

Fiera Capital Global Asset Allocation

Monthly Update: October 2026



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The third quarter ended on a softer note, with unrelenting concerns about elevated oil prices, sticky inflation, and the subsequent spike in bond yields weighing on financial market valuations and investor sentiment. Investors were also navigating a tumultuous geopolitical and trade backdrop that added to the cautious mood even as economic growth and corporate profitability held firm. Financial market conditions remain volatile to say the least. Both stocks and bonds slid lower in September.

FINANCIAL MARKET DASHBOARD				
	SEPT. 30, 2026	MTD	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	7652	-0.45%	11.77%	14.40%
S&P/TSX	35236	-2.85%	11.11%	17.36%
MSCI EAFE	3126	-3.33%	8.05%	12.96%
MSCI EM	1705	-0.84%	21.40%	26.66%
FIXED INCOME (%)		BASIS POINT CHANGE		
US 10 Year Bond Yield	5.28	53.5	111.8	113.5
US 2 Year Bond Yield	4.89	54.6	141.4	127.9
CA 10 Year Bond Yield	3.99	25.6	56.1	81.1
CA 2 Year Bond Yield	3.37	36.1	78.3	89.7
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.70	-2.65%	-3.55%	-2.19%
EUR/USD	1.13	-2.48%	-3.54%	-3.44%
USD/JPY	157.41	-1.46%	0.45%	6.43%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	90.42	5.43%	57.47%	44.97%
Copper (USD/pound)	6.62	0.42%	16.53%	36.34%
Gold (USD/oz)	4155.60	-6.55%	-4.27%	8.20%

Source: Bloomberg, as of September 30, 2026.

Global equity markets (-1.3%) retreated in September. The S&P 500 edged modestly (-0.5%) lower, with robust results across the technology (+4.4%) sector offsetting widespread losses elsewhere across the benchmark. Market breadth was extremely weak – with the equal-weighted index losing -5%. The S&P/TSX declined -2.8% amid steep losses in the heavyweight energy (-4.2%) and materials (-7.5%) space. Gold stocks tumbled nearly -9%. Elsewhere, the MSCI EAFE fell -3.3% – while the MSCI gauge of emerging market stocks shed -0.8%.

Fixed income markets also generated negative results as continued signs of economic resilience and lingering inflationary pressures prompted a hawkish-leaning pivot at major central banks and sent global bond yields soaring higher. Treasury yields pushed to multi-year highs. The two-year treasury yield jumped 55 basis points to 4.89% – while the ten-year yield soared 53 basis points to 5.28% – its highest level since 2007. Yields on 30-year treasuries hit 5.63% – the highest in more than two decades. These moves spilled over into markets worldwide – sending a gauge of global bond yields to the highest since 2007. For the month, the Bloomberg US Aggregate Bond Index declined -2.6% – while the FTSE Canada Bond Universe shed -1.2%.

The US dollar (DXY) strengthened alongside the latest spike in treasury yields. The greenback was stronger against the euro (-2.5%), pound (-2.1%), and Canadian dollar (-2.6%). However, the yen (+1.5%) strengthened on the back of recent policy interventions and rate hikes from the Bank of Japan.

Finally, WTI crude oil (+5.4%) finished the month above \$90/barrel amid fading hopes for an imminent breakthrough in the US-Iran conflict that has entered its seventh month. A re-escalation in Middle East hostilities has stoked fears of deeper supply disruptions. Indeed, both Iran and the US are digging in for a protracted conflict, with little sign of a near-term ceasefire. By contrast, gold (-6.5%) tumbled lower alongside the sharp spike in treasury yields that dampened the allure of the non-interest-bearing precious metal. A stronger US dollar also weighed on bullion prices last month.



Economic Overview

United States

The Federal Reserve raised interest rates by 25 basis points to a target range of 3.75% to 4.00%. The accompanying statement, updated projections, and press conference leaned hawkish. The statement noted that inflation “remains elevated” and framed the move as supporting “a timelier return” to the 2% goal. Projections for both growth and inflation were revised higher – consistent with the shift in policy. Chair Warsh described the hike as removing “a dose of accommodation” – suggesting he does not regard policy as restrictive. He reiterated that the predominant focus is on the price stability side of the dual mandate given that underlying inflation trends haven’t meaningfully improved. Risks to the inflation outlook remain skewed to the upside given the unrelenting forces stemming from the energy supply crunch, the AI investment boom, and tariffs. That is likely to compel the Federal Reserve to act again later this year. Indeed, a growing chorus of policymakers have reiterated that additional hikes may be needed to ensure inflation returns to the 2% goal.

Global

The purchasing manager indices (PMI) for September underscored that global growth remains firm – albeit with consistently greater pressure on inflation across all regions. The United States composite PMI hit a 5-year high, with the survey underscoring that the economy remains resilient to persistently elevated energy prices and higher interest rates. However, input prices rose and suppliers’ delivery times lengthened – pointing to renewed price pressures. Similar themes were reported abroad. Both the Eurozone and United Kingdom showed surprising signs of economic strength even in the face of higher commodity prices and accelerating inflation. That being said, both input costs and selling prices grew at a faster pace last month. The combination of strong growth and intensifying pricing pressures likely solidifies the case for further monetary policy tightening from major central banks in the coming year.

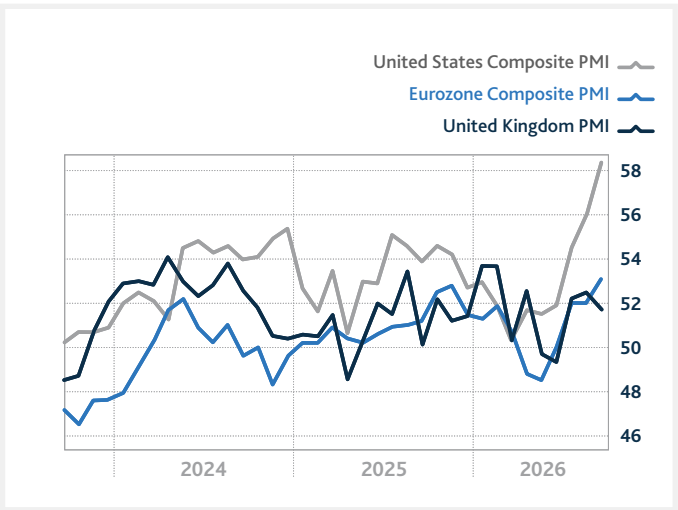
China

The activity data in China showed that consumer spending and investment languished even as industrial output improved – widening a divide within the economy that has prompted calls for additional stimulus to support the ailing economy. Retail sales stalled out in August – while fixed asset investment plunged. By contrast, industrial output accelerated thanks to double-digit export growth tied to the global buildout of data centers that is boosting demand for artificial intelligence-related products. The widening divergence between domestic and external demand shows that the rapid expansion in China’s high-tech industries has yet to translate into better incomes and confidence among households. Authorities are facing a daunting task of reviving domestic spending whose downturn has left the economy increasingly reliant on exports to sustain growth. The data underscores a mounting risk that the economy will miss its 4.5%-5.0% growth target and prompted the government to embark on its biggest stimulus effort in two years to increase the likelihood of meeting that goal.

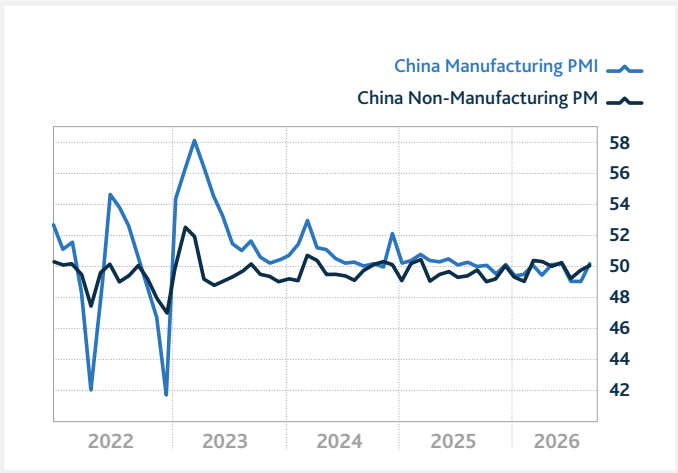
Federal Reserve Summary of Economic Projections (September 2026)

VARIABLE	Median (Percent)		
	2026	2027	2028
Change in real GDP	2.3	2.4	2.2
June projection	2.2	2.3	2.2
Unemployment rate	4.1	4.1	4.1
June projection	4.3	4.3	4.2
Core PCE inflation	3.4	2.5	2.2
June projection	3.3	2.5	2.1
Federal funds rate	4.1	4.1	3.9
June projection	3.8	3.6	3.4

Source: Federal Reserve, as of September 30, 2026.



Source: Bloomberg, as of September 30, 2026.



Source: Organization for Economic Cooperation and Development (OECD)

Economic Scenarios



Main Scenario | Sustained Inflation

Probability 45 %

In this high probability scenario, upside risks to inflation and downside risks to growth subside in response to the peace accord between the United States and Iran. As the Strait of Hormuz reopens and energy flows through the vital waterway resume, oil prices tumble back towards pre-conflict levels. Still, there are some notable forces that risk keeping inflation sustainably elevated – including the potential for re-escalation in the Middle East conflict and a subsequent spike in oil prices, the Artificial Intelligence (AI) boom and associated supply-side stress, and the prospect for higher tariffs from the US administration. Should long-term inflation expectations remain reasonably anchored – central banks would likely lean against tightening aggressively and opt to live with elevated inflation – with little appetite to induce a hard economic landing. Still, a higher for longer rate environment suggests economic conditions would shift downwards to a trend-like pace.

Scenario 2 | Stagflation

Probability 30 %

Upside inflation risks continue to loom large on the back of an erratic geopolitical and trade environment. However, the trajectory for the global economy hinges on the reaction function of the Federal Reserve and other major central banks. In this scenario, a spike in long-term inflation expectations would undoubtedly force central banks' hand and monetary policy would be tightened in response. Policymakers prioritize bringing inflation under control, with the economy assuming the collateral damage from an aggressive tightening event. That macroeconomic outcome tilts the scales towards an environment of "stagflation" – with upside risks to inflation coming up against downside risks to growth.

Scenario 3 | Recession

Probability 15 %

While the worst-case outcomes stemming from a tumultuous geopolitical and trade backdrop have been averted (reducing the risk of recession), the potential for flare-ups remain a tail risk. On the geopolitical front, a worst-case outcome involves a protracted conflict that leads to sustained disruption to global energy flows. A long-lasting supply shock and a spike in oil prices risks morphing into a demand-shock and a contraction in economic growth. Trade dynamics also pose risks to the outlook. While negotiations and trade deals brought some relative stability – there's still little clarity on the policy direction and the long-run tariff regime. The US continues its threats to impose new tariffs on its trading peers, the United States-Mexico-Canada Agreement (USMCA) negotiations are dragging on, and US-China trade relations remain vulnerable. These developments may pave the way for a prolonged period of trade policy uncertainty – with the potential to dampen global economic activity.

Scenario 4 | Productivity Boom

Probability 10 %

In this optimistic scenario, massive investment in Artificial Intelligence (AI) boosts productivity (and accordingly, growth) without the associated upside pressures on inflation – an environment of "disinflationary growth" that allows the Federal Reserve to resume its easing campaign. Indeed, a productivity shock is unanimously dovish for the Federal Reserve. While inflation declines and reinforces the case for easier monetary policy, a reduction in labour supply keeps the unemployment rate relatively contained. Moreover, productivity gains spread more broadly around the world, with buoyant tech investment and higher stock prices buttressing global growth.

Discussions regarding potential future events and their impact on the markets are based solely on historical information and Fiera Capital's estimates and/or opinions, and are provided for illustrative purposes only. General Market projections are hypothetical estimates of long-term returns of economic asset classes based on statistical models and do not represent the returns of an actual investment. Actual results could vary substantially. Models have limitations and may not be relied upon to make predictions of future performance of any account. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.



Forecasts for the Next 12-18 Months

SCENARIOS	SEPT. 30, 2026	SUSTAINED INFLATION	STAGFLATION	RECESSION	PRODUCTIVITY BOOM
PROBABILITY		45%	30%	15%	10%
GDP GROWTH					
Global	3.00%	3.00%	2.50%	2.00%	3.50%
U.S.	2.20%	2.00%	1.50%	-1.00%	3.00%
Canada	1.50%	1.50%	1.00%	-1.50%	2.50%
INFLATION (HEADLINE Y/Y)					
U.S.	3.40%	3.00%	4.00%	2.00%	2.50%
Canada	3.00%	2.25%	3.00%	2.00%	2.50%
SHORT-TERM RATES					
Federal Reserve	4.00%	4.75%	5.25%	2.50%	3.00%
Bank of Canada	2.25%	2.50%	3.00%	2.00%	2.25%
10-YEAR RATES					
U.S. Government	5.28%	5.50%	6.00%	3.00%	3.75%
Canada Government	3.99%	4.00%	4.50%	2.75%	3.00%
PROFIT ESTIMATES (12 MONTHS FORWARD)					
U.S.	401	380	350	300	390
Canada	2087	2150	2000	1600	2100
EAFE	195	190	185	150	195
EM	149	130	120	100	145
P/E (12 MONTHS FORWARD)					
U.S.	19.1X	19.0X	18.0X	17.0X	23.0X
Canada	16.9X	16.0X	15.0X	14.0X	17.5X
EAFE	16.0X	16.0X	14.5X	14.0X	18.5X
EM	11.4X	12.0X	11.0X	10.0X	14.0X
CURRENCIES					
EUR/USD	1.13	1.12	1.10	1.00	1.20
CAD/USD	0.70	0.70	0.68	0.65	0.75
COMMODITIES					
Oil (WTI, USD/barrel)	90.42	70.00	80.00	60.00	75.00
Gold (USD/oz)	4155.60	4200.00	4000.00	4800.00	4600.00

Source: Fiera Capital, as of September 30, 2026.

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Portfolio Strategy



Matrix of Expected Returns (USD)

SCENARIOS	SUSTAINED INFLATION	STAGFLATION	RECESSION	PRODUCTIVITY BOOM
PROBABILITY	45%	30%	15%	10%
TRADITIONAL INCOME				
Money Market	4.4%	4.6%	3.3%	3.5%
U.S. Investment Grade Bonds	-1.1%	-3.6%	13.6%	9.2%
NON-TRADITIONAL INCOME				
Diversified Credit	6.5%	7.0%	5.0%	7.0%
Diversified Real Estate	7.0%	7.5%	6.0%	8.0%
TRADITIONAL CAPITAL APPRECIATION				
U.S. Equity	-5.6%	-17.7%	-33.3%	17.2%
International Equity	-2.7%	-14.2%	-32.8%	15.4%
Emerging Market Equity	-8.5%	-22.6%	-41.3%	19.1%
NON-TRADITIONAL CAPITAL APPRECIATION				
Private Equity	10.0%	12.0%	8.0%	15.0%

Source: Fiera Capital, as of September 30, 2026.

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Traditional and Non-Traditional Portfolios

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	+/-
TRADITIONAL INCOME	0.0%	17.5%	40.0%	17.5%	0.0%
Money Market	0.0%	0.0%	40.0%	17.5%	+17.5%
U.S. Investment Grade Bonds	0.0%	17.5%	40.0%	0.0%	-17.5%
NON-TRADITIONAL INCOME	0.0%	30.0%	50.0%	38.5%	+8.5%
Diversified Credit	0.0%	12.0%	25.0%	15.5%	+3.5%
Diversified Real Assets	0.0%	18.0%	40.0%	23.0%	+5.0%
TRADITIONAL CAPITAL APPRECIATION	17.5%	37.5%	57.5%	27.5%	-10.0%
U.S. Equity	0.0%	20.0%	40.0%	20.0%	0.0%
International Equity	0.0%	12.5%	20.0%	7.5%	-5.0%
Emerging Market Equity	0.0%	5.0%	20.0%	0.0%	-5.0%
NON-TRADITIONAL CAPITAL APPRECIATION	0.0%	15.0%	40.0%	16.5%	+1.5%
Private Equity	0.0%	15.0%	40.0%	16.5%	+1.5%

Source: Fiera Capital, as of September 30, 2026.

¹ Based on a 100 basis point value added objective. The benchmark employed here is based on a model portfolio and for illustrative purposes only. Individual client benchmarks are employed in the management of their respective portfolios. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

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