

THE SANDLER QUARTERLY

Wealth Management
Dominion Securities

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BEFORE YEAR-END

- Charitable donations made by December 31 count on your 2026 return.
- RESP contributions by December 31 collect this year's grant.
- Tax-loss sales: done in managed accounts; otherwise trade by Wednesday, December 30.

Midterms and Tariffs and Bond Bears, Oh My!

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Twain on October, and the forty-year case for staying put.

Higher for Longer, Again
Yields climbed, the Fed hiked, and the cost of capital rose with them.

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A 50% duty, Ottawa's dollar-for-dollar reply, and what it really costs.

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Three strongmen out abroad, and the US midterms on November 3.

Race Day
Our team at RBC Race for the Kids, and what it raised for Sunnybrook.

"October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February."

MARK TWAIN, PUDD'NHEAD WILSON

THE SPOOKY SEASON

October has a reputation. It gave us the Great Crash of 1929 and Black Monday in 1987, and this year it arrived with a trade war, the highest US bond yields in two decades and no shortage of talk about bears. If the month makes you a little nervous, you are in good company.

Mark Twain knew the feeling. He lost a fortune of his own speculating, in everything from silver mines to a publishing house, and he had the last word on the subject more than a century ago.

His point still holds. Speculating is dangerous in every month. Investing is not, provided you stay invested. Over the four decades to the end of last year, $10,000 left in the TSX, dividends and all, grew to $317,577. Miss just the ten best days in those forty years and it grew to $148,629, less than half (see Fig. 1).

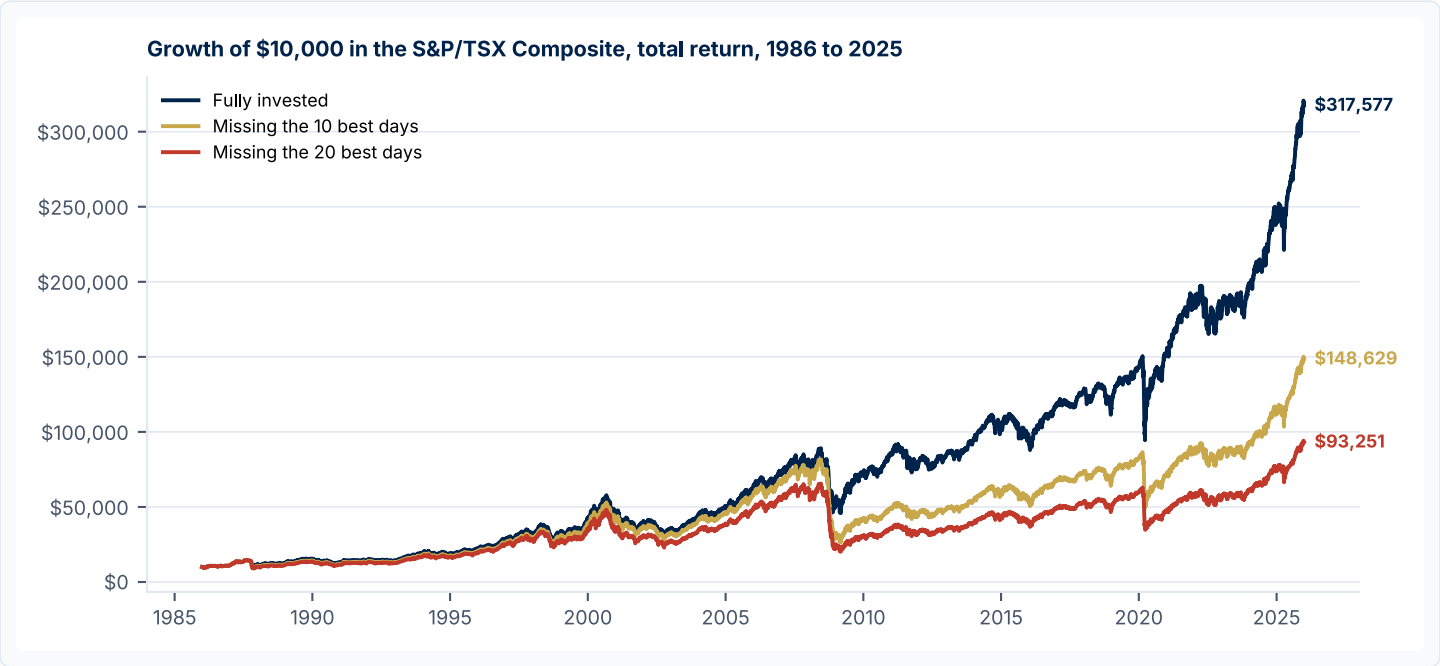


Fig. 1. Growth of $10,000 in the S&P/TSX Composite with dividends reinvested, January 1986 to December 2025: fully invested, and missing the best days. *Data from Bloomberg LP*

The catch is that the best days tend to arrive right next to the worst ones. Last year's single best day on Wall Street came straight after the April tariff scare, and missing it alone would have cut the year's gain by more than half. As for October, more bear markets have ended in it than in any other month, which is why the Stock Trader's Almanac calls it the "bear killer".

None of this means ignoring how you feel. If your long-term asset allocation targets no longer feel right, now is the time to review them with us. We're always happy to talk it through.

Q3 IN REVIEW

The third quarter itself looked calm on the surface. Wall Street set new records and the TSX finished modestly higher. Underneath, the bond market did the worrying.

Last time we noted that the new Fed Chair, Kevin Warsh, had held rates steady despite pressure from the White House to cut. In September he went further and raised them by a quarter point, the Fed's first increase since 2023. So much, it seems, for doing anyone's bidding.

Bond yields got there first, and climbed sharply. The US ten-year closed the quarter at its highest level in nearly two decades (see Fig. 2), pushed up by deficits, sticky inflation and oil.

Why does it matter beyond bonds and mortgages? Because a government bond yield is the starting point for the price of all money. A company that borrows to build a plant or buy back its shares now pays more, so its cost of capital goes up.

The encouraging part, in our opinion, is that company profits did better than hold up. With the third-quarter reports still coming in, earnings are running roughly a quarter ahead of last year on both sides of the border. Markets follow profits, not headlines.

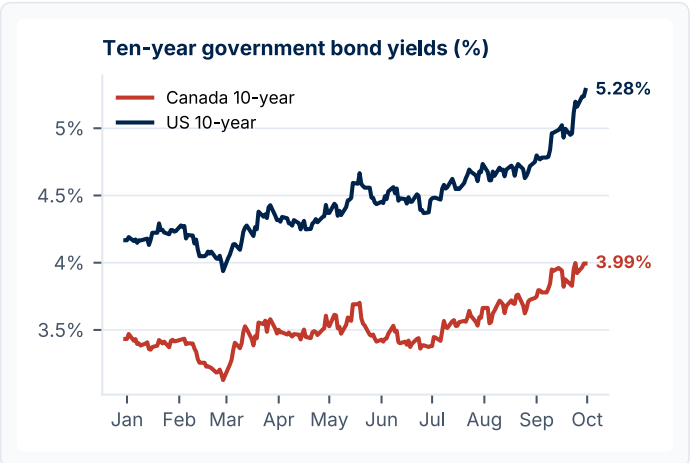


Fig. 2. Ten-year government bond yields, Canada and US, January to September 2026. *Data from Bloomberg LP*



Fig. 3. Tit for tat: a 50% US duty on nearly US$20 billion of Canadian goods, Ottawa's dollar-for-dollar reply, and a US ban on Canadian alcohol, dairy and large motorcycles. *Concept by Scott Sandler. Image Gen by Nano Banana Pro*

CLOSER TO HOME...

Trade relations with our neighbours to the south went from chilly to frosty this quarter. In July, Washington dusted off a trade law nearly a century old that no president had ever used. It put a 50% duty on a long list of Canadian goods. Ottawa answered dollar for dollar. Washington then banned Canadian alcohol, dairy and large motorcycles outright (the tariff scorecard on the last page has the numbers).

How much does it hurt? Less than the headlines suggest. The Bank of Canada estimates that these tariffs touch only a sliver of Canada's output, though a much bigger slice of our exports. Tariffs are a tax, and someone always pays it. Our answer hasn't changed: we'd rather own businesses that can outlast them.

VOTERS HAVE THEIR SAY

It has been a busy year at the ballot box, and in three countries voters turned the strongman out. Hungary's Viktor Orbán lost in April after sixteen years in power. In Serbia, a student movement born of street protests swept Aleksandar Vučić's party from office on October 25. The same weekend, Brazil re-elected Lula da Silva over Flávio Bolsonaro, the former president's son, who has yet to concede.

We don't take sides in any of this. Markets, in the long run, care less about who won than about what follows: whether borrowing costs come down, the currency steadies and companies can plan.

Next up is the United States, which votes on November 3. The polls favour the Democrats to take the House, with the Senate too close to call, which would mean a divided Congress for the last two years of the term. Markets have historically been comfortable with that: since 1950 the S&P 500 has risen in the twelve months after every midterm election, by about 15% on average, though nineteen observations are hardly a law of nature. The trade war was instigated by the White House, not Congress, so the election results will likely not bring tariff relief.

PORTFOLIO IMPLICATIONS & STRATEGY

Regular readers will remember two calls from our last newsletter. We tempered our expectations for the Canadian banks after their run to multi-decade high valuations, and we warned that the parabolic moves in memory chip makers looked like speculative froth. Both calls have aged reasonably well so far: the big banks slipped about 3% on average over the quarter, and the memory chip makers we pointed to fell between 4% and 24%.

On bonds, we haven't changed a thing, and that's by design. Higher yields sting in the short run, but for new money they are a pay raise. Same bond, more income. As our bonds mature, the proceeds are reinvested at today's higher rates, so the portfolio's income rises on its own.

Our near-term outlook for equities is positive but we expect volatility to increase around the US midterm election. Equity market corrections are a matter of when and not if, so our balanced investment accounts are always prepared for an unexpected drawdown. If you aren't sure if your target asset allocation is appropriate, please reach out to discuss.

More than investments. Ask our team about our wealth planning resources:

- Financial Projections & Plans
- Will & Estate Consultations
- Family Governance Advice
- Eldercare
- Intergenerational Wealth Transfer Planning
- Life Insurance
- Financial Literacy for Kids



Fig. 4. Our branch at RBC Race for the Kids, Mel Lastman Square, September 2026. *Photo supplied by Sandler Wealth Management Group*

RACE DAY

Away from the markets, September brought a happier kind of outing. Our team and the rest of our branch took part in this year's RBC Race for the Kids at Mel Lastman Square on September 19, in support of Sunnybrook's Family Navigation Project, which helps young people and their families find the right mental health and addiction care. The event raised $3.1 million this year, and it was RBC Wealth Management's biggest race yet: 1,029 colleagues took part across the Toronto area and raised $348,603 of that. Our own branch raised $21,500, its best year ever. Thank you to everyone who sponsored one of us (see Fig. 4).



Bringing up the rear. Scott and Ana, walking it in to the finish line.

As always, if you have any questions about the market, your asset allocation or your financial plan, please reach out. We're always happy to schedule a call. Enjoy the last of the fall colours, and we look forward to speaking with you before the holidays.



Scott Sandler

Q3 2026: THE QUARTER IN CONTEXT

ASSET RETURNS • YIELDS AND RATES • TRADE • SEASONALITY

ASSET PERFORMANCE & KEY RATES

AS OF SEPTEMBER 30, 2026

Equities (total return)	Q3 2026	2026 YTD
S&P/TSX Composite	+1.6%	+13.0%
S&P 500	+2.3%	+12.7%
Russell 2000	-7.2%	+13.9%
MSCI EAFE	+0.9%	+10.9%

Commodities & bonds	Q3 2026	2026 YTD
Oil (Brent)	+42.0%	+70.1%
Gold	+3.8%	-2.8%
Copper	+6.9%	+16.5%
Canadian bonds (XBB)	-3.1%	-1.0%

Rates & currency	Level	Q3 2026
Fed funds target	3.75–4.00%	+25 bp
Bank of Canada rate	2.25%	0 bp
US 10-year yield	5.28%	+82 bp
CAD 10-year yield	3.99%	+61 bp
USD/CAD	1.4177	-0.38%

TARIFF SCORECARD

50%

US duty on nearly US$20B of Canadian goods under Section 338, in force August 22.

C$27.6B

US imports under Canada's 15%, 25% and 50% counter-tariffs, in force September 8.

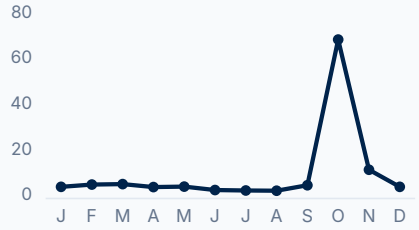
US$967M

Canadian alcohol, dairy and large motorcycles banned from the US from September 29; 87% is alcohol.

Section 338 of the 1930 Tariff Act had never been used by a president before. Ottawa also set aside about C$7.5B to support workers and businesses. The Bank of Canada estimates sectoral tariffs cover about 1% of Canadian output but 15% of exports.

GOOGLING "OCTOBER CRASH"

GOOGLE TRENDS, US



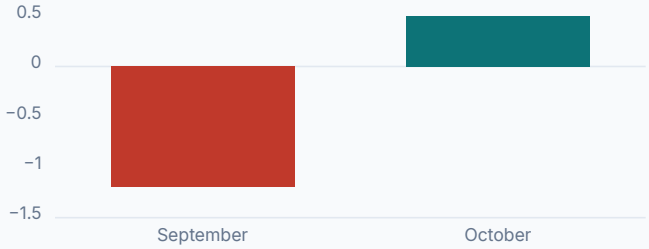
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OCTOBER VS. THE REST

Average search interest by month, 2004 to 2025. Every October, crash or no crash.

The anniversaries of 1929 and 1987 do that. "Stock market crash" is googled only when one seems under way (the big spikes: February 2018, March 2020, August 2024, April 2025), and the S&P 500 was higher a year after each of the seven spikes since 2004, by 21% on average (from +3% after February 2018 to +54% after March 2020).

OCTOBER'S BAD RAP (AVG S&P 500 MONTH, %)



Average S&P 500 return since 1928: September is the weakest month; October, crashes and all, finishes higher on average (RBC Wealth Management, August 2025; October read from its chart).

OIL THROUGH THE HORMUZ RESTRICTION

US$105

Brent crude near September 28, up from about US$73 at the start of Q3, after the US rejected Iran's plan to reopen the Strait of Hormuz.

CANADA'S SEPTEMBER JOBS REPORT

-68,300

Net jobs lost in September after 41,700 in August; unemployment rose to 6.5%. The biggest losses were in health care, social assistance and education (Statistics Canada).

SANDLER WEALTH MANAGEMENT GROUP | DATA AS OF SEPTEMBER 30, 2026. SOURCES: BLOOMBERG, GOOGLE TRENDS, GOVERNMENT OF CANADA, STATISTICS CANADA, RBC WEALTH MANAGEMENT.

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