Quarterly Market Review Q3 2026

Canadian Equity

Canadian equities posted positive returns in the third quarter of 2026 as investors were encouraged by resilient economic conditions. Corporate earnings generally remained supportive, while improving risk appetite led investors to favour equities over more defensive assets. Although volatility persisted at times due to geopolitical developments and uncertainty surrounding the global economic outlook, the Canadian market benefited from steady domestic growth and continued demand for Canadian exports. Overall, the quarter was characterized by a constructive backdrop for risk assets, allowing Canadian equities to build on earlier gains and deliver solid performance for investors. The S&P/TSX Composite rose 1.6% during the quarter.

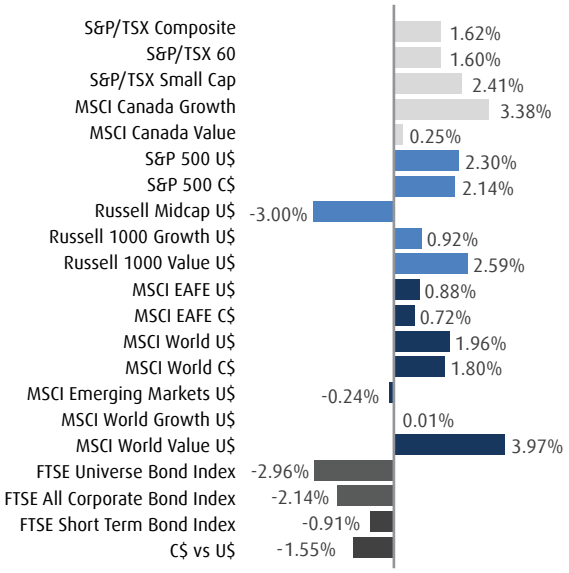
Performance was broad-based with eight of the 11 sectors producing negative performance. The top performing sector was the Information Technology sector as Shopify outperformed. The Materials and Energy sectors were the other top performing sectors, returning 12.9.0% and 3.3% respectively. The lowest performing sectors were Communication Services and Real Estate, which returned -9.3% and -8.2%, respectively. From a stock specific perspective, Shopify was one of the largest contributors to performance over the quarter, rising 29.9%.

From a style perspective, growth stocks outperformed value stocks, with the MSCI Canada Growth Index advancing 3.4% versus just 0.3% for the MSCI Canada Value Index. However, value stocks outperformed over the past 12 months, beating growth stocks by an impressive 31.0%.

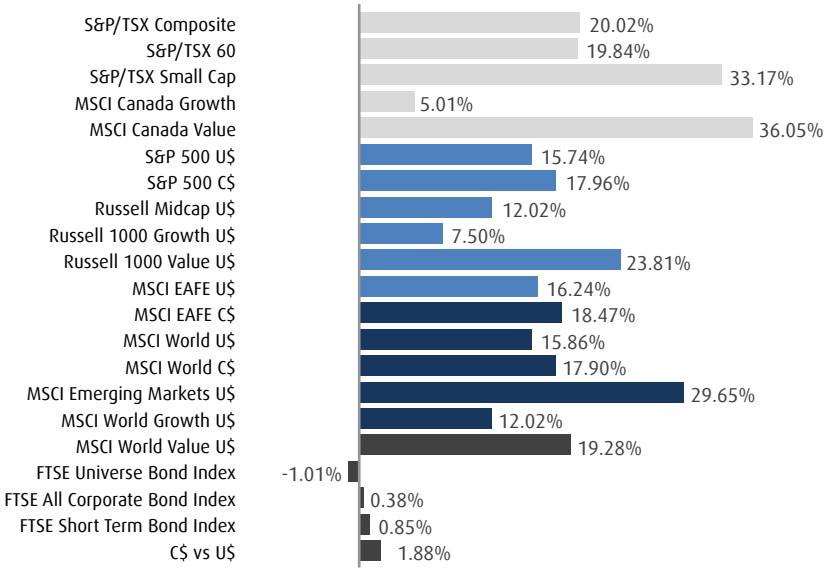
Small-cap stocks marginally outperformed large-cap stocks over the quarter.

Capital Markets Review

3 Months (ending September 30, 2026)



1 Year (ending September 30, 2026)



Source: BMO Capital Markets and Bloomberg

U.S. Equity

U.S. equities delivered strong performance during the third quarter of 2026, supported by continued economic resilience and healthy corporate earnings growth. Companies generally demonstrated an ability to maintain profitability despite higher financing costs and a mixed global backdrop, while consumer spending and labour market conditions remained supportive of economic growth. Although periods of volatility emerged in response to geopolitical developments and shifting expectations around interest rates, investors remained constructive on the U.S. economic outlook. As a result, U.S. equities continued their upward trajectory during the quarter, benefiting from a favourable combination of earnings growth, economic stability, and improving risk appetite. The S&P 500 rose 2.3% in U.S. dollar terms during the quarter.

U.S. equity market performance was mixed over the quarter, with the S&P 500 Index producing negative returns in seven of the 11 sectors. The strongest contributor was the Energy sector, which advanced 17.2% over the quarter and 42.2% over the past year as oil prices remained elevated. Information Technology also delivered strong performance, returning 7.2% during the quarter, while Consumer Health Care and Communication Services posted solid gains of 6.5% and 3.6%, respectively.

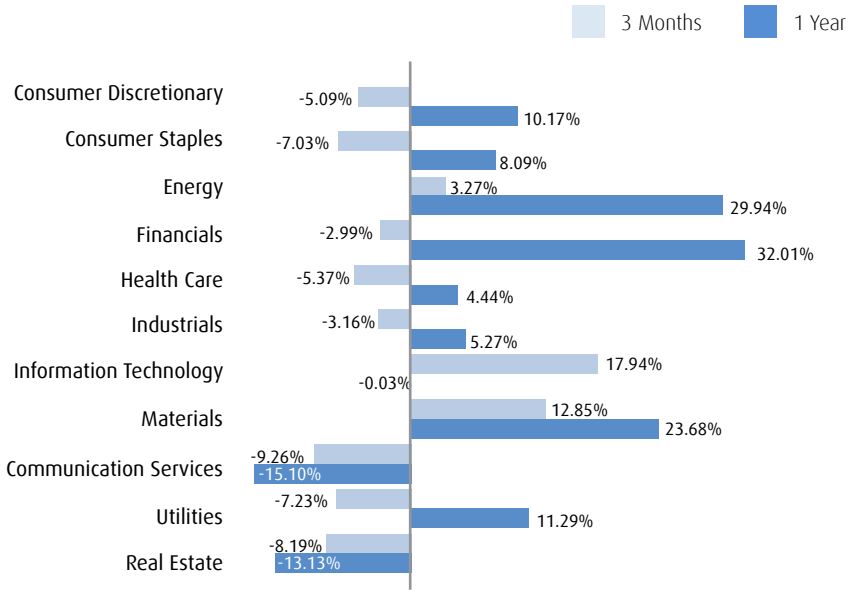
From a style perspective, value outperformed growth (+2.6% vs. 0.9%) for the quarter. This continued the trend for the year as value has significantly outperformed growth by just over 16%. Mid-cap stocks underperformed large and small-cap stocks.

International Equity

International equities generated positive returns during the third quarter of 2026. Although market volatility periodically increased in response to political developments and mixed economic data, international equities benefited from a constructive backdrop characterized by steady growth and improving risk appetite. Overall, the quarter was favourable for international markets, with broad-based gains across many regions contributing to solid performance. The MSCI EAFE Index rose 0.9%.

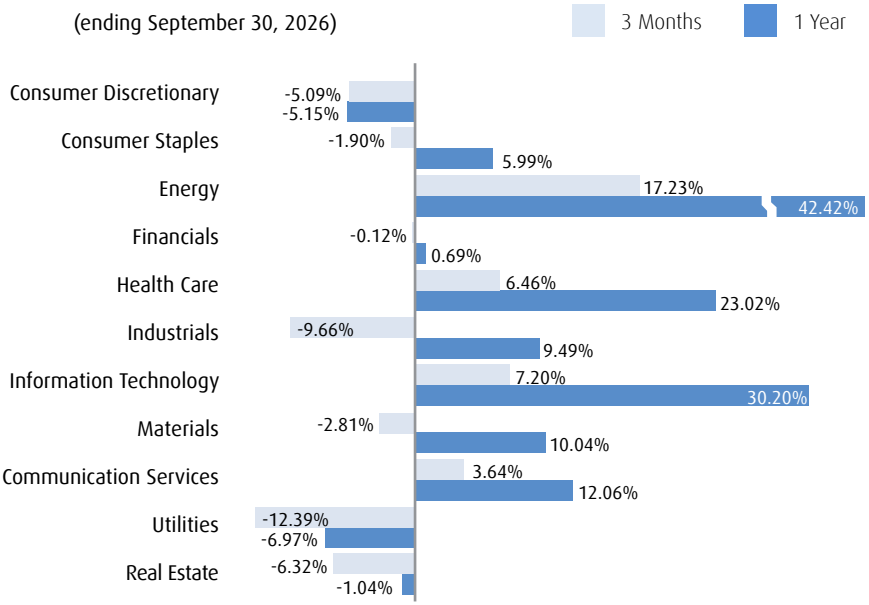
S&P/TSX Composite Sector Comparison

(ending September 30, 2026)



S&P 500 Sector Comparison

(ending September 30, 2026)



Source: BMO Capital Markets and Bloomberg

Within the MSCI EAFE Index, Energy and Communication Services were the best performing sectors, while Information Technology and Utilities were the worst performing sectors. Over the past year, the Information Technology sector was the top performing sector.

From a country perspective, Japan and the United Kingdom performed better than the broad market, while Switzerland and France lagged.

Emerging Markets underperformed North American and international markets, returning -0.2% in U.S. dollar terms for the three months ending September 30, 2026. Over the past year, an allocation to Emerging Markets would have generally helped a Canadian investor (as compared to the S&P/TSX Composite Index).

Fixed Income

Canadian bond yields ended the quarter materially higher, reflecting a broader global trend led by the U.S. Fixed income investors reassessed the required return on capital amid a sustained increase in public and private sector investment needs, concerns around the fiscal sustainability of government deficits, and continued geopolitical uncertainty.

The FTSE Canada Universe Bond Index fell modestly by -3.0%. The short segment of the Index outperformed and returned -0.9% while the long segment underperformed, returning -6.3%. The Bloomberg Global Aggregate Index returned -2.4%.

Please contact your BMO Private Wealth professional if you have any questions or would like to discuss your investments.

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