

Hassan Fox Wealth Management

Market Commentary

Portfolio Strategy

August extended the positive momentum in equity markets, although the backdrop became more complicated as investors balanced strong corporate earnings against rising long-term interest rates, persistent inflation concerns, and renewed geopolitical tensions. U.S. equities continued to advance as Technology and AI-related companies remained important contributors, while energy emerged as one of the strongest areas of the market toward month-end.

One of the more encouraging developments remained the quality of corporate earnings. With virtually all S&P 500 companies having reported second-quarter results by month-end, approximately 85% exceeded earnings expectations. Earnings growth was exceptionally strong, providing fundamental support for equity valuations even as interest rates moved higher. Importantly, earnings estimates have been rising faster than share prices for several companies, resulting in the S&P 500's forward price-to-earnings multiple declining from approximately 22 times at the beginning of the year to below 20 times despite higher equity prices. This is an important distinction: while valuations remain above historical averages, much of the market's advance continues to be supported by improving earnings rather than simply multiple expansion.

The most significant change during August occurred in fixed income. Longer-term U.S. Treasury yields moved higher as investors confronted persistent inflation, stronger-than-anticipated economic activity, increasing government borrowing requirements, and renewed concerns surrounding the sustainability of U.S. fiscal deficits. The 10-year Treasury yield approached 4.8% by month-end, while longer-dated 30-year yields remained at levels not seen in 20 years. Federal Reserve Chair Kevin Warsh's more hawkish comments at Jackson Hole further reinforced the possibility that monetary policy may need to remain restrictive—and potentially move higher—if inflation fails to moderate. The result has been an unusual divergence between expectations for short-term monetary policy and the behaviour of the long end of the yield curve.

This rise in long-term yields deserves attention. Higher long-term interest rates increase financing costs for governments, corporations and consumers, while also creating greater competition for equities as bonds offer increasingly attractive yields. To this point, strong earnings growth has allowed equity markets to absorb the increase in rates remarkably well. However, should the 10-year yield move materially toward or through 5%, we would expect equity valuations—particularly among longer-duration growth companies—to become increasingly sensitive to movements in the bond market.

In Canada, the S&P/TSX Composite continued to trade near record levels, with the composition of the Canadian market proving particularly well suited to the current environment as energy and materials

were important contributors during August. Oil prices remained elevated as the ongoing conflict with Iran continued to disrupt global energy supplies and shipping through the Strait of Hormuz. Energy companies benefited from the resulting strength in crude prices, while the sector's strong free cash flow characteristics continue to attract investors. Canada's position as a large, politically stable energy producer remains increasingly valuable in an environment where energy security has once again become a global priority. Canadian mining shares made an important contribution to TSX performance, and while Canadian Bank shares sold off toward the end of the month, they did so from record highs. Canadian financials remained fundamentally sound as the major banks completed another earnings season characterized by generally stronger-than-expected results. Credit quality remained resilient and capital levels healthy, reinforcing our view that Canadian bank balance sheets and loan books remain in very good condition.

As we enter the final third of 2026, the interaction between earnings and interest rates may become increasingly important. Corporate profitability remains impressive, AI-related investment continues to support economic activity, and market leadership remains considerably broader than it was during much of 2025. At the same time, higher long-term bond yields, persistent inflation, fiscal concerns, and renewed geopolitical uncertainty represent meaningful risks. The fact that equity markets have continued to advance despite these headwinds speaks to the underlying strength of corporate fundamentals, but it also reinforces the importance of remaining selective as the cost of capital increases.

During the month of August, we made a minor change to our portfolios, selling a position in EQT Corp and purchasing Marriott Int'l, a hotel and lodging operator. Our positioning on a asset mix basis remains neutral weight equity, underweight fixed income and a small exposure to each gold and cash.

Global Trade Outlook: The Canada-U.S. Tariffs Challenge

Canada and the U.S. are struggling to define the next stage in one of the largest bilateral trade relationships in the world, after trade talks between the countries broke down and new tariffs were imposed, creating uncertainty for businesses, investors and communities on both sides of the border.

The link below offers a conversation on the breakdown in Canada-U.S. trade discussions, the economic and investment implications of newly imposed tariffs, and how companies and investors can navigate uncertainty in the trade environment.

[Global Trade Outlook: The Canada-U.S. Tariffs Challenge](#)

As always, should you have any questions please do not hesitate to contact us.

Hassan Fox Wealth Management

Faisal Hassan CIM[?], PFP[?] | Portfolio Manager, Senior Wealth Advisor, Senior Investment Advisor | 416-590-7620

Brad Fox CIM | Portfolio Manager, Senior Investment Advisor | 416-590-7606

Erik Olesen CFA, CFP[?], CIM | Portfolio Manager, Financial Planner, Senior Wealth Associate | 416-590-7644

Suzanne Probyn Client Service Associate | 416-590-7608

Troy March Client Service Assistant | 416-359-7351

www.hassanfoxwealthmanagement.com | toll-free: 1-800-567-2626 | fax: 416-590-7601



HassanFox
Wealth Management



Recognized by BMO Private Wealth
for Distinguished Client Loyalty

BMO Private Wealth is a brand name for a business group consisting of Bank of Montreal and certain of its affiliates in providing private wealth management products and services. Not all products and services are offered by all legal entities within BMO Private Wealth. Banking services are offered through Bank of Montreal. Investment management, wealth planning, tax planning, philanthropy planning services are offered through BMO Nesbitt Burns Inc. and BMO Private Investment Counsel Inc. Estate, trust, and custodial services are offered through BMO Trust Company. BMO Private Wealth legal entities do not offer tax advice. BMO Trust Company and BMO Bank of Montreal are Members of CDIC. ? Registered trademark of Bank of Montreal, used under license.

The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Nesbitt Burns Inc. ("BMO NBI"). Every effort has been made to ensure that the contents have been compiled or derived from sources believed to be reliable and contain information and opinions that are accurate and complete. Information may be available to BMO NBI or its affiliates that is not reflected herein. However, neither the author nor BMO NBI makes any representation or warranty, express or implied, in respect thereof, takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. This report is not to be construed as an offer to sell or a solicitation for or an offer to buy any securities. BMO NBI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. BMO NBI -will buy from or sell to customers securities of issuers mentioned herein on a principal basis. BMO NBI, its affiliates, officers, directors or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. BMO NBI or its affiliates may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for same. A significant lending relationship may exist between Bank of Montreal, or its affiliates, and certain of the issuers mentioned herein. BMO NBI is a wholly owned subsidiary of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Nesbitt Burns Corp. Member-Canadian Investor Protection Fund.