained robust, with nonresidential fixed investment increasing 12.7% q/q annualized, supported by a 20.9% surge in equipment investment. Much of this strength continued to reflect elevated A.I.-related capital spending, particularly in IT equipment and software (Chart 17). Inventory investment and government spending also provided meaningful support, contributing 1.6 and 0.9 percentage points, respectively, while net exports remained a sizeable drag, subtracting 3.3 percentage points from growth.

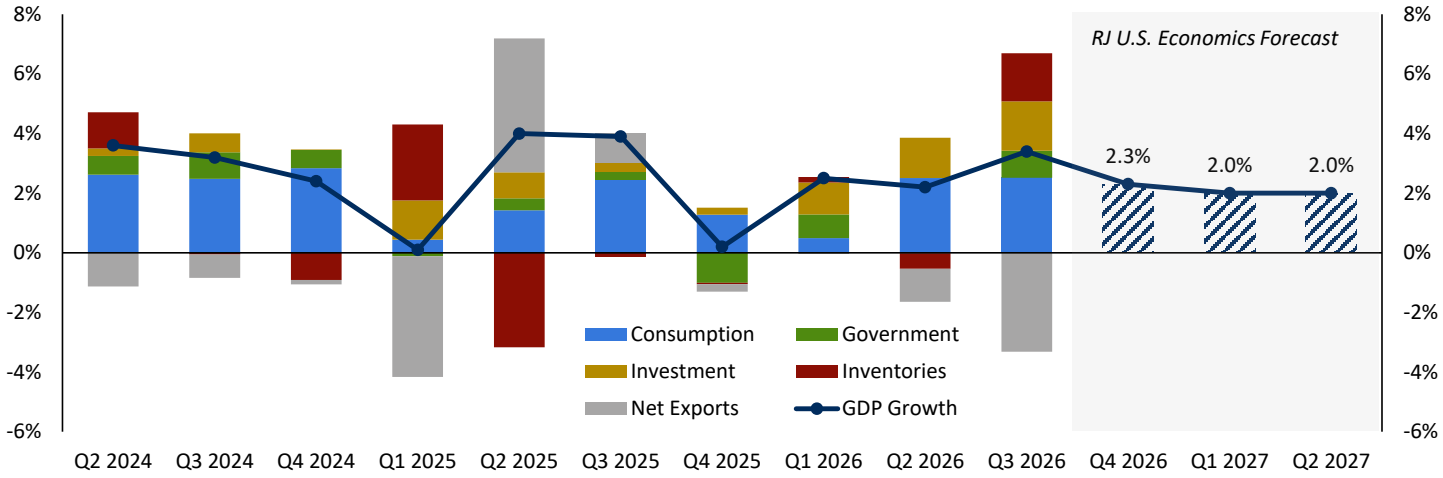
Overall, the latest GDP figures reinforce the resilience of the U.S. economy, with consumer spending holding up well and A.I.-related investment continuing to provide a key source of growth. The strength in aggregate domestic demand, despite higher energy prices, suggests that economic activity has maintained solid momentum heading into the final quarter of the year.

Business activity remains strong despite elevated cost pressures

The ISM Manufacturing PMI increased to 55.5 in October from 54.5 in September (Chart 18). Underlying components were generally positive, with the Production Index rising to 59.0, its highest level since November 2021, while new orders edged higher and employment remained in expansion territory. Meanwhile, the Prices Index eased to 75.2 from 77.9 in September but continued to signal significant upward pressure on input costs. Notably, survey respondents reported worsening sentiment for the third consecutive month, citing concerns around pricing volatility, longer lead times, tariffs, and disruptions related to geopolitical tensions.

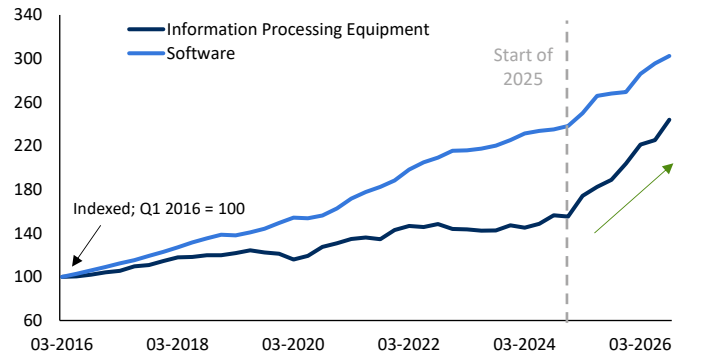
The ISM Services PMI edged lower to 54.5 in October from 54.9 in September, slightly below expectations but remaining firmly in expansion territory. Business activity and new orders moderated during the month, although both continued to signal growth, while the Employment Index improved to 51.4 from 50.1 in September, marking its second consecutive month in expansion. Similar to manufacturing, the Prices Index eased slightly but remained historically high, suggesting that cost pressures continue to be a concern across the services sector as well.

Chart 16 - Contribution to % Change in U.S. GDP (q/q annualized)



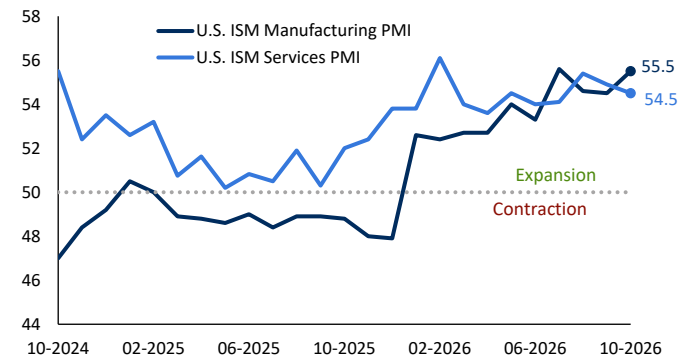
Source: U.S. Bureau of Economic Analysis, Raymond James Ltd.; Data as of September 30, 2026.

Chart 17 - A.I.-Related Equipment & Software Investment Remains Robust



Source: U.S. Bureau of Economic Analysis, Raymond James Ltd.; Data as of September 30, 2026.

Chart 18 - PMIs Continue to Signal Growth



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

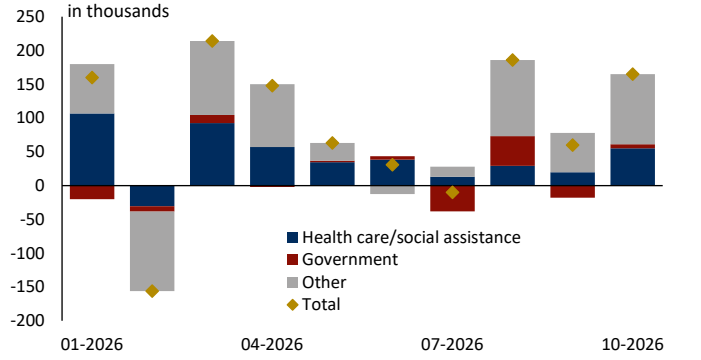
U.S. labour market shows renewed strength in October

U.S. non-farm payroll employment increased by a stronger-than-expected 165k in October, following upward revisions totalling 84k to August and September payrolls. The three-month average pace of job creation increased to 137k from 79k in September, suggesting an improvement in hiring momentum. Importantly, employment gains have been broad-based in recent months, with sectors outside of health care and government contributing meaningfully to job growth, following a period of relatively muted hiring through the middle of the year (Chart 19).

The unemployment rate edged lower to 4.1% in October from 4.2% in September, even as labour force participation increased slightly to 61.9% in October from 61.8% in September. Other labour market indicators remain consistent with this relatively strong backdrop. The ADP Employment Survey reported a stronger-than-expected 86k increase in private sector employment in October, with broad-based gains across small, medium-sized, and large firms. Meanwhile, the four-week moving average of initial jobless claims declined to 195k, its lowest level since September 1969, indicating that layoffs remain exceptionally low (Chart 20).

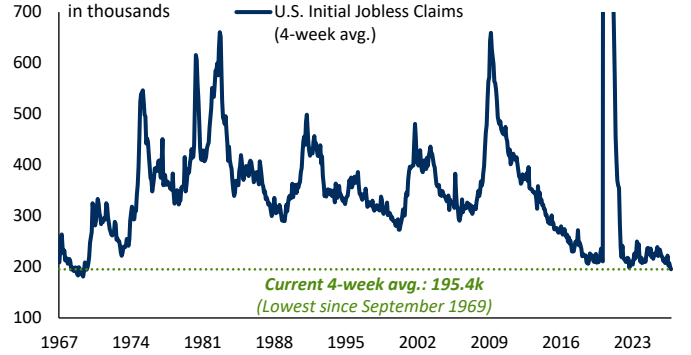
Taken together, stronger payroll growth, broader-based hiring, and historically low jobless claims indicate that labour market conditions have strengthened following a period of more moderate hiring through the middle of this year.

Chart 19 - Broader Employment Gains Over the Past Three Months



Source: U.S. Bureau of Labor Statistics, Raymond James Ltd.; Data as of October 31, 2026.

Chart 20 - Initial Jobless Claims Fall to Historically Low Levels



Source: U.S. Department of Labor, Raymond James Ltd.; Data as of October 30, 2026.

Broader inflation pressures persist in the U.S.

U.S. headline CPI increased 0.6% m/m in September, accelerating from 0.4% m/m in August, while the year-over-year rate rose to 3.7% from 3.4% (Chart 21). Higher energy prices remained the primary driver, with gasoline prices surging 9.1% m/m and accounting for more than half of the monthly increase in headline CPI. However, underlying price pressures also showed signs of broadening. Core CPI (ex. food and energy) increased 0.3% m/m, with the year-over-year rate rising to 2.6% from 2.4% in August.

The Federal Reserve's preferred inflation gauge also pointed to firmer price pressures. Headline PCE prices increased 0.5% m/m in September, accelerating from 0.3% m/m in August, while core PCE rose 0.3% m/m, matching the upwardly revised August reading. On a year-over-year basis, headline and core PCE inflation increased to 3.6% and 3.1%, respectively.

Upstream price pressures continued to strengthen, with the Producer Price Index (PPI) for final demand surging 1.3% m/m in September, well above expectations of 0.5%, while the year-over-year rate accelerated to 6.3% from 5.6% in August. Goods prices increased 2.6% m/m, driven largely by higher energy costs, while services prices rose 0.8% m/m.

While energy costs remain a significant contributor to inflation, upside surprises in core inflation measures across both consumer and producer prices point to broader and more persistent inflationary pressures.

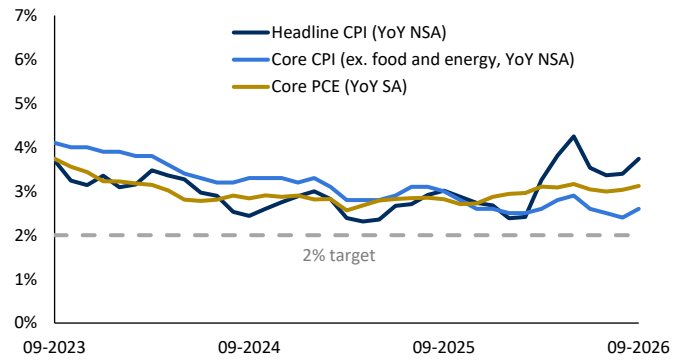
Fed pauses in October, but further tightening remains likely

The Federal Reserve held its federal funds target range unchanged at 3.75–4.00% at its October meeting, following the 25bp hike in September. The decision came with two dissenting votes in favour of another 25bp increase. The accompanying statement highlighted the strength of economic activity, supported by resilient domestic spending and robust capital investment, while acknowledging that inflation remains elevated.

In explaining the decision to hold rates, the Fed emphasized that accumulating more information would help the Committee determine the appropriate policy stance, allowing additional time to assess the impact of September's rate increase. Historically, however, the Fed has rarely stopped tightening after a single hike. One notable exception was in 1997, when the Fed raised rates just once before holding steady for 18 months and eventually reversing course amid international financial stresses.

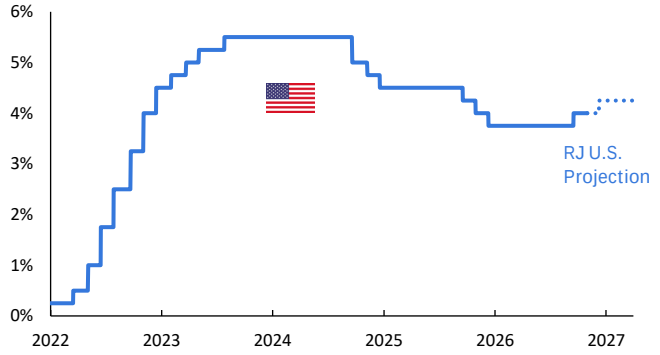
Given the current environment, we continue to see a case for further tightening. As discussed above, both headline and core inflation remain elevated and have shown signs of persistence, while recent PMI surveys continue to signal significant cost pressures across manufacturing and services sectors. At the same time, economic growth remains robust and labour market conditions relatively strong. Against this backdrop, our U.S. Economics team expects another 25bp hike in December, bringing the target range to 4.00–4.25% by year-end (Chart 22). Beyond December, however, the outlook remains less certain. For now, the base case is for the Fed to hold rates steady throughout 2027, although persistently elevated inflation and continued cost pressures could increase the likelihood of further tightening.

Chart 21 - U.S. Inflation Accelerates in September



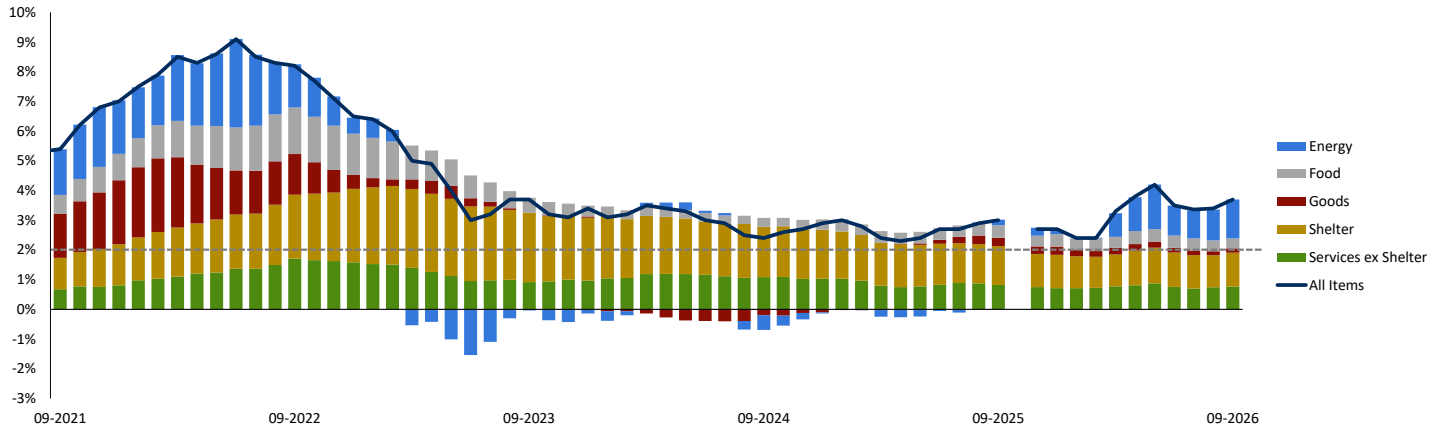
Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Raymond James Ltd.; Data as of September 30, 2026.

Chart 22 - Fed to Hike in December



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

Chart 23 - Major Components' Contributions to U.S. CPI



Source: U.S. Bureau of Labor Statistics, Raymond James Ltd.; Data as of September 30, 2026.

Financial Markets

Market breadth improved significantly in both the U.S. and Canada during October. By month-end, the number of constituents trading above their 50-day moving averages had tripled in the S&P 500 to approximately 300 and doubled in the S&P/TSX Composite to around 200, bringing both markets back to healthier levels of participation compared with the end of September.

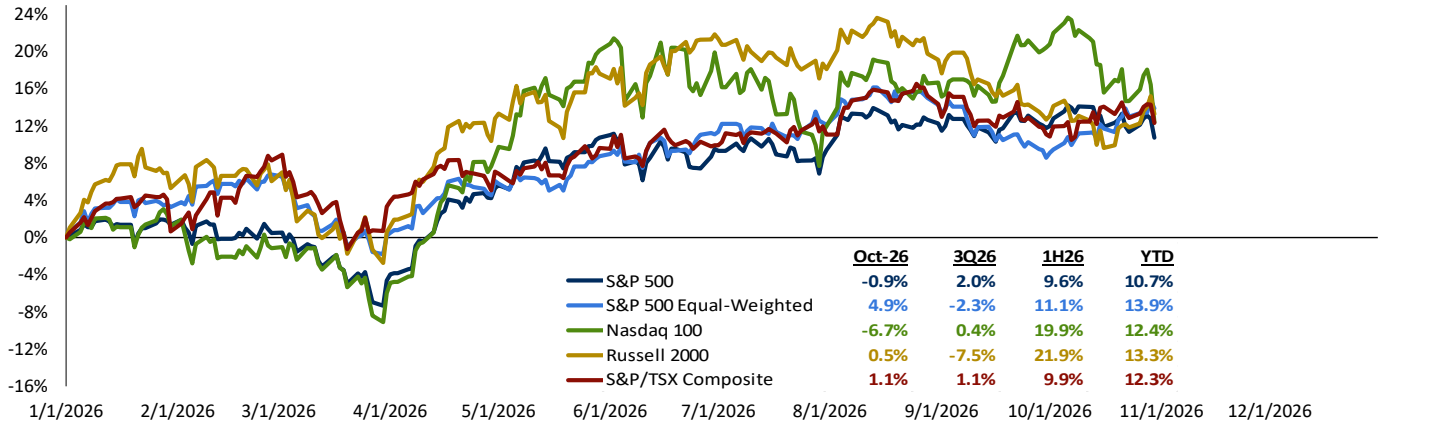
Despite improving market breadth, the S&P 500 posted a negative return in October, weighed down by sharp underperformance in the Information Technology and Communication Services sectors. The index declined 0.9% on both a price and total return basis, bringing year-to-date gains to 10.7% and 11.7%, respectively. The contrast between improving market breadth and weaker headline index performance reflects a shift in market sentiment. As discussed in last month's report and our 3Q26 quarterly Tactical Asset Allocation Report, we believe the market is transitioning into a mid-to-late-cycle environment. With growing evidence that the U.S. 10-year Treasury yield may have peaked, we see a potentially favourable window for broader market participation across sectors and market capitalizations over the next 12 months, particularly if economic momentum remains resilient.

Performance across other major U.S. equity indices further highlighted the rapid rotation in market leadership and broadening participation. With 9 of the 11 S&P 500 sectors posting positive returns in October, the S&P 500 Equal Weight Index delivered an impressive price return of 4.9%, outperforming its market-cap-weighted counterpart by the widest margin since April 2009. Meanwhile, the Russell 2000 advanced a more modest 0.5%, supported in part by easing long-term Treasury yields. In contrast, the technology-heavy Nasdaq 100 recorded its worst monthly performance of the year, declining 6.7% on a price return basis, as investors reassessed third-quarter earnings from leading technology companies against elevated expectations, with growing scrutiny over A.I.-related capital spending and profitability.

Canadian equities also benefited from improving breadth, with the S&P/TSX Composite advancing 1.1% on a price basis and 1.2% on a total return basis, partially recovering from September's losses. This brought year-to-date price and total returns to 12.3% and 14.4%, respectively. Gains

were broad-based, with 10 of the 11 sectors posting positive returns, led by Energy, Consumer Staples and Consumer Discretionary. Materials was the notable laggard as gold prices continued to retreat, weighing significantly on overall index performance. Excluding Materials, the S&P/TSX Composite would have delivered a 4.6% total return for the month. Meanwhile, the Canadian Information Technology sector faced less pressure than its U.S. counterpart, reflecting differences in sector composition, particularly its greater exposure to software and services and minimal direct exposure to the mega-cap hyperscalers and semiconductor companies at the center of the recent A.I. profitability debate.

Chart 24 - Selected Indices Price Returns



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026. Price return in local currency.

U.S. Equities

3Q26 Earnings Strength Broadens Beyond A.I.

With 444 of the S&P 500 companies having reported third-quarter results, blended earnings growth stands at an impressive 31.4% year over year. If sustained through the remainder of the reporting season, this would mark the third consecutive quarter of earnings growth exceeding 25%, a streak not seen since the pandemic era. While 82% of companies have reported positive EPS surprises, the aggregate earnings surprise of just 1.6% remains well below the five-year average of 7.5%. This largely reflects earnings misses among several mega-cap leaders in the Communication Services and Consumer Discretionary sectors, which had been major contributors to positive earnings surprises in previous quarters but did not contribute to the positive surprise this quarter. Encouragingly, earnings strength has broadened beyond the three major A.I.-exposed sectors (Information Technology, Communication Services and Consumer Discretionary) with five of the remaining eight sectors delivering double-digit earnings growth and the other three posting high-single-digit gains. Reflecting this strength, the consensus calendar-year 2026 EPS estimate has edged slightly higher to US$363, from US$359 at the end of the second-quarter earnings season.

Looking ahead, we expect earnings growth to gradually moderate from these elevated levels. Much of the strength in semiconductors and IT hardware has been driven by hyperscaler capital spending, which remains robust but is showing early signs of slower growth. Similarly, refiners' exceptional earnings growth could ease in the second half of 2027 as oil prices normalize. Nevertheless, continued investment and broadening earnings contributions across sectors should help sustain overall earnings growth, albeit at a more moderate pace.

Growing Confidence That Treasury Yields Have Peaked

Since our last update, we have seen growing evidence that the U.S. 10-year Treasury yield has likely peaked. One notable development has been the changing relationship between oil prices and bond yields. For much of 2026, rising oil prices pushed Treasury yields higher through inflation expectations. However, this relationship reversed in October, as the 10-year yield declined despite further increases in oil prices, with the decline driven primarily by lower real yields. We believe this reflects a shift in the balance of market concerns. Persistently elevated oil prices appear to be weighing more heavily on growth expectations, while heightened market volatility and concerns surrounding A.I. financing and profitability have renewed demand for Treasuries as a defensive asset, potentially easing the term premium. At the same time, the Fed's tightening cycle has helped contain longer-term inflation expectations, limiting upward pressure on nominal yields.

Looking ahead, recent political developments could further reinforce this trend. The Democratic sweep in the midterm elections, together with public opposition to the Iran conflict and growing concerns over affordability, may reduce the likelihood of further military escalation (through funding constraints) and bring forward the normalization of oil prices. While fiscal policy is likely to remain expansionary, a more moderate pace

of spending compared with a unified government could help alleviate concerns over fiscal sustainability while tempering economic growth. Taken together, these developments reinforce our view that the 10-year Treasury yield is less likely to surpass its previous peak, with the balance of risks increasingly favouring stabilization or a gradual decline.

A Favourable Window for Broader Market Leadership

With growing confidence that the 10-year Treasury yield has peaked and the U.S. economy continuing to demonstrate resilience, we believe the market may be entering a particularly favourable window for broader equity participation (Chart 25). Historically, the 12 months following a peak in the 10-year Treasury yield have generally been characterized by stronger and more widespread equity performance across sectors and market capitalizations. The S&P 500 equal-weighted index tends to outperform its cap weighted counterpart. With earnings strength increasingly extending beyond the technology sector, we see potential for a similar broadening in market leadership over the coming year.

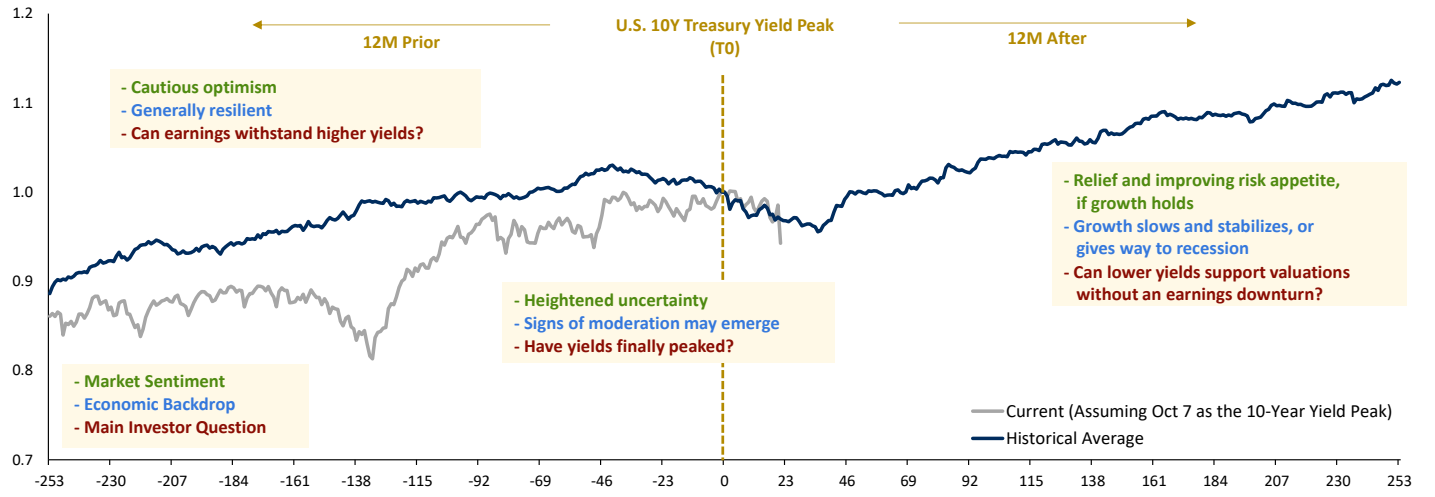
The A.I. Trade: A Higher Bar to Clear

That said, the performance of the market-cap-weighted S&P 500 and technology-heavy Nasdaq 100 remains closely tied to the trajectory of the A.I. trade. Now roughly four years into the A.I. investment cycle, following substantial outperformance in the hardware segment, investor attention is increasingly shifting toward hyperscalers, frontier model developers and the application layer, where expectations for A.I. monetization are rising. This shift was particularly evident during the latest earnings season. Earlier in the cycle, aggressive capital expenditure was generally rewarded as a sign of competitive strength, while companies investing too cautiously risked being perceived as falling behind. Investors are now placing greater emphasis on returns on investment and free cash flow, rather than the pace of spending alone.

Free cash flow has become particularly important as a measure of both A.I. monetization and the financial capacity to sustain investment. Improving cash-flow conversion would provide greater confidence that A.I.-related spending is beginning to generate meaningful economic returns. Equally important, healthy cash generation from established businesses allows hyperscalers to fund continued investment internally, reducing their reliance on external financing. Conversely, signs of disruption to traditional revenue streams could raise concerns not only about the durability of existing earnings but also about the ability to finance future A.I. expansion. While each hyperscaler faces different challenges, it may take another quarter or two to determine whether the recent weakness in certain business segments reflects temporary fluctuations or more structural changes.

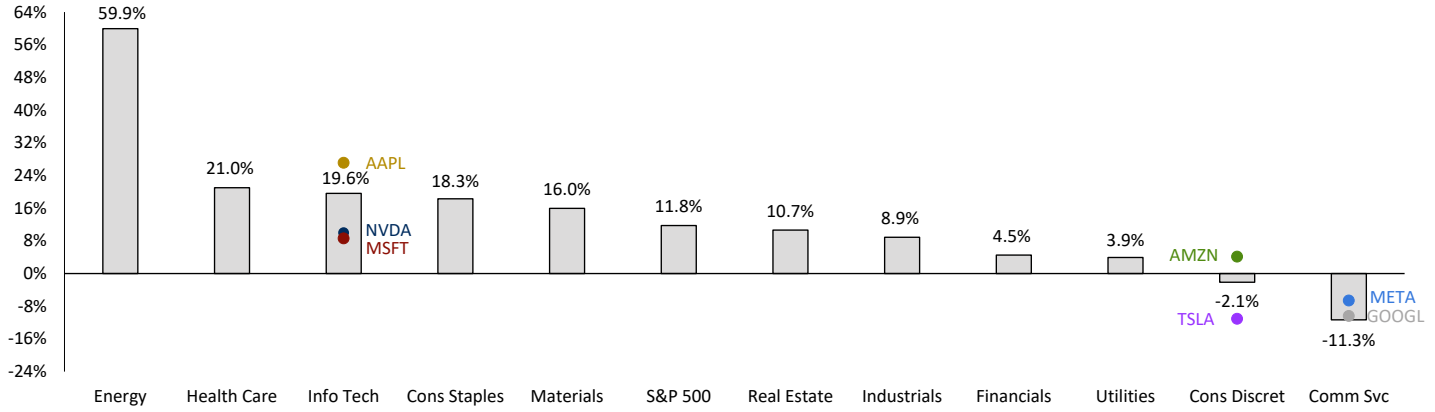
Against this backdrop, with Democrats securing control of both the House and Senate, proposed restrictions on data centre development could provide an unexpected opportunity for greater capital discipline. Such forced moderation may be more favourably received by investors than a voluntary slowdown, which could otherwise raise concerns about weakening A.I. demand or diminishing competitive ambitions. At the same time, constraints on new capacity could increase the strategic value of existing operational data centres, particularly those with secured power access and established connectivity. Neocloud providers, by contrast, may face greater pressure given their narrower revenue bases, heavier reliance on external financing and more limited flexibility to absorb construction delays or rising infrastructure costs.

Chart 25 - Market Leadership Can Shift Frequently as Sentiment Changes Around Treasury Yield Peaks, but Participation Historically Broadens Over the Following 12 Months (The S&P 500 index level is indexed to 1 at T0)



Source: Bloomberg, Raymond James Ltd. Data from September 16, 1974 to November 5, 2026. Rising-yield periods are defined as increases of more than 150bps in the U.S. 10-year Treasury yield. Twelve periods were identified, including the current period.

Chart 26 - S&P 500 Sector and "Magnificent Seven" YTD Total Returns



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

Chart 27 - S&P 500 & Sector Performance Quilt

S&P 500 & Sector Performance Quilt

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26
S&P 500	6.3%	5.1%	2.2%	2.0%	3.7%	2.3%	0.2%	0.1%	1.5%	-0.8%	-5.0%	10.5%	5.3%	-1.0%	-0.1%	2.7%	-0.3%	-0.9%
S&P 500 Eq. Wgt.	4.3%	3.4%	1.0%	2.7%	1.1%	-0.9%	1.9%	0.4%	3.4%	3.5%	-6.0%	6.0%	2.7%	2.4%	1.0%	2.1%	-4.8%	5.0%
Communication Services	2 9.6% 19.2x	2 7.3% 20.3x	6 2.4% 20.0x	4 3.6% 20.6x	2 5.6% 21.8x	5 1.9% 21.9x	2 6.4% 23.0x	7 -1.0% 22.4x	5 5.8% 23.2x	10 -5.1% 21.7x	8 -7.3% 19.9x	1 18.5% 21.3x	6 -0.9% 20.9x	11 -7.8% 19.1x	7 0.6% 17.6x	8 -1.2% 17.4x	2 4.3% 18.3x	11 -15.1% 15.8x
Consumer Discretionary	3 9.4% 28.8x	7 2.2% 29.1x	5 2.6% 29.6x	5 3.4% 29.5x	4 3.2% 30.4x	3 2.4% 30.6x	10 -2.4% 29.7x	4 0.8% 29.6x	7 1.7% 30.4x	11 -5.4% 28.7x	5 -5.6% 26.8x	3 11.7% 28.6x	2 2.6% 29.0x	9 -4.7% 27.2x	6 0.8% 25.0x	6 0.0% 25.2x	7 -5.8% 23.8x	8 3.9% 25.0x
Consumer Staples	8 1.8% 24.1x	11 -1.9% 23.5x	10 -2.4% 22.7x	8 1.6% 22.8x	10 -1.6% 22.6x	8 -2.3% 21.9x	4 4.0% 22.8x	9 -1.6% 22.3x	3 7.7% 23.8x	4 7.9% 25.7x	9 -7.4% 23.7x	7 3.1% 24.4x	9 -3.2% 23.1x	6 0.5% 22.9x	5 2.1% 23.1x	7 -0.7% 22.6x	5 -3.3% 21.7x	2 11.6% 24.4x
Energy	9 1.0% 14.6x	3 4.8% 15.1x	4 2.9% 15.3x	3 3.6% 15.5x	9 -0.4% 15.4x	7 -1.1% 15.6x	5 2.5% 15.6x	5 0.2% 16.0x	1 14.4% 19.2x	2 9.4% 20.8x	1 10.4% 19.4x	11 -3.5% 15.1x	11 -5.6% 13.1x	10 -5.1% 12.5x	1 12.6% 13.7x	1 7.0% 14.1x	4 -2.7% 12.9x	1 14.0% 13.3x
Financials	5 4.4% 16.7x	5 3.2% 17.1x	7 0.0% 16.6x	6 3.1% 16.9x	8 0.1% 16.7x	10 -2.8% 15.8x	7 1.9% 15.9x	1 3.1% 16.3x	11 -2.4% 15.6x	8 -3.7% 14.8x	3 -3.5% 14.2x	6 5.6% 14.7x	8 -1.1% 14.4x	3 4.4% 14.8x	2 6.2% 15.2x	5 1.3% 15.2x	11 -7.2% 14.0x	6 5.9% 14.6x
Health Care	11 -5.5% 16.4x	8 2.1% 16.6x	11 -3.3% 16.4x	2 5.4% 17.0x	6 1.8% 17.1x	2 3.6% 17.6x	1 9.3% 19.0x	8 -1.4% 18.6x	9 0.0% 18.9x	7 3.5% 19.2x	10 -8.1% 17.4x	10 -0.4% 17.0x	3 2.5% 17.7x	2 6.6% 18.5x	4 2.4% 18.7x	4 4.9% 19.0x	3 -0.9% 18.6x	4 9.9% 20.1x
Industrials	4 8.8% 23.6x	4 3.6% 24.2x	3 3.0% 24.7x	10 0.0% 24.3x	5 1.9% 24.6x	6 0.5% 24.7x	9 -0.9% 24.1x	3 1.3% 24.0x	4 6.7% 25.4x	5 7.1% 26.9x	11 -8.4% 24.4x	5 7.9% 25.7x	5 -0.8% 24.9x	1 7.3% 26.5x	10 -3.0% 24.8x	10 -2.6% 23.7x	6 -4.4% 22.5x	9 0.3% 22.4x
Information Technology	1 10.9% 27.0x	1 9.8% 29.2x	1 5.2% 30.0x	9 0.3% 29.1x	1 7.2% 30.3x	1 6.2% 31.1x	11 -4.3% 28.3x	6 -0.3% 26.6x	10 -1.7% 25.2x	9 -3.9% 23.5x	4 -3.8% 20.9x	2 17.5% 23.8x	1 16.0% 25.9x	8 -3.3% 23.3x	11 -3.4% 21.6x	2 6.2% 21.5x	1 4.5% 21.5x	10 -6.8% 19.0x
Materials	7 3.0% 20.3x	6 2.3% 20.4x	9 -0.4% 19.9x	1 5.8% 20.9x	11 -2.1% 20.7x	11 -5.0% 19.1x	3 4.2% 19.5x	2 2.2% 19.3x	2 8.7% 20.4x	3 8.4% 21.5x	7 -6.9% 19.0x	8 2.7% 18.3x	4 -0.7% 17.6x	7 0.0% 17.3x	8 -1.7% 17.0x	3 6.0% 18.0x	10 -6.7% 16.6x	5 6.6% 17.4x
Real Estate	10 1.0% 18.0x	10 0.2% 17.8x	8 -0.1% 17.8x	7 2.2% 18.1x	7 0.5% 17.9x	9 -2.6% 17.4x	6 2.0% 17.7x	10 -2.2% 17.1x	6 2.8% 17.6x	6 6.4% 18.7x	6 -6.0% 17.4x	4 8.8% 18.6x	7 -1.1% 18.3x	5 0.8% 18.1x	3 2.5% 18.6x	9 -1.9% 18.1x	9 -6.1% 16.8x	7 5.1% 17.6x
Utilities	6 3.8% 18.1x	9 0.3% 18.0x	2 4.9% 18.7x	11 -1.6% 18.2x	3 4.2% 18.7x	4 2.1% 19.0x	8 1.8% 19.1x	11 -5.1% 17.9x	8 1.4% 18.0x	1 10.3% 19.6x	2 -3.2% 18.8x	9 2.1% 19.0x	10 -5.1% 17.8x	4 2.7% 18.1x	9 -2.2% 17.6x	11 -4.8% 16.6x	8 -5.9% 15.5x	3 10.2% 17.0x

Legend
Sector Rank
Total Return
P/E NTM

Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

Canadian Equity Markets

Market breadth improved across the S&P/TSX Composite in October, as declining long-term Treasury yields and heightened market volatility provided support for interest-rate-sensitive and defensive sectors, respectively. Energy and Materials stood out as the strongest and weakest performers, largely reflecting the divergent performance of their underlying commodities. Meanwhile, the third-quarter earnings season has passed the halfway mark, with 142 of the index's 216 constituents having reported results. Blended earnings growth currently stands at 29.3% year over year, broadly in line with the S&P 500. If sustained through the remainder of the reporting season, this would mark the third consecutive quarter of earnings growth exceeding 25%. While it remains too early to draw firm conclusions, Energy and Materials appear poised to remain the largest contributors to overall index earnings growth, while Real Estate and Communication Services are likely to lag the broader market.

Top 3 Sectors (October 2026)

- **Energy:** Elevated oil prices in October prompted further upward revisions to the sector's earnings growth expectations, while valuations remain near their historical median. Although traffic through the Strait of Hormuz has largely recovered to pre-conflict levels, persistent transportation and security risks continue to support a geopolitical risk premium in oil prices. The possibility of further military escalation through the remainder of 2026 remains uncertain, although strong public opposition to the conflict may reduce the likelihood of escalation. Looking into 2027, Democratic control of both chambers of Congress could further constrain funding for military operations, potentially accelerating the normalization of oil prices. Our base case remains for WTI crude oil to gradually decline toward US$70/bbl by the end of 2027.

  Within the sector, upstream and downstream companies have outperformed midstream operators, reflecting their greater sensitivity to elevated commodity prices and refining margins, respectively, while midstream infrastructure is already operating near capacity. Looking ahead, companies with greater downstream exposure could remain well positioned even as crude oil prices normalize, as the longer recovery timeline for damaged Middle Eastern refining capacity may sustain favourable refining margins. For midstream operators, the outlook is more closely tied to capacity expansion and volume growth. A coordinated increase in upstream production and transportation infrastructure could support higher throughput and revenue, particularly as new capacity comes online. With sector valuations still near historical norms, continued earnings strength and progress on infrastructure investment could provide room for multiple expansion, supporting our constructive outlook despite the prospect of lower oil prices over time.

- **Consumer Staples:** The sector rebounded sharply in October following declines in August and September, as heightened market uncertainty prompted investors to favour more defensive exposures. Consumer Staples offered a relatively attractive alternative to cyclical sectors and, with long-term Treasury yields still elevated, traditionally rate-sensitive defensives such as Utilities and Real Estate. Encouraging developments in trade negotiations with the U.S. could also provide greater clarity for the sector heading into 2027. However, with the recovery driven largely by improving sentiment rather than a corresponding improvement in earnings expectations, much of the advance reflected multiple expansion. As a result, the sector now trades at 18.4x forward earnings, near the upper end of its historical valuation range, potentially limiting further upside without stronger earnings support.

- **Consumer Discretionary:** The sector advanced in October despite elevated oil prices, although performance varied considerably across individual companies. Gains were supported in part by stronger-than-expected earnings and an improved outlook from a leading apparel retailer with operations in both Canada and the U.S., highlighting the importance of company-specific fundamentals amid an uneven consumer backdrop. Discount stores also performed well, benefiting from their combination of defensive characteristics and earnings growth potential as consumers remained focused on affordability. Looking ahead, resilient consumer spending and encouraging developments in trade negotiations with the U.S. could provide further support. However, with the sector trading at 16.0x forward earnings, around the 73rd historical percentile, elevated valuations may limit further upside without continued earnings strength.

Bottom 3 Sectors (October 2026):

- **Materials:** The sector has experienced considerable volatility throughout 2026, with October marking its second-worst monthly performance of the year, driven primarily by the continued decline in gold prices. Despite recent price weakness and a notable deterioration in investor sentiment, the underlying demand outlook for gold remains constructive. Physical demand in China continues to benefit from limited domestic investment alternatives, while central bank purchases and gradually increasing institutional allocations provide longer-term support. Meanwhile, speculative selling pressure appears to be diminishing, potentially creating conditions for a near-term recovery. More importantly, a gradual shift in gold ownership from leveraged investors toward longer-term institutions could provide a more stable demand base, reinforcing our constructive outlook for the metal. At the corporate level, earnings growth remains healthy, while strong revenue generation over the past two years has helped strengthen balance sheets and improve financial flexibility. With the sector's forward P/E trading near its 10th historical percentile, valuations remain attractive and could provide additional upside potential should gold prices stabilize and investor sentiment recover.

- **Real Estate:** The sector posted a positive return in October, led by strong outperformance in Real Estate Management & Development, while REITs generally lagged, particularly those focused on office properties. Encouragingly, third-quarter earnings growth has turned positive for the first time in 2026, although performance remains uneven across subsectors. Real Estate Management & Development, Industrial REITs and Retail REITs have reported stronger earnings growth, while Office, Diversified and Residential REITs continue to experience earnings declines. Looking ahead, the recent decline in the 10-year Treasury yield could help ease financing costs and valuation pressures for this rate-sensitive

sector. Meanwhile, year-to-date underperformance has brought its forward P/E down to 13.0x, near the 4th historical percentile, suggesting valuation upside potential should earnings momentum continue to improve and long-term yields stabilize.

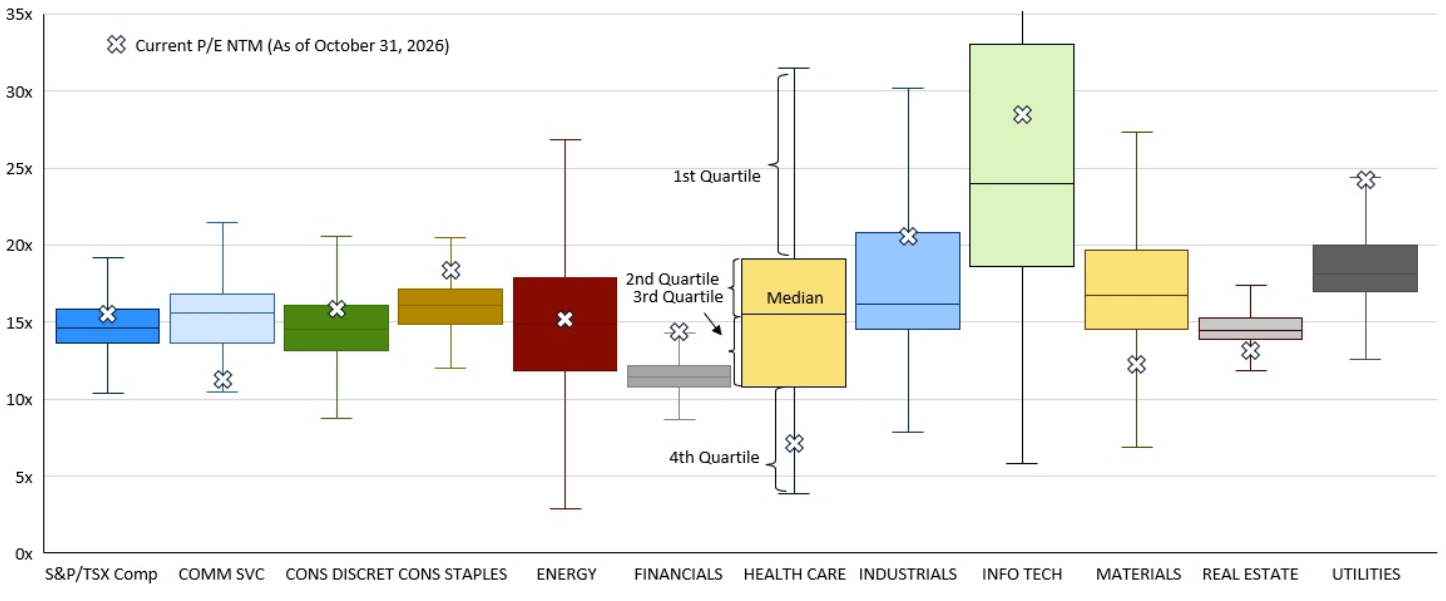
- **Information Technology:** The sector delivered a solid positive return in October, significantly outperforming its U.S. counterpart, reflecting its greater concentration in software and services. Third-quarter earnings have also been encouraging, with year-over-year growth currently at 32.6%. However, earnings growth at the sector's largest software company, which is increasingly viewed as a potential beneficiary of agentic commerce, is showing signs of moderation, warranting some caution despite its longer-term opportunities. Looking ahead, we remain constructive on the sector as the A.I. investment cycle gradually shifts from infrastructure development toward broader commercial adoption and applications. This transition could allow software companies to narrow the performance gap with hardware-related businesses following several years of substantial outperformance by the latter. At a forward P/E of 28.6x, around the 65th percentile of its historical range, valuations remain elevated but are not particularly stretched by historical standards. While evolving policy and regulatory uncertainty surrounding A.I. infrastructure development could introduce near-term volatility, we believe the sector has further upside potential. Nevertheless, performance is likely to become increasingly differentiated at the company level as competition intensifies, particularly with mega-cap technology companies expanding further into the application layer.

Table 2 - S&P/TSX Composite Sector Performance and Valuations (Ranked by QTD Total Return)

Sector Name	Sector Weight	YTD Total Return	QTD Total Return	1M Total Return	Current P/E NTM	Historical P/E NTM
Energy	15.9%	38.8%	8.7%	8.7%	15.0	14.9
Consumer Staples	3.2%	7.8%	6.4%	6.4%	18.4	16.1
Consumer Discretionary	3.2%	5.2%	5.9%	5.9%	16.0	14.5
Utilities	3.5%	15.0%	5.3%	5.3%	24.3	18.1
Financials	35.3%	23.8%	3.6%	3.6%	14.3	11.5
Communication Services	1.6%	-11.6%	2.4%	2.4%	11.8	15.5
Industrials	10.5%	9.4%	2.4%	2.4%	20.5	16.2
Information Technology	8.1%	-0.8%	2.0%	2.0%	28.6	23.8
Real Estate	1.2%	-2.4%	1.5%	1.5%	13.0	14.5
S&P/TSX Composite	--	14.4%	1.2%	1.2%	15.5	14.6
Health Care	0.3%	3.5%	0.5%	0.5%	7.4	15.4
Materials	17.2%	-4.0%	-13.1%	-13.1%	12.4	16.7

Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026. The S&P/TSX Healthcare sector has been excluded from the performance commentary due to its minimal representation in the S&P/TSX Composite Index.

Chart 28 - S&P/TSX Composite Sector Current vs. Historical P/E NTM



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026. Historical P/E: 1/1/2000 – 10/31/2026. Excluding outliers.

Chart 29 - S&P/TSX Composite & Sector Performance Quilt

TSX Composite & Sector Performance Quilt

TSX Composite	5.6%	2.9%	1.7%	5.0%	5.4%	1.0%	3.9%	1.3%	0.8%	7.7%	-4.3%	3.8%	2.5%	0.5%	1.2%	3.1%	-2.6%	1.2%
	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26
Communication Services	8 2.2% 12.4x	7 2.9% 12.5x	1 5.0% 13.1x	4 4.4% 13.7x	11 -1.8% 13.3x	6 0.3% 13.2x	8 -1.3% 13.0x	7 -0.6% 12.8x	3 3.7% 13.2x	8 2.8% 14.1x	4 -0.7% 13.8x	11 -6.5% 12.9x	1 6.9% 13.7x	10 -9.9% 12.2x	11 -3.3% 12.4x	3 4.0% 12.7x	11 -9.8% 11.3x	6 2.4% 11.8x
Consumer Discretionary	2 8.1% 17.3x	4 3.7% 17.8x	6 2.1% 17.8x	8 0.7% 17.6x	7 0.9% 17.3x	5 1.6% 17.0x	3 7.5% 18.0x	4 1.6% 17.9x	10 -5.3% 16.8x	2 10.5% 17.8x	10 -8.2% 16.2x	4 6.2% 17.2x	8 0.3% 17.0x	6 2.3% 17.2x	4 1.2% 16.7x	7 -4.2% 15.8x	6 -2.1% 15.2x	3 5.9% 16.0x
Consumer Staples	10 1.2% 18.5x	11 -2.1% 18.3x	7 2.1% 18.4x	11 -0.8% 18.1x	8 0.3% 17.8x	9 -1.2% 17.3x	2 8.8% 18.7x	8 -0.7% 18.5x	8 -3.9% 17.8x	3 10.0% 19.3x	5 -2.5% 18.6x	9 -0.8% 18.5x	9 -1.3% 18.1x	2 8.0% 19.0x	3 1.5% 19.3x	10 -6.9% 18.0x	5 -1.6% 17.3x	2 6.4% 18.4x
Energy	5 4.5% 15.3x	6 3.4% 16.1x	4 2.6% 16.4x	6 4.0% 16.6x	2 5.6% 17.4x	8 -0.9% 17.6x	4 4.4% 18.1x	9 -1.7% 17.8x	1 10.6% 21.6x	4 8.8% 23.4x	1 8.2% 23.4x	7 2.0% 17.0x	10 -2.8% 15.7x	9 -4.1% 15.2x	1 6.9% 16.3x	4 0.3% 16.2x	9 -3.7% 15.4x	1 8.7% 15.0x
Financials	4 6.5% 12.0x	5 3.6% 12.4x	8 1.5% 12.4x	5 4.3% 12.6x	3 4.5% 13.0x	4 1.7% 13.0x	5 4.1% 13.3x	1 4.4% 13.6x	7 -1.5% 13.2x	9 2.7% 13.2x	6 -3.0% 12.6x	2 10.6% 13.8x	3 4.4% 14.1x	1 8.8% 15.2x	5 1.0% 15.1x	6 -2.9% 14.3x	3 -1.1% 14.0x	5 3.6% 14.3x
Health Care	11 1.1% 5.9x	1 9.4% 4.7x	11 -6.2% 4.5x	2 9.2% 4.9x	5 3.0% 7.2x	2 4.3% 7.3x	10 -4.7% 6.9x	3 2.0% 6.9x	9 -4.2% 6.7x	6 8.6% 7.4x	9 -8.2% 6.6x	1 13.2% 7.6x	11 -5.0% 6.9x	3 6.0% 8.3x	2 2.4% 8.2x	11 -7.0% 7.4x	2 -0.6% 7.7x	10 0.5% 7.4x
Industrials	1 8.9% 22.8x	9 0.3% 22.7x	10 -0.5% 22.5x	10 0.0% 22.2x	9 -0.8% 21.9x	7 -0.7% 21.5x	7 -1.3% 21.4x	5 0.5% 21.2x	6 0.4% 21.2x	7 6.3% 22.5x	8 -6.5% 20.9x	3 6.3% 21.8x	6 0.9% 21.5x	4 3.1% 21.7x	8 0.6% 21.2x	5 -2.5% 20.4x	4 -1.2% 20.3x	7 2.4% 20.5x
Information Technology	3 8.0% 35.7x	2 4.9% 37.2x	3 4.5% 37.9x	3 6.2% 39.3x	6 2.1% 39.5x	1 13.8% 43.1x	11 -7.1% 39.4x	11 -2.8% 38.4x	11 -17.6% 31.2x	11 -6.2% 29.0x	3 0.4% 28.7x	5 5.4% 29.1x	5 2.5% 29.0x	8 -1.6% 27.8x	6 1.0% 26.4x	2 12.9% 29.1x	1 3.5% 29.1x	8 2.0% 28.6x
Materials	7 2.5% 16.1x	3 3.7% 16.5x	9 0.0% 14.9x	1 15.9% 16.6x	1 18.9% 18.3x	11 -5.0% 14.8x	1 14.6% 16.0x	2 2.7% 15.2x	2 8.9% 15.2x	1 21.7% 17.5x	11 -16.4% 13.8x	10 -5.3% 13.2x	2 6.2% 13.5x	11 -12.1% 11.7x	10 -3.1% 12.1x	1 25.8% 15.3x	10 -7.4% 14.0x	11 -13.1% 12.4x
Real Estate	6 4.4% 14.0x	8 1.4% 14.1x	2 4.7% 14.6x	7 3.7% 15.0x	10 -1.0% 14.8x	10 -4.0% 14.1x	9 -1.8% 13.9x	6 -0.5% 13.8x	5 1.7% 13.9x	10 -0.3% 14.2x	7 -5.6% 13.3x	6 4.6% 13.9x	7 0.6% 14.0x	5 3.1% 14.3x	9 0.4% 14.1x	8 -4.6% 13.4x	8 -3.3% 12.8x	9 1.5% 13.0x
Utilities	9 1.9% 21.7x	10 0.2% 21.3x	5 2.5% 22.0x	9 0.3% 22.9x	4 3.9% 23.4x	3 4.1% 24.1x	6 0.2% 23.6x	10 -2.4% 21.6x	4 2.0% 21.8x	5 8.7% 23.5x	2 0.4% 24.1x	8 0.1% 23.7x	4 3.6% 23.9x	7 2.1% 24.1x	7 0.9% 24.8x	9 -5.6% 25.7x	7 -2.5% 23.2x	4 5.3% 24.3x

Legend
Sector Rank
Total Return
P/E NTM

Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

Table 3 - Global Equities Performance

Select Global Equity Indices	Oct (in LCL)	Oct (in USD)	Oct (in CAD)	3 Mo (in LCL)	3 Mo (in USD)	3 Mo (in CAD)	YTD (in LCL)	YTD (in USD)	YTD (in CAD)	Current PE NTM	Historical PE Median	Premium (RED) / Discount (GREEN)
Major Aggregates												
World (Global)*	-0.7	-0.7	-2.4	0.5	0.5	0.0	10.9	10.9	13.0	17.3	16.2	1.0
EAFE (DM ex U.S. & Canada)*	-0.5	-0.5	-2.2	-2.1	-2.1	-2.6	9.4	9.4	11.4	14.5	13.8	0.7
EM (Emerging Markets)*	-8.8	-8.8	-10.4	-5.4	-5.4	-5.9	11.9	11.9	14.0	8.6	11.4	-2.9
Selected Developed Markets												
Nikkei 225 (Japan)	-5.2	-5.4	-7.0	-1.0	0.1	-0.4	27.6	26.7	29.2	18.2	17.5	0.7
Euro STOXX 50 (Europe)	-2.1	-3.9	-5.5	-3.2	-6.4	-6.9	8.7	0.6	2.5	14.5	13.6	0.9
FTSE 100 (U.K.)	1.3	2.0	0.3	-0.5	-1.7	-2.2	11.0	7.6	9.6	11.9	12.3	-0.4
CAC 40 (France)	0.2	-1.6	-3.2	-6.0	-8.8	-9.2	0.7	-4.3	-2.5	13.4	13.6	-0.1
DAX (Germany)	2.5	0.7	-1.0	0.7	-2.3	-2.7	5.4	0.1	2.1	14.7	12.8	1.9
Hang Seng (Hong Kong)	-5.2	-5.2	-6.8	-9.2	-9.3	-9.7	-6.5	-7.3	-5.6	9.6	11.6	-2.0
Selected Emerging Markets												
CSI 300 (China)	-8.3	-7.6	-9.3	-12.6	-11.3	-11.8	-12.1	-7.7	-6.1	13.1	14.0	-0.9
Nifty 50 (India)	2.0	3.0	1.2	-5.3	-4.8	-5.3	-10.7	-15.4	-13.9	19.1	19.2	-0.1

Source: FactSet, Raymond James Ltd.; Total returns, data as of October 31, 2026. LCL: listed in local currency. Historical P/E Median: 1/1/2000 – 10/31/2026. *Indices are represented by their corresponding iShares ETFs, serving as proxies.

Fixed Income & Treasury Yields

U.S. Treasuries rallied across maturities of one year and longer in October, partially reversing September's selloff. The 10-year Treasury yield declined approximately 35 basis points, from 5.29% to 4.94%, as heightened market volatility and growing concerns surrounding A.I. financing and profitability renewed demand for government bonds as defensive assets. Notably, yields declined despite further increases in oil prices, marking a departure from their largely positive relationship earlier in 2026. The decline was concentrated in real yields, suggesting that concerns over future growth and increased safe-haven demand outweighed the inflationary implications of higher energy prices. Strong Treasury auction demand and a reversal of earlier bearish positioning may have provided additional support.

While inflation and fiscal risks remain elevated, October's developments strengthen our view that the 10-year yield may have reached its cyclical peak. Looking into 2027, we expect the yield to gradually moderate toward the 4.50–4.75% range as oil prices normalize and expectations for future monetary policy become less restrictive. With yields still elevated by historical standards and Treasuries regaining some of their traditional defensive characteristics, we believe their risk–reward profile has improved, offering attractive income and greater portfolio diversification benefits as the market cycle matures.

In contrast to the government bond rally, sentiment toward U.S. investment-grade credit has become more cautious, particularly among technology issuers. Accelerating debt issuance to finance A.I. infrastructure, combined with growing scrutiny of capital intensity, free cash flow and

returns on investment, has raised concerns about the sustainability of borrowing requirements. Credit spreads among technology issuers have widened, with some hyperscaler bonds also showing relative weakness in European credit markets despite their strong credit ratings. Investment-grade technology spreads have reached a three-year high (Chart 30), although they remain within their historical range. Further widening is possible as investors demand greater compensation for rising financing and execution risks. Meanwhile, evolving policy and regulatory uncertainty surrounding data centre development could moderate the pace of future capital spending, although construction delays could also complicate cash-flow generation and debt-servicing capacity.

Canadian government bonds also rallied in October, although the decline in yields was less pronounced than in the U.S. The 10-year Government of Canada yield fell approximately 19 basis points, from 3.99% to 3.80%, while yields declined across maturities of three years and longer. The Bank of Canada's recent tightening has reinforced its commitment to containing inflation, while the 2026 federal budget was broadly in line with market expectations, limiting additional concerns over fiscal sustainability. Looking into 2027, our base case for oil-price normalization should help ease inflation pressures, suggesting greater downside than upside risk to the Canadian 10-year yield from current levels.

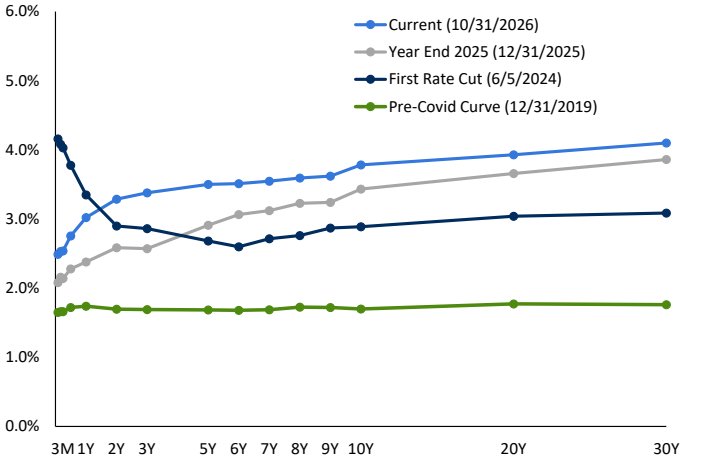
Canadian investment-grade credit spreads were little changed in October, reflecting relatively stable credit conditions despite a mixed domestic economic backdrop. Unlike the U.S., where technology-related borrowing has become an increasingly important source of credit-market uncertainty, Canada's investment-grade market is more heavily concentrated in Financials, Energy and infrastructure-related issuers, with limited direct exposure to the A.I. infrastructure financing cycle. This provides some insulation from technology-specific credit risks.

Chart 30 - U.S. Investment-Grade Technology Bond Index Option-Adjusted Spread (OAS) to Treasury



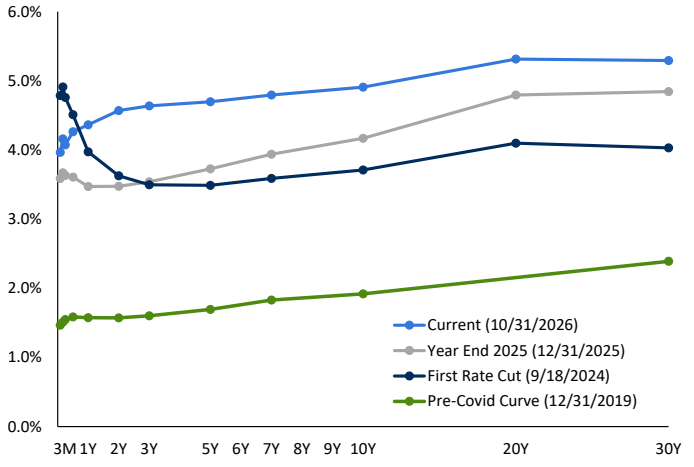
Source: Bloomberg, Raymond James Ltd.; Data as of November 2, 2026.

Chart 31 - Canada Government Yield Curves



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

Chart 32 - U.S. Treasury Yield Curves



Source: FactSet, Raymond James Ltd.; Data as of October 31, 2026.

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