

WEEKLY ECONOMIC REVIEW OCT. 2, 2026

New regime

Sébastien Mc Mahon, CFA
Chief Economist, iA Financial Group



A look at markets this week

Total returns, at the close on Thursday

		WEEK TO DATE		YEAR TO DATE	
		Return in local currency	Return in CAD	Return in local currency	Return in CAD
Canadian bonds	FTSE TMX Universe	-0.54%		-0.75%	
	FTSE TMX Long	-1.03%		-2.82%	
	Corps	-0.39%		0.04%	
Equities	S&P/TSX	-0.28%		14.37%	
	S&P 500	0.71%	1.80%	13.51%	16.93%
	NASDAQ	1.58%	2.68%	16.42%	19.93%
	MSCI EAFE	0.07%	0.33%	12.13%	13.22%
	MSCI Emerging	1.22%	2.37%	25.14%	28.98%
		Current price	Return WTD	Return YTD	
Other	Oil (WTI)	94.61 \$	-5.67%	64.77%	
	USD/CAD	0.7073 \$	-1.07%	-2.93%	
	EUR/USD	1.1380 \$	-0.92%	-3.12%	
	Gold	4 275.03 \$	-2.37%	-1.03%	

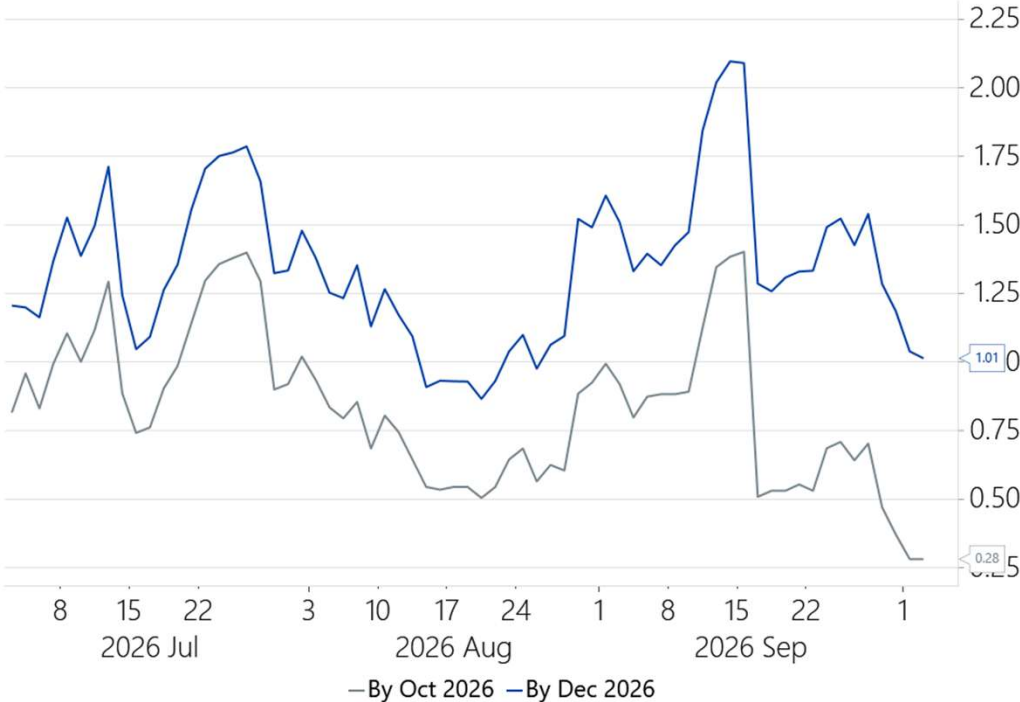
Will the BoC and the Fed hike on October 28?

Bank of Canada: Number of Hikes/Cuts Expected By Month
Market Implied, OIS Model as of 10/2/2026



iA Global Asset Management, Macrobond

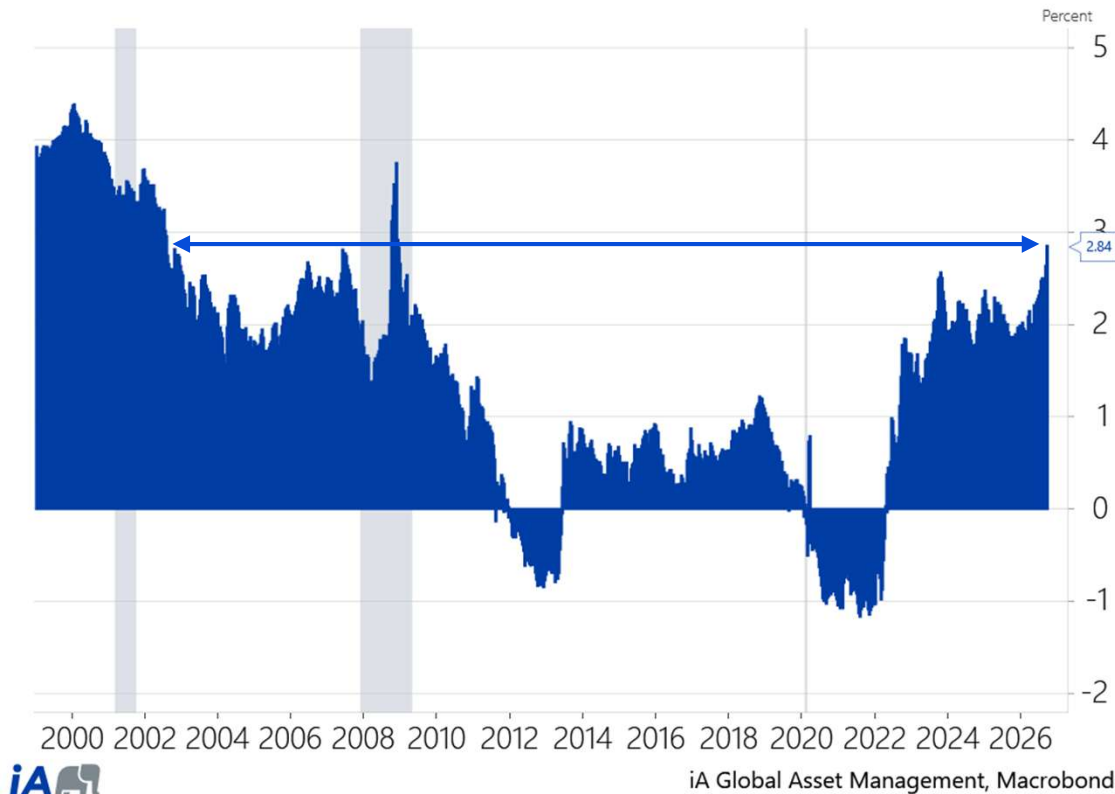
Federal Reserve: Number of Hikes/Cuts Expected By Month
Market Implied, OIS Model as at 10/2/2026



iA Global Asset Management, Macrobond

A primer on real rates

U.S.: Real 10-Year Rate
Federal Reserve, as at 9/25/2026



Why real rates matter:

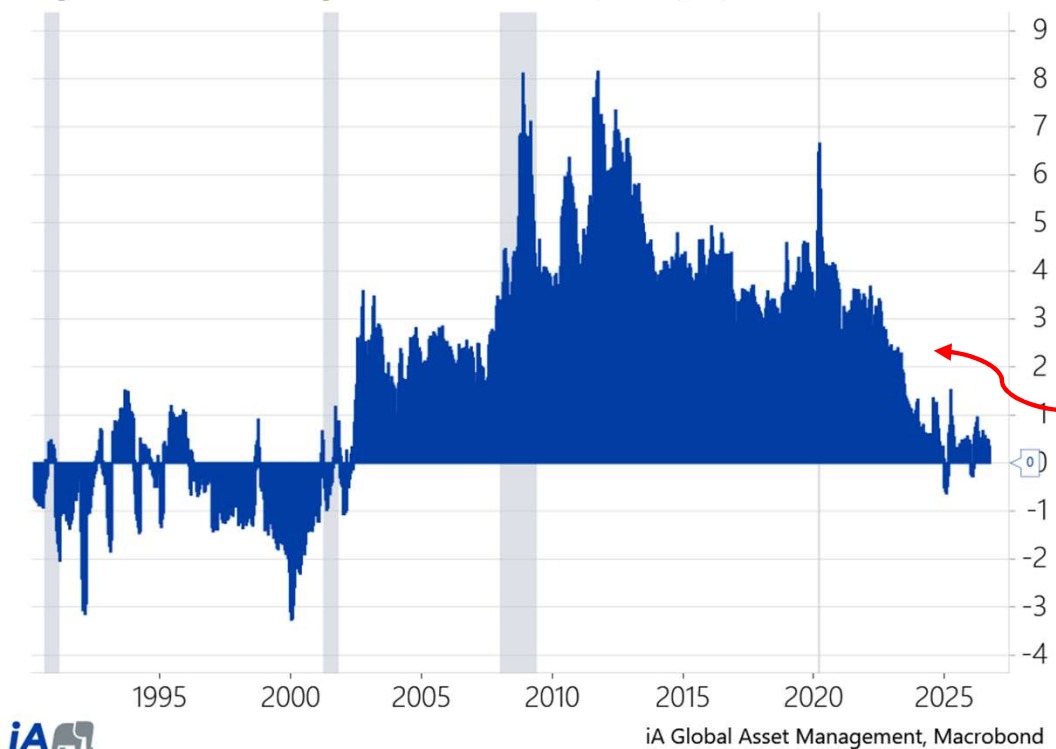
A two-speed economy. AI capex is mostly rate-insensitive in the short run. Housing, small business, commercial real estate and consumer durables are rate-sensitive.

The fiscal feedback loop: Higher rates → higher interest costs → larger deficits → more issuance → higher term premium

6 rules for a bond market-led market

S&P 500: Equity Risk Premium

Using 12-Month Fwd Earnings and U.S. 10 Year Rate, as at 9/30/2026



1. **Starting yield drives bond returns:** Price losses today raise tomorrow's income.
2. **Real rates matter more** than nominal rates for valuations and investment.
3. **Every asset has duration:** growth stocks, utilities, REITs, infrastructure, private assets.
4. **The equity risk premium is thin:** Returns must come from earnings, not multiples.
5. **Stock-bond diversification** depends on the type of shock.
6. **Cash pays again, but carries reinvestment risk** when the cycle turns.

What we'll be watching next week

Canada

- S&P Global PMIs
- Jobs Report
- Unemployment Rate

United States

- ISM Services
- FOMC Meeting Minutes
- U. of Michigan Sentiment Survey

MACRO PLAYLIST

<https://mcmahon.ia.ca/en>

 @SebMcMahon_IA

 Sebastien Mc Mahon



Disclaimer

General Disclosures The information and opinions contained in this report were prepared by iA Global Asset Management ("iAGAM"). The opinions, estimates and projections contained in this report are those of iAGAM as of the date of this report and are subject to change without notice. iAGAM endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iAGAM makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your financial advisor. iA Global Asset Management, iAGAM and the iA Global Asset Management logo are trademarks of Industrial Alliance Insurance and Financial Services Inc. and are used under license. iA Global Asset Management and iAGAM are tradenames under which Industrial Alliance Investment Management Inc. and its subsidiary iA Global Asset Management Inc. operate.