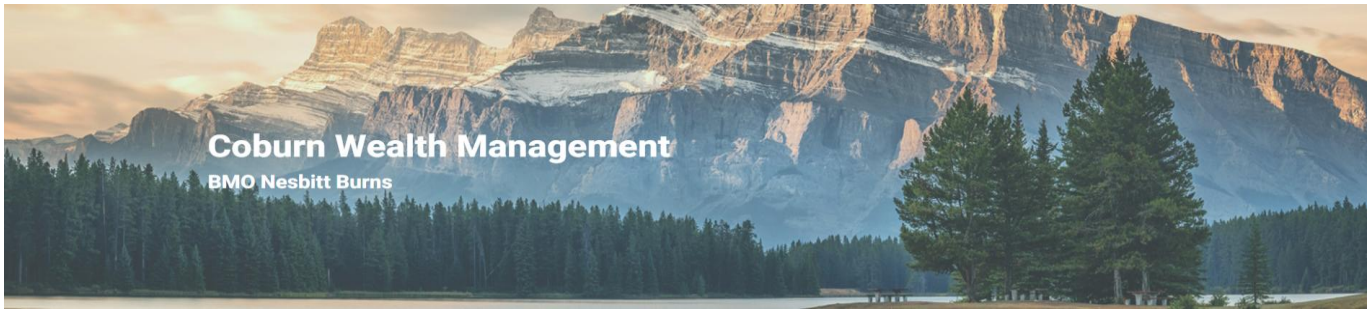


Leave la France

Client Market Update – October 26th, 2026

Leave la France

That is what capital appears to be doing right now.

It is, unfortunately, a play on the patriotic expression *"Vive la France"* or "Long Live France."

The unrest occurring across parts of Europe, currently centred on France but spilling into other countries, is highlighting something bigger:

economic, social and political pressures are reaching levels we haven't experienced in a long time.

In France, protests that began around education and public services have broadened amid frustration over the cost of food, housing and employment. While many demonstrations have remained peaceful, others have deteriorated into looting, property destruction and violence.

And France isn't alone.

Here in Canada, frustration is being expressed differently, **at the ballot box rather than in the streets.**

Quebec started off the month with the Parti Quebecois wining with a minority government, focused on eventual independence and promised holding a future referendum.

Alberta had mixed results from their referendum. It was clear that the province wants to stay with Canada, but half of the province would like to see changes on how the government handles spending, social services and immigration.

On Friday, **Saskatchewan and Newfoundland** pressured Ottawa for more say on immigration.

This weekend we saw the conservatives win a majority in **British Columbia**, the first time in 100 yrs.

The circumstances are different in every jurisdiction, but the broader theme is remarkably similar:

Political uncertainty and the desire for change have gone global.

But here's the important part for investors

The headlines tell us what is happening today. Capital markets often begin telling us much earlier.

Money tends to move away from uncertainty and toward jurisdictions and assets perceived as safer. Nowhere is that more important to watch than the government bond market.

France was sending a warning. Below is the French 10-year government bond.

Since March, French bond prices have fallen sharply, over 12.5% with some of the largest declines occurring more recently (down 8.5% since early September).



In other words, the deterioration in France's bond market was visible weeks before the unrest became the nightly headline.

The other side of falling bond prices is rising yields. The French 10-year yield has now moved above 5%, compared with roughly 3.5% in March.

That increase is not the French government arbitrarily raising interest rates. It reflects investors demanding a higher return to own French government debt as perceived risk rises.

That distinction matters. Capital doesn't need to read tomorrow's newspaper. **It simply starts moving when the risk/reward equation changes.**



And Where Does That Money Go?

This is where the story gets more interesting for North American investors.

U.S. 10-year Treasury bonds also declined through August and September as inflation concerns pushed yields higher. The 10-year Treasury yield eventually moved above 5%, reaching 5.31% on October 5.

Suddenly, forecasts of 5.5% or even 6% yields were becoming part of the conversation. Growth-oriented markets reacted accordingly.

Higher Rates Put the Brakes on Growth. The Nasdaq peaked around October 5 and subsequently declined roughly 7%.



That makes sense.

When interest rates rise rapidly, future earnings become less valuable in today's dollars, financing becomes more expensive and investors become less willing to pay premium valuations for growth. AI-related stocks, technology companies and other interest-sensitive investments felt that pressure.

But something important happened at the same time.

Instead of continuing toward 5.5% or 6%, the U.S. 10-year Treasury yield reversed course and moved back below 5%. And it happened quickly.



While investors have been focused on falling AI stocks and weakening growth companies, **the more important story may be developing across the Atlantic.**

Follow the Money

As uncertainty increases in Europe, global capital has to go somewhere, and the United States remains home to the world's deepest and most liquid government bond market, alongside some of the world's largest and most profitable corporations.

If global investors increasingly seek safety outside Europe, **U.S. Treasuries and North American capital markets could become significant beneficiaries.**

We are already seeing examples of institutional investors reconsidering their European exposure. Earlier this month, **Sumitomo Mitsui DS Asset Management** in Japan disclosed that its global fixed-income funds had sold their entire holdings of French government bonds. They disclosed that the money was moved to German “Bunds” and short-term Japanese bonds as the risk became too high. That doesn't mean French bonds fall forever, **but capital flows matter, and right now they are worth watching very closely.**

Why This Matters to Your Portfolio

The purpose of this letter isn't to be a downer about Europe. It's the opposite.

Much of what is frightening investors in today's headlines was already being reflected in bond markets weeks earlier.

That's important because investors have an unfortunate habit of reacting to today's headlines by selling investments **after markets have already begun adjusting to tomorrow's reality.**

We saw temporary weakness in portfolios during June and July, followed by a strong recovery. October has created another period of pressure, particularly in areas sensitive to interest rates.

But the underlying equation may now be changing.

If money continues moving toward U.S. Treasuries, bond prices should benefit and yields could move lower. A move in the U.S. 10-year yield back toward 4.5% would relieve some of the pressure that has recently weighed on growth stocks, technology, real estate and other interest-sensitive investments. It would also provide welcome relief to the U.S. mortgage market.

Canada faces a somewhat different mortgage-rate environment, but the principle is the same: **lower long-term borrowing costs eventually work their way through the economy.**

The Bigger Picture

Stocks, bonds, real estate and hard assets like gold and silver ultimately respond to one enormously powerful force: **Where is the world's capital going?**

Over the past month, rising U.S. Treasury yields pulled money away from growth investments and put pressure on many of the areas of the market that had previously performed well.

Now we may be witnessing the beginning of the opposite trade.

If European uncertainty continues and global capital increasingly seeks safety in North America, Treasury yields could move lower, financial conditions could ease, and some of the investments that have recently struggled could recover surprisingly quickly.

Ironically, Europe's challenges could ultimately contribute to **lower North American interest rates and stronger North American capital markets**, just as investors have become increasingly worried.

That doesn't mean markets will move higher in a straight line. They never do. But it does mean that while everyone else is watching the headlines, **we will continue watching where the money is moving.**

Because, more often than not, **capital moves before the headlines catch up.**

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