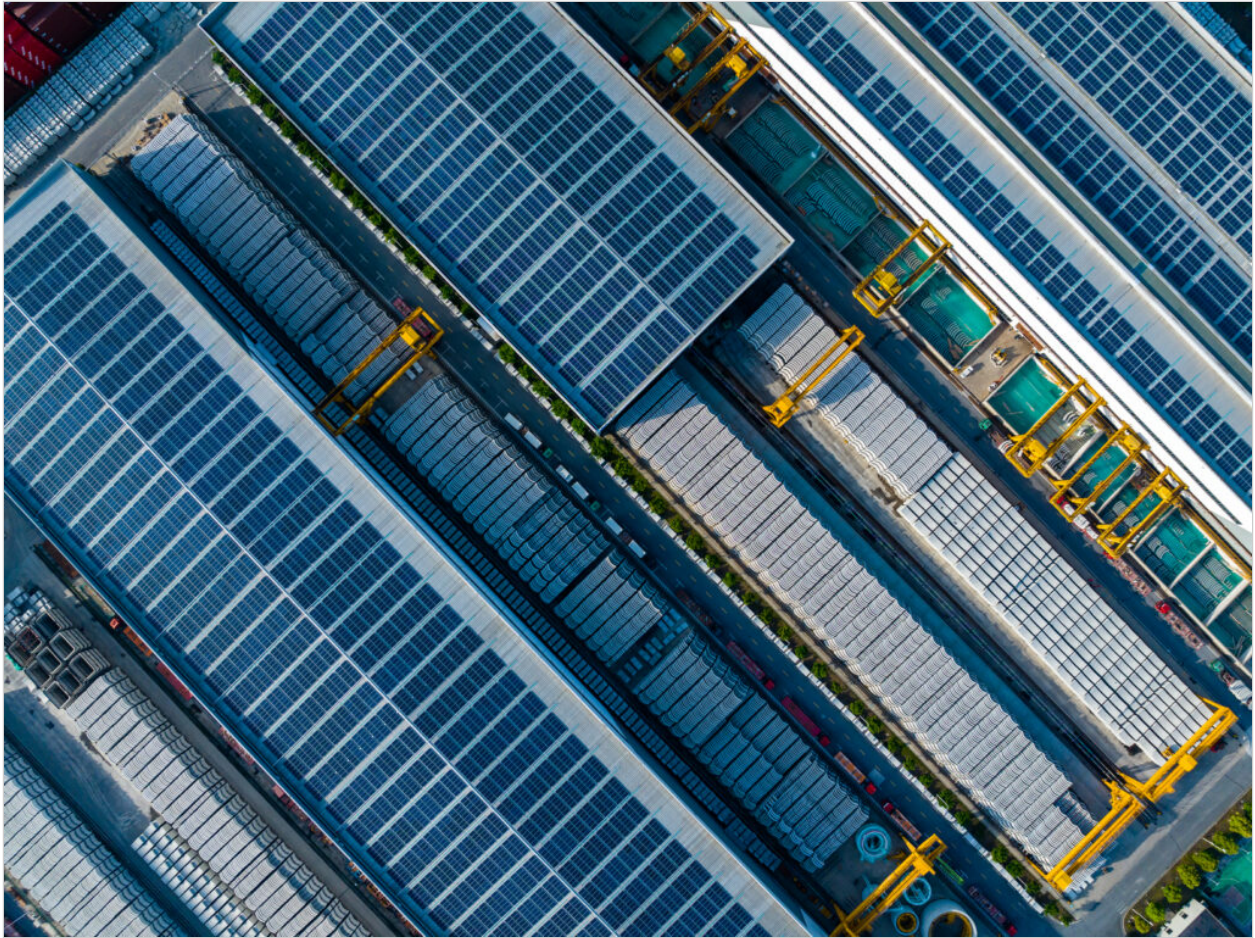




Market Commentary — Third Quarter 2026

By: **Alan Carr** Published on: October 9, 2026

The Federal Reserve raised interest rates in September, its first increase since 2023. Government bond yields rose in every major market, and long-dated yields reached levels not recorded in decades. Equity markets rose modestly. The S&P 500 rose 2.0%. The S&P/TSX rose 1.1%. WTI crude rose 30%.

Markets

Equity gains were small relative to the movement in interest rates. Crude oil returned to \$90 without producing the Canadian outperformance of the first quarter. Gold rose 2.8% and remained below its level at the start of the year. Developed markets outside North America were unchanged.

Rates

The Federal Reserve raised its target range by 25 basis points on 16 September, to 3.75% to 4.00%. The decision was unanimous. The statement recorded that inflation remains elevated.

The US 10-year Treasury yield rose to 5.29%, an increase of 113 basis points since the start of the year. The increase was international and concentrated in long maturities. The German 30-year yield reached its highest level since 2011. The Japanese 10-year yield exceeded 3.00% for the first time since 1996. The UK 30-year yield reached 6% for the first time since 1998.

Holders of long-dated government debt recorded losses over the quarter. The movement was in government debt rather than in corporate credit. US high yield spreads widened to 3.12%.

The Bank of Canada held its overnight rate at 2.25% on 2 September, its sixth consecutive decision to hold.

Economy

US headline CPI was 3.4% in August, and core CPI 2.4%. Canadian headline CPI was 3.0%, with core measures near 2.0%.

Unemployment was 4.2% in the US, within the range of 4.1% to 4.3% recorded since March.

BLOOMRIDGE

Crude oil flows through the Strait of Hormuz recovered to approximately 80% of pre-closure volumes by the end of September. The strait has not fully reopened.

Fitch downgraded France to A+ in August, completing downgrades by all three major agencies during the year.

Central banks respond to inflation. Inflation responds to energy prices, with a delay of several months. A shipping route closed in February therefore reached a Federal Reserve decision in September.

	Level	Quarter	YTD
S&P/TSX	35,236	+1.1%	+11.1%
S&P 500	7,652	+2.0%	+11.8%
MSCI EAFE	3,126	+0.3%	+8.1%
USD/CAD	1.42	+0.3%	+3.9%
EUR/CAD	1.61	−0.8%	0.0%
GBP/CAD	1.88	−0.3%	+1.8%
Oil (WTI)	90	+30.5%	+58.9%
Gold	4,187	+2.8%	−3.4%
US 10-year	5.29%	+85 bp	+113 bp
Canada 10-year	3.99%	+61 bp	+57 bp
Fed funds	3.75–4.00%	+25 bp	+25 bp
Bank of Canada	2.25%	unchanged	unchanged

Price returns. MSCI EAFE — developed markets in Europe, Australasia and the Far East.