BMO | Private Wealth

October 2026

Hassan Fox Wealth Management

Market Commentary

Portfolio Strategy

October brought a continued rotation in equity market leadership, with the broader U.S. market demonstrating resilience despite weakness among the Magnificent Seven technology companies. While the major indices experienced periods of volatility, the remaining 493 companies in the S&P 500 generally performed better, supported by improving earnings across financials, industrials, healthcare, and other sectors. This broadening of participation is an encouraging development, suggesting that the market's underlying strength is becoming less dependent on a small group of mega-cap technology companies.

One of the more notable developments was the changing earnings and investment profile of the Magnificent Seven. Although these companies remain highly profitable, the pace of growth in profitability has moderated for some, while planned capital expenditures on AI infrastructure, data centres, and computing capacity continue to accelerate. These substantial investment commitments are placing greater demands on free cash flow, with some companies increasingly accessing debt markets to help finance expansion. While the long-term potential of artificial intelligence remains significant, investors are becoming more focused on the returns generated from this spending and the sustainability of future earnings growth.

Fixed-income markets provided some relief during October as U.S. Treasury yields retreated from their early-month highs. The 10-year yield declined by approximately 40 basis points from its peak, reflecting a reassessment of growth, inflation, and future monetary policy expectations. The Federal Reserve held its benchmark rate at 3.75%–4.00%, acknowledging continued economic resilience while remaining cautious about persistent inflation. Lower long-term yields helped ease some of the valuation pressure experienced by interest-rate-sensitive sectors in previous months.

In Canada, the Bank of Canada raised its overnight rate by 25 basis points to 2.50%, its first increase since July 2023. The decision reflected stronger-than-expected domestic economic growth and concerns that elevated energy prices could contribute to more persistent inflation. Canadian equities continued to benefit from their exposure to financials, energy, and materials, while the major banks remained supported by sound capital positions and resilient credit quality. The divergence between U.S. and Canadian monetary policy highlights the different inflation and growth challenges facing the two economies.

As we approach year-end, the broadening of market leadership is an encouraging development. While the Magnificent Seven remain important drivers of innovation and economic growth, investors are increasingly focused on the returns generated from substantial AI-related capital spending. Strong corporate earnings, improving market breadth, and some relief in long-term interest rates

provide a constructive backdrop, even as inflation and monetary policy remain important considerations. We continue to view periods of sector rotation and consolidation as normal and healthy characteristics of a sustained bull market.

In our accounts we didn't make any major changes during the month, keeping our allocation as neutral weight equities, underweight fixed income, with modest allocations to gold and short-term investments. At HassanFox Wealth Management, our approach remains the same. We continue to adhere to our disciplined risk management process that focusses on identification of leadership across asset classes.

... One last thing... Since 1942, the S&P 500 has been positive in all 21 November-to-June periods following U.S. midterm elections, with an average gain of 16.6%. Separately, research beginning in 1950 shows stocks were positive in all 19 twelve-month periods following a midterm election, gaining approximately 15% on average. While past performance is not an indication of future returns, we believe these statistics are worth being aware of.

Can Family Philanthropy Help Prepare the Next Generation for Wealth

While parents may want to make sure their children make smart financial decisions to maximize their future inheritance, passing the torch often raises additional concerns. One of their greatest concerns about transferring wealth to the next generation is that they have little practical experience or understanding of what it takes to manage significant wealth responsibly.

The link below offers tips to help families with preparing the next generation for wealth management.

Can family philanthropy help prepare the next generation for wealth

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

Hassan Fox Wealth Management

Faisal Hassan CIM², PFP² | 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, CFP², 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

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