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CHARTBOOK
Market Comment

Prepared by OceanFront Investment Counsel Inc.

November 2026

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Market Comment

Central banks are hiking again. The conflict involving Iran has kept the Strait of Hormuz largely closed for most of the year and oil above US$100 through much of the autumn. Fuel prices like gasoline and diesel have surged, lifting headline inflation to 3.1% while core inflation (excluding energy) sat at 2.1%. The same split is wider in the United States, where headline inflation is 3.7% against core of 2.6%.

The Bank of Canada raised its policy rate to 2.50% on October 28, its first increase since 2023. The Federal Reserve moved to a range of 3.75% to 4.00% in September and held there on October 28, with two members preferring a further increase. Neither bank is responding to broad price pressure. Both are trying to keep an energy shock from becoming a general one. Governor Macklem described the decision as reducing the risk that high energy costs spread into other goods and services, noting that businesses have absorbed much of the increase so far but may not continue to.

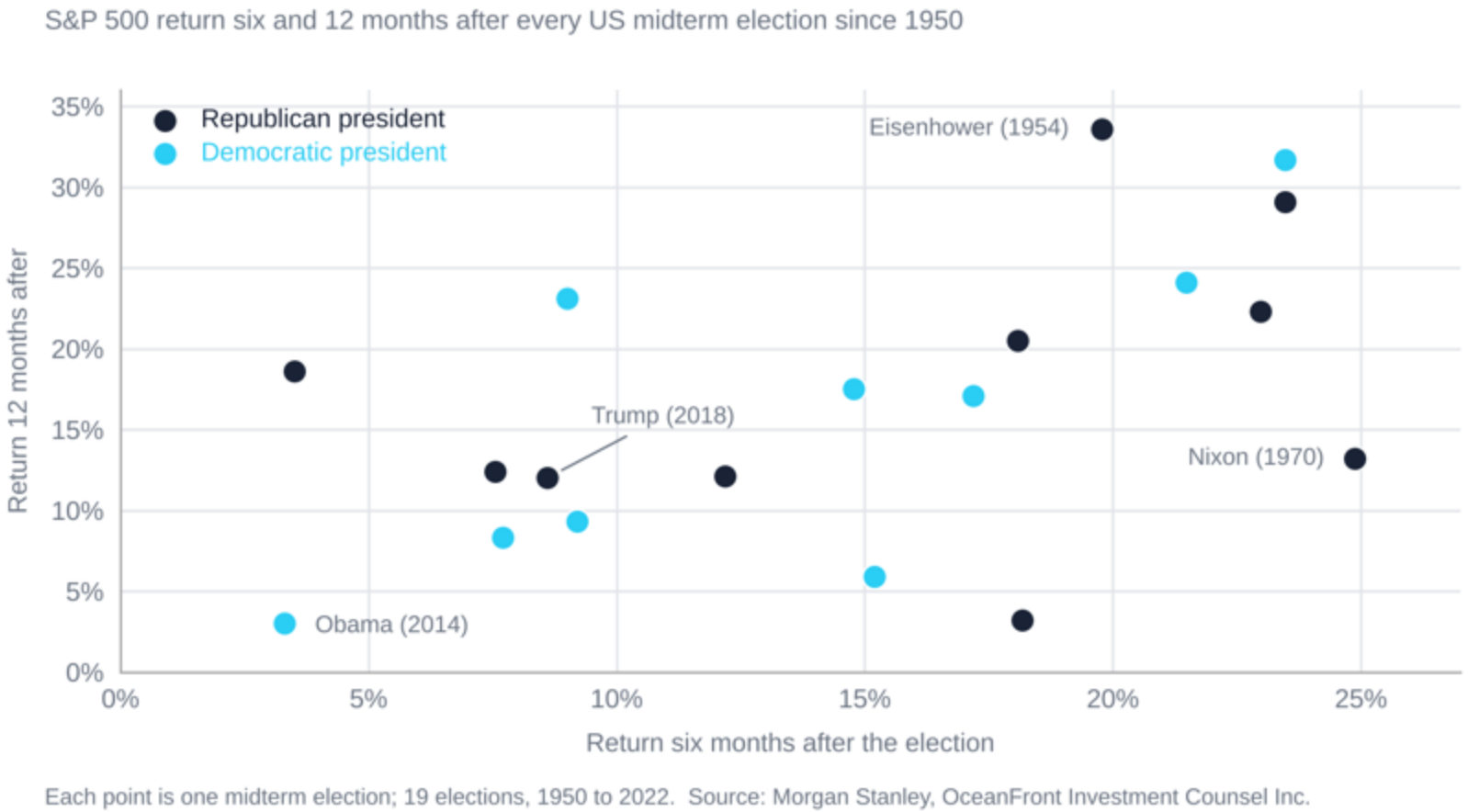
The US midterm elections on November 3 returned Democratic majorities in both chambers, with a number of races still uncalled as of Wednesday afternoon. Markets read the result as improving the odds that the conflict with Iran is resolved, and oil fell sharply in response, with Brent moving below US$100 for the first time since early October. Government bond yields eased, equities rose, and the implied probability of a further increase by the Federal Reserve in December came down.

Two points are worth emphasizing. The tariffs affecting Canadian exporters rest on executive authority rather than legislation, so a change in the composition of Congress does not remove them; the bilateral talks that resumed in late October matter more to that issue than the election does. No ceasefire in Iran has been reached. A good deal of the improvement in the inflation and interest rate outlook rests on a conflict that is ongoing.

The more durable consequence for portfolios is that high-quality bonds are offering a more attractive return than they have in nearly two decades. A five-year Government of Canada bond yielded 3.6% at the end of October, against 1.3% at the end of 2021 and less than 0.5% for much of 2020. Diversification, liquidity and quality remain the foundations of sound portfolio construction, and we are always glad to talk through what this environment means for your portfolio.

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Markets After Midterms



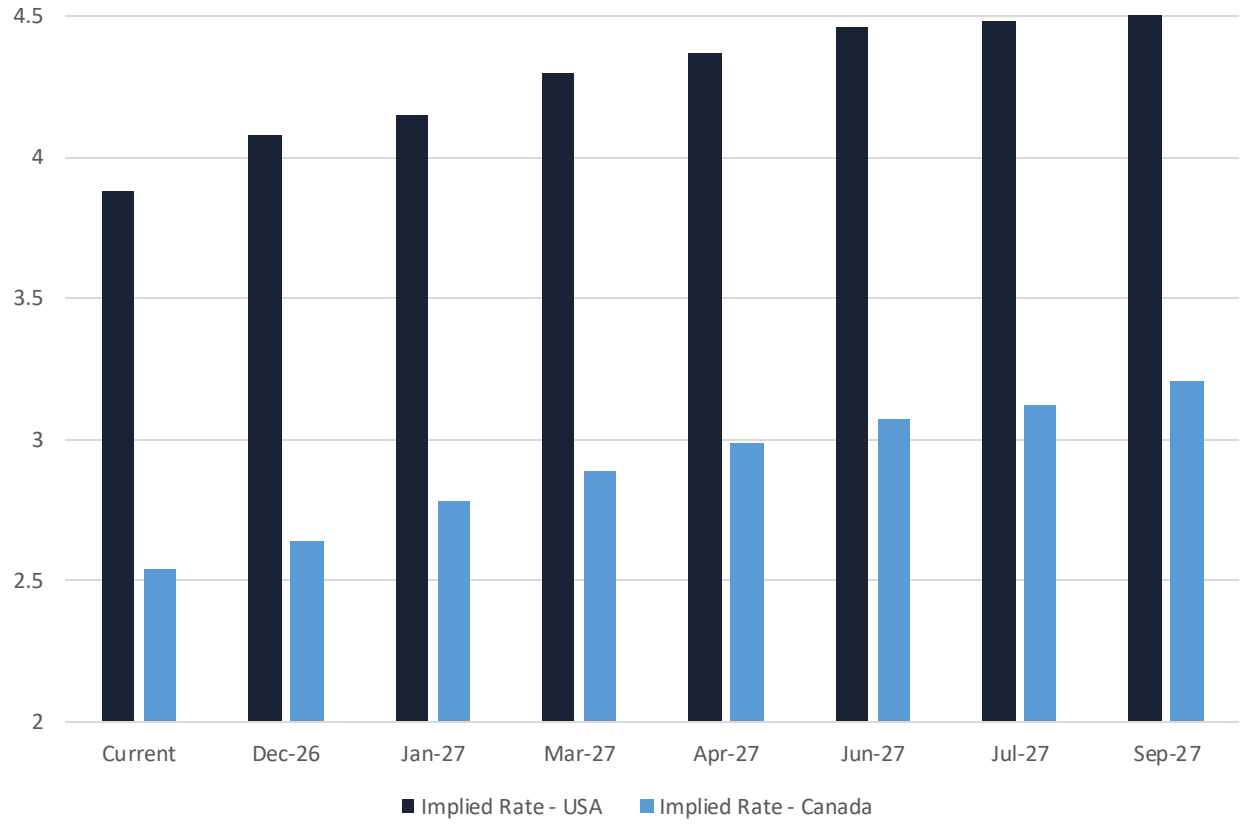
Each point is one midterm election; 19 elections, 1950 to 2022. Source: Morgan Stanley, OceanFront Investment Counsel Inc.

US stocks have been higher six and twelve months after all nineteen midterm elections since 1950, under presidents of both parties and different combinations of party control of the branches of government.

Nineteen observations is a small sample, so this is useful context rather than a rule. Past performance does not guarantee future results.

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Expected Central Bank Rates



Data as of November 3, 2026

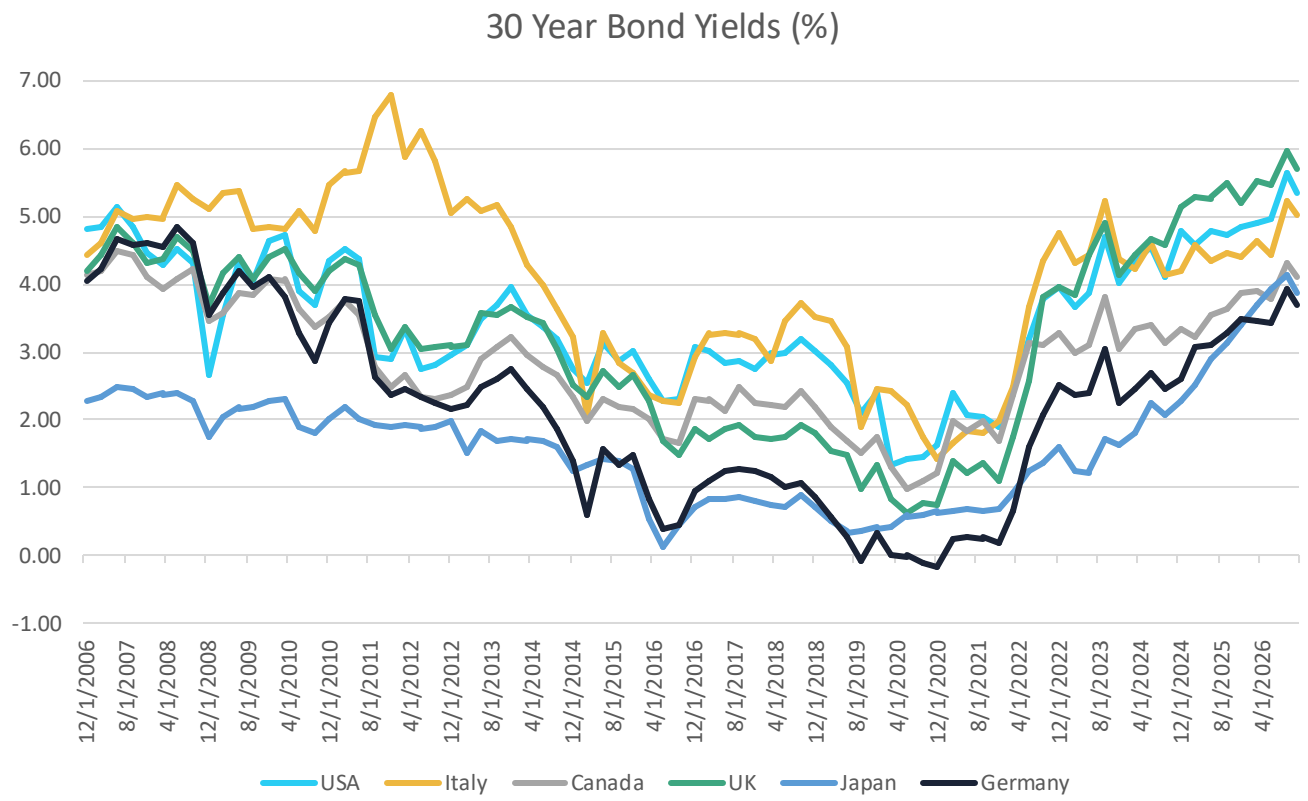
Markets expect both central banks to keep moving higher. The implied path adds roughly 60 basis points in the United States and 65 in Canada by September 2027.

That would take the Federal Reserve to about 4.50% and the Bank of Canada to about 3.20%.

This has made cash and short-term deposits more productive.

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Global Bond Yields



Remember negative bond yields? It wasn't too long ago that some bond yields were negative, how things have changed!

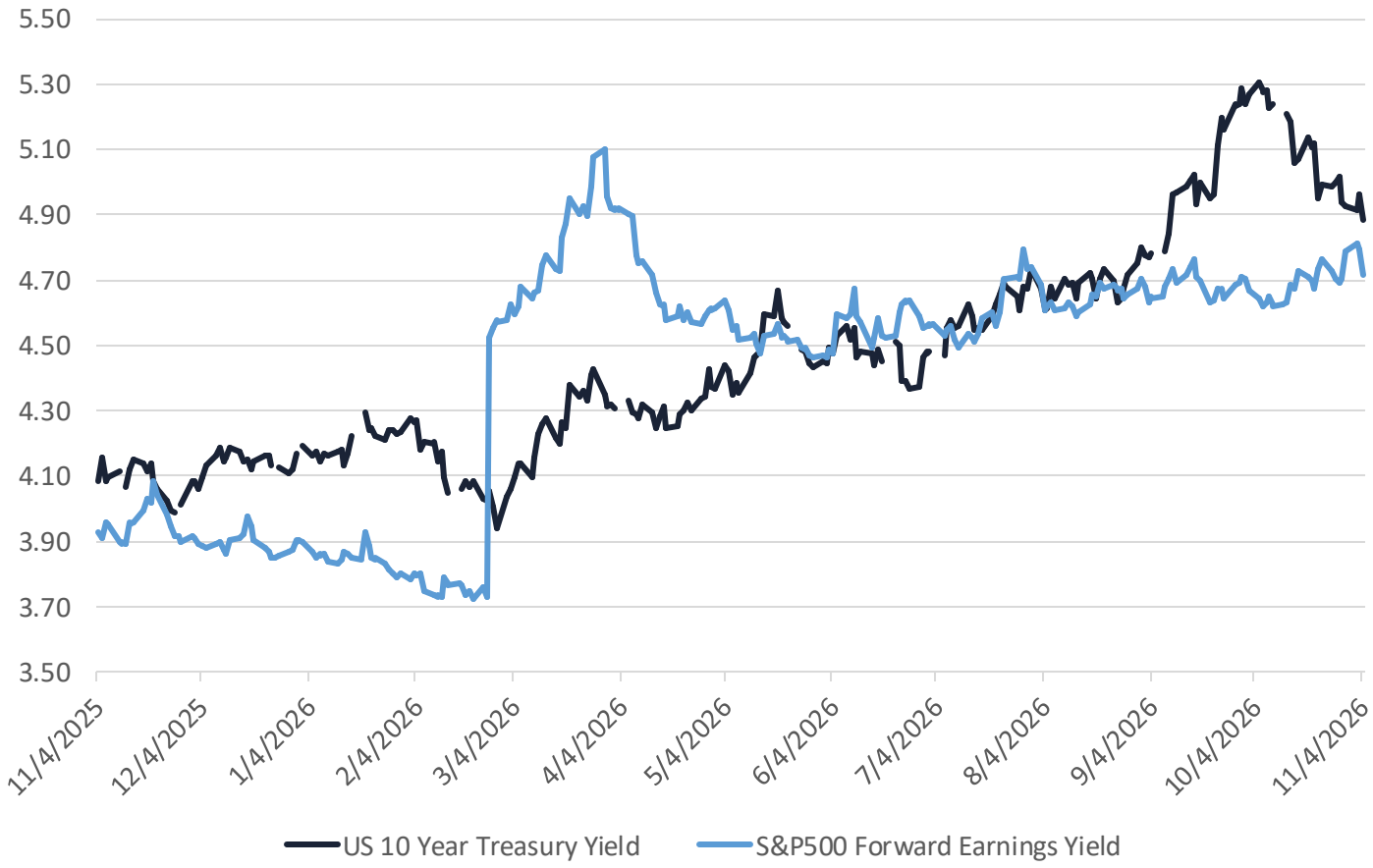
US 30-year treasury yields recently reached their highest levels in more than 20 years. The UK is experiencing its highest 30-year government bond yields since 1998, with similar pressures appearing across other major developed markets.

Rising government bond yields can hurt existing bonds. When newly issued bonds offer higher yields, older bonds paying lower rates become less attractive, causing their prices to fall to compensate and compete with the new issues. Corporate bond yields will also often rise alongside government bond yields.

The good news is that investors can now earn substantially more income from high-quality bonds than they could for much of the past two decades.

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Stock versus Bonds



One way to compare the investment merit of stocks and bonds is by measuring the yield on a bond against the earnings yield of stocks. Earnings yield shows the price of a piece of the company's earnings, or how much of the company's earnings each share is entitled to (but is not the same as dividend yield, as it is not paid directly to shareholders).

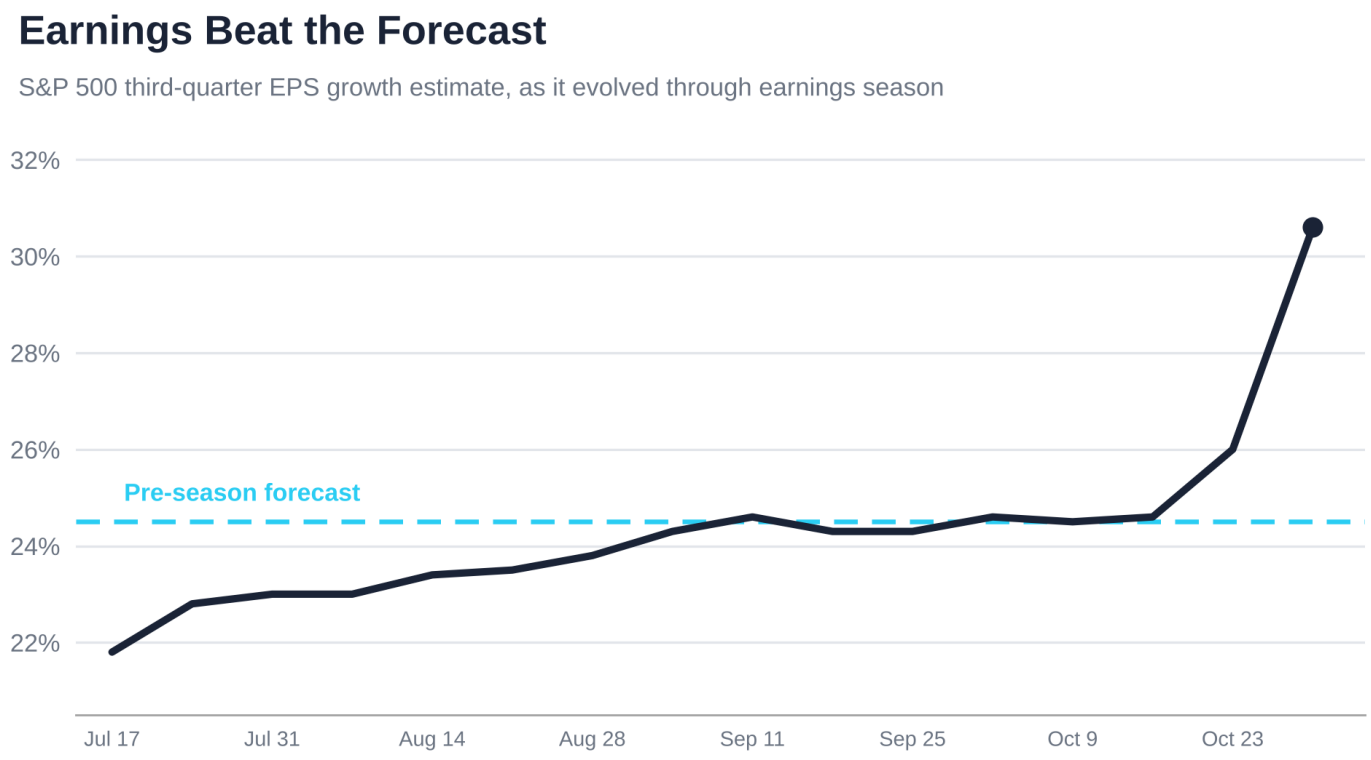
The US ten-year Treasury now yields more than the forward earnings yield on the S&P 500 — 4.88% against 4.72%.

A year ago both sat near 4%. Both have risen by roughly eighty basis points since.

Equities are not expensive measured against their own history. They are slightly expensive measured against what bonds now pay, which is the argument for holding both in a portfolio.

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S&P500 Earnings



Year-over-year S&P 500 earnings growth, third quarter 2026. Source: Bloomberg Intelligence, OceanFront Investment Counsel Inc.

Note: the chart includes data up to late October of 2026. Earnings season is ongoing with many companies yet to report, which will impact the data once it is incorporated.

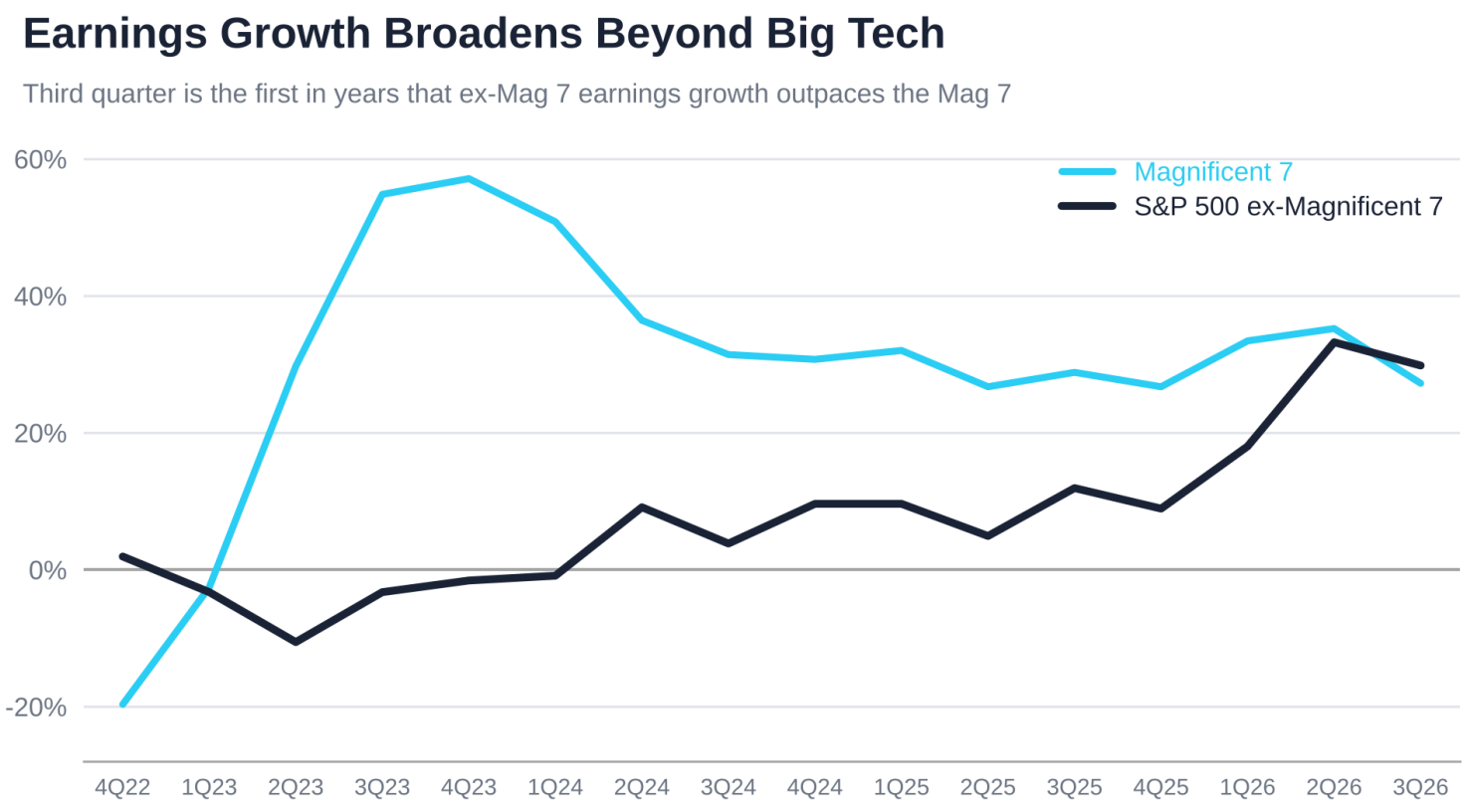
Analysts entered the third quarter expecting S&P 500 earnings growth of about 24.5%. Reported results lifted that estimate past 30% in a fortnight.

This is the stronger-economy side of the story, and it is part of why equity valuations have held up while bond yields climbed.

Estimates that rise during a reporting season can be a more useful signal than the level of the estimate itself.

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S&P500 Earnings (cont.)



Year-over-year EPS growth. Source: Bloomberg Intelligence, OceanFront Investment Counsel Inc.

For the first time in several years, earnings growth outside the Magnificent 7 has caught up with the group itself.

Those seven companies account for roughly a third of the S&P 500 by value, so concentration has been a significant risk factor of the index.

Broadening earnings growth is a sign of a healthier market and economy.

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