



UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

Market News: Global Stock Markets | Bonds

Q4 2026



Global Stock Markets: Summary & Strategy

From the Desk of Kurt Rosentreter, CPA, CA, CFP®, CLU, TEP, FMA, CIM®, FCSI

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Many events impacted global markets in the third quarter of the year, adding to an already complex investment environment. We are highlighting what has been going on the equity and bond markets worldwide and implications for investment portfolios.

Please feel welcome to contact the office for a fall or winter or spring review meeting in person or on video.

- Kurt, Gerdi & our team of twelve professionals.

Third quarter 2026 has been shaped by a renewed oil shock from the U.S.–Iran war and the Strait of Hormuz, a return to central-bank tightening, and a sharp July unwind of the AI and semiconductor trade. North American equities are still modestly higher: the S&P 500 is up about 3.4% and the S&P/TSX Composite about 2.6% quarter-to-date, after the TSX set a record of 37,069 in August [1][2][3][4]. The U.S. Fed raised interest rates on September 16 for the first time since 2023, to 3.75%–4.00%, and the U.S. 10-year yield reached about 5.1%, its highest since 2007 [5][4].

For Canada, the quarter brought new 50% U.S. tariffs on about US \$20 billion of Canadian goods (August 22), Canadian counter-tariffs (September 8), strong 3.3% annualized Q2 GDP growth, and a Bank of Canada that held the overnight rate at 2.25% but signalled it is prepared to hike [16][17][18]. Energy producers and gold miners carried the TSX, while banks and other rate-sensitive stocks weakened in September. Housing was flat nationally and soft in Toronto and Vancouver [19][20][21].



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Major Stock Market Returns, Third Quarter Only to Date

Market	Index	Start of Q3	Latest	Q3 change	Source
Canada	S&P/TSX Composite	34,856.99 (Jun 30)	35,751.43 (Sep 23)	+2.6%	[1][2]
U.S.	S&P 500	7,449.36 (Jun 30)	7,706.03 (Sep 23)	+3.4%	[3][4]
U.S.	Nasdaq Composite	26,213.72 (Jun 30)	26,936.04 (Sep 23)	+2.8%	[3][4]
U.S.	Dow Jones Industrials	52,319.20 (Jun 30)	51,511.59 (Sep 23)	-1.5%	[3][4]
U.S.	Russell 2000	3,024.37 (Jun 30)	2,860.39 (Sep 18)	-5.4%	[3][5]
Europe	STOXX Europe 600	≈641.7 (Jun 30)	642.60 (Sep 17)	≈0.0%	[8]
Japan	Nikkei 225*	YTD +37.8%	YTD +30.2% (Sep 8)	≈-5.5%	[6]
Hong Kong	Hang Seng*	YTD -11.5%	YTD -1.2% (Sep 8)	≈+11.6%	[6]
India	BSE Sensex*	YTD -10.0%	YTD -11.3% (Sep 8)	≈-1.4%	[6]

*Approximate: derived from year-to-date figures in the June 29 and September 8, 2026 World Markets Watchlist. STOXX 600 start level implied from Market Screener data.

Regional highlights. U.S. semiconductors fell about 18% in July before tech rebounded in August on strong Q2 earnings; rising yields erased much of September's gain [11][7][24]. Japan's Nikkei fell almost 8% in July on AI selling but remains the top major market year-to-date. Emerging markets fell 3.0% in July (Korea -17.1%, Taiwan -5.3%, China +9.0%) and rose 3.4% in August [7]. Europe was flat despite 24% Q2 earnings growth, as energy costs and a hawkish ECB weighed [5].

Canada in Focus

The TSX rose 1.06% in July and 2.96% in August, reaching +14.4% year-to-date at August 31, before slipping in September; on September 23 it fell 1.6% to 35,751 as yields hit multi-year highs and bank shares dropped [9][10][11]. The index trades at 17.4 times forward earnings with 12% expected earnings growth [9]. The Canadian dollar was stable at about 70.9 U.S. cents [1][2].

S&P/TSX sector	July 2026	August 2026	YTD to Aug 31
Energy	+6.90%	Negative	+29.91%
Materials	-3.06%	+25.65%	+18.69%
Financials	Positive	Negative	+18.53%
Information Technology	+1.00%	+12.85%	-6.12%
Communication Services	-3.30%	+3.89%	-7.13%
S&P/TSX Composite	+1.06%	+2.96%	+14.38%

Source: The Globe and Mail monthly TSX sector reviews [9]; August index return [10]. "Positive/Negative" = direction reported without a figure.

Key drivers. Gold and silver miners drove August (the top ten TSX gainers were all miners), but gave back-ground in September as the U.S. dollar strengthened [9][1]. Energy benefited from Brent above US\$100 and from the energy carve-out in the new U.S. tariffs [18].

Banks remain strong over 12 months but fell 2-3% on September 23 as markets priced Bank of Canada hikes [1]. Technology and telecoms remain the weakest sectors year-to-date despite an August rebound, including Shopify +24% in August [9].



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Industries that Outperformed and Lagged

	Industry	Evidence
Outperformed	Energy producers	MSCI World Energy +8.8% in July; TSX energy +29.9% YTD at Aug 31 [7][9]
Outperformed	Precious-metals and copper miners	TSX materials +25.65% in August; Comex copper record near \$6.88/lb [9][14]
Outperformed	Financials (July); health care and software (August)	MSCI World Financials +6.5% in July; S&P 500 health care +4.9% in August [7][10]
Lagged	Semiconductors and memory	PHLX Semiconductor Index -18.2% in July; SK Hynix -35% [11][7]
Lagged	U.S. small caps	Russell 2000 ≈ -5.4% quarter-to-date [3][5]
Lagged	Canadian telecom and tech; rate-sensitive sectors	YTD -7.1% and -6.1%; utilities, discretionary and banks led September declines [9][4][1]

Commodities

Commodity	Jun 30, 2026	Latest (Sep 23)	Q3 change	Source
Brent crude (US\$/bbl)	72.92	103.69	+42%	[12][1]
WTI crude (US\$/bbl)	69.50	92.72	+33%	[12][1]
Natural gas (US\$/MMBtu)	3.27	3.04	-7%	[12][1]
Gold (US\$/oz)	3,986	≈4,283	+7.5%	[13][14]
Silver (US\$/oz)	58.69	64.35	+9.6%	[13][1]
Copper, Comex (US\$/lb)	Below 6.00	6.70	≈+10% or more	[14][1]

Oil was the dominant story: after Brent's worst quarter since 2020 in Q2, renewed U.S.-Iran fighting and the September 11 shutdown of Saudi Arabia's East-West pipeline pushed Brent back above US\$100 [12][15].

Gold recovered from a late-June low near US\$3,990 but was capped by rising real yields after the Fed hike; copper set records on tariff-driven U.S. stockpiling [13][14].

Canadian Real Estate

August 2026	Sales	Prices
Canada (CREA)	-0.7% m/m; -6.9% y/y	Avg. \$668,219, +0.6% y/y; HPI flat m/m, -3% y/y
Greater Toronto (TRREB)	5,057, -2.1% y/y; new listings -14.1%	Avg. \$993,410, -2.7% y/y; HPI -4.5% y/y
Metro Vancouver (GVR)	1,869, -4.6% y/y; 20.7% below 10-yr avg.	HPI \$1,081,900, -5.6% y/y

National sales and prices were unchanged for a fourth straight month. CREA warned that higher fixed mortgage rates and priced-in Bank of Canada hikes are expected to dampen momentum into 2027 [19]. Toronto listings are

falling faster than sales, which could eventually support prices, while Vancouver prices are down about 6% year-over-year [20][21].



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North American Outlook

Item	Expectation	Source and date
S&P 500 year-end	Goldman Sachs 8,000 ($\approx +3.8\%$); U.S. Bank 8,040 ($\approx +4.3\%$); BofA 7,100 ($\approx -7.9\%$)	May 27 and Jun 9, 2026 [22]
S&P/TSX Composite	Already above early forecasts (Reuters poll 32,125; BMO 34,000); model forecast 32,677 in 12 months ($\approx -8.6\%$)	Nov/Dec 2025 [23]; Sep 23, 2026 [1]
Federal Reserve	One more 25 bp hike projected in 2026; $\approx 70\%$ odds of an October hike	Sep 18 and Sep 23, 2026 [5][24]
Bank of Canada	Markets price a hike by December and ~ 3 more in 2027; next decision October 28	Sep 2, 2026 [16]
Oil (Brent)	Goldman: \$85 for December 2026, with risk above \$120 if Gulf output stays impaired	Sep 8, 2026 [15]

United States. Earnings remain the main support (Goldman expects 24% EPS growth in 2026), but a hiking Fed and 10-year yields above 5% limit multiple expansion [22] [4]. The base case implied by most targets is low-to-mid single-digit upside into year-end; the downside case is further yield increases, oil-driven inflation, or another AI-trade unwind. The November 3 midterms add event risk.

Canada. The TSX's heavy energy and materials weighting acts as a hedge while oil and metals stay high, and U.S. tariff carve-outs protect the largest exporters [18]. The main risks are Bank of Canada hikes hitting banks and rate-sensitive sectors, a reversal in gold, tariff-driven slowing after a flat July, and fuller valuations [9][16][17].

Key risk	Why it matters
Strait of Hormuz / U.S.–Iran war	Oil above US\$100 lifts inflation and rate expectations; helps TSX energy, hurts consumers and rate-sensitive sectors
Bond yields and rate hikes	U.S. 10-year above 5% and possible Fed/BoC hikes pressure valuations, banks, utilities, REITs and housing
U.S.–Canada tariffs	Threaten Canadian manufacturing and consumer sectors; Canadian growth was flat in July
AI trade concentration	July showed how quickly crowded AI and chip positions can unwind

Our Team's Position

Canadian bank stocks and U.S. tech stocks have increased significantly in under four years [25]. Retirees should consider taking ample profit for cash flow needs of any type into late 2027. Equity levels in portfolios are likely above what you approved on paper with us and dynamic rebalancing is likely also required to bring portfolios back into approved asset allocation levels.

We continue to be concerned about the Canadian economy mostly due to the new tariffs and countervailing tariffs that came into place in September 2026. Our stance is defensive in Canada as a result, while we are still offensive in U.S. equities mostly due to the future benefits of artificial intelligence continuing to lift corporate profits.



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Bonds: A New Era for Fixed Income?

From the Desk of Gerdi Lito, CFA

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After several years of unusually low interest rates followed by rapid rate increases in 2022-2023, the bond market has entered a very different environment. Bonds now offer a meaningful level of income, but the outlook for interest rates is becoming less straightforward.

U.S. Bonds — Higher Yields, Higher Uncertainty

The U.S. bond market continues to be heavily influenced by the Federal Reserve and the strength of the American economy. In September, the Fed raised its target interest-rate range by 0.25% to 3.75%–4.00% [4], noting that economic activity remains solid but inflation is still elevated.

Longer-term U.S. government bond yields have also moved significantly higher. The 10-year Treasury yield was around 5.29% [25] at the end of September, while the 30-year yield was 5.64% [25]. These are levels not seen for many years.

Short-term yields are heavily influenced by the Federal Reserve (through rate cuts, rate increases and other mechanisms), while longer-term yields also reflect expectations for inflation, economic growth and the amount of government debt being issued.

The U.S. government continues to run large fiscal deficits, increasing the supply of Treasury bonds available to investors. At the same time, the U.S. economy has remained relatively resilient, which has reduced expectations for a rapid decline in longer-term rates. As a result, investors can now earn substantially more income from high-quality U.S. government bonds, but longer-term bonds can still experience significant price volatility.

Another important factor impacting the US bond market is the reduction of demand for US bonds from foreign

investors. Less demand means lower bond prices (higher yields). This is related to increased worries about US government debt, but has also been seen as being influenced from the fact that there is now a larger quantity of debt issued to fund AI investments from major tech companies, which have attracted investors worldwide.

Higher yields can create short-term volatility for existing bond holdings, but they also mean that new investments in bonds can earn more income than they could during the ultra-low-rate period of the past decade.

Canadian Bonds — A Different Economic Picture

Canada is facing a somewhat different economic environment. The Bank of Canada has held its overnight rate at 2.25%, while inflation has remained around 3% [16] recently, partly reflecting higher gasoline prices. The Bank has also highlighted uncertainty surrounding tariffs and the Canadian economy.

Canadian government bond yields have risen as well. As of September 30, the 10-year Government of Canada yield was approximately 3.99%, while longer-term bonds were yielding about 4.30%. [25]

This is important because fixed mortgage rates and other borrowing costs are influenced more by government bond yields than by the Bank of Canada's overnight rate. Canada's relatively high household debt and sensitivity to housing and consumer spending also make the economy particularly responsive to interest rates. For bond investors, this creates a different opportunity from the U.S. market: Canadian bonds offer attractive income while also providing exposure to an economy where slower growth could eventually put downward pressure on interest rates.



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What does this mean for your portfolio?

The important point is that bonds are once again able to play both roles in a portfolio:

- providing income,
- helping diversify stocks, especially during recessions.

The bond market is no longer simply a place to protect capital while earning very little interest. Today's higher yields provide a more meaningful source of portfolio income. This is especially important for retirees living of income from their portfolios.

Different types of bonds carry different risks. Shorter-term bonds generally have less sensitivity to changes in interest rates, while longer-term bonds can experience larger price movements. Credit quality also matters, particularly when moving beyond government bonds.

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