

Macro Musings



September 2026

An Offer You Can't Accept

(Performance data as of August 31, 2026)

The Quick-Hits

- Carney says “fuhgeddaboudit” to latest U.S. trade proposal
- Equities continue to rally as Tech and Materials post big gains
- Stress in bond land continues with muted return prospects and rising long-bond yields
- Bank of Canada likely on hold, U.S. Fed seems primed to hike in September
- Quote of the month:

“Debt and deficits is one subject where FAFO is the right slogan”

- Gideon Rachman, Financial Times columnist (FAFO = F*** Around and Find Out)

Macro Musings

The White House tried again in August to strong-arm one of its closest trading partners into accepting unfavourable trade terms, but this time, to no avail. Like an ineffective gangster, they told Canada, “I’m going to make you an offer you can’t accept.” Canada rebuffed the coercive approach and has potentially broken the mould regarding how nations around the world approach any future dealings with an increasingly divisive administration.

Unfortunately, based on their track record, it’s increasingly difficult to take the U.S. administration’s accounting of events seriously. Instead, one is left more likely to believe Mark Carney’s assessment that the U.S. asked for too much and crossed one or more red lines, making deciding to walk away from the negotiating table an easy one. Things like constraining Canada’s ability to sell products made from aluminum, breaking up the integration of U.S.-Canadian auto production by putting up barriers to auto parts and pickup trucks making their way into the U.S. markets, pushing for the removal of French-language packaging requirements, and limiting Canada’s ability to trade with other nations were amongst the unacceptable demands.

As a result of the breakdown in talks, President Trump instituted 50% tariffs on a range of Canadian products, which were then met by dollar-for-dollar retaliatory tariffs from Canada on U.S.-made goods. With 50% tariffs making headlines and spooking investors both in Canada and abroad as diminished trade looks set to weaken global growth, I sat down in late August to record the latest episode of our Buy the Way podcast with a panel of Guardian Capital LP experts to assess what this all means, including David Onyett-Jeffries, VP, Economics and Multi-Asset Solutions, Sam Baldwin, Senior Portfolio Manager of Canadian Equities and Aubrey Basdeo, Head of Canadian Fixed Income.



The U.S.-Mexico-Canada Agreement (USMCA) is not set to expire until 2036, or until one party gives six months' notice of pulling out. President Trump in July of this year claimed that the U.S. would not renew the agreement because they "don't need anything" that Mexico and Canada have, and that they "need to treat us better." So, rather than having increased free trade across the continent, the U.S. is pushing for more barriers. But how prohibitive are these barriers? The new tariffs on Canada affect roughly 5% of Canadian exports to the U.S. that were previously duty-free. According to David Onyett-Jeffries, while this is not nothing, it suggests the overall economic impact will likely be small, as more than 80% of exports still maintain USMCA exemptions. So, the impact on Canadian GDP seems likely to be measured in tenths of a percentage point, rather than full percentage points. But David also notes that additional 50% auto and steel tariffs won't come into effect until January 1, 2027, a frequently used tactic by the current administration to make bold claims, seemingly as a negotiating tactic to work a better deal in the interim. So, all that to say is that while the 50% tariffs on a range of goods have come into effect, the impact should be muted and seems unlikely to persist long-term.

Sam's view is that these latest 50% tariffs are just an extension of an existing risk that has been top of mind for the last couple of years, rather than a major new threat. Trade uncertainty has been weighing on Canadian investment decisions for some time now, and much of the tariff risk is already reflected in stock prices. Certain industries are likely to feel real impacts, but the broader Canadian market has so far reacted calmly, suggesting investors see this as a manageable, short-term phenomenon. Within Sam's concentrated Guardian Canadian Focused Equity strategy, he remains focused on identifying companies where market fears are overdone and provide attractive valuation opportunities as an active investor.

To summarize Aubrey's view, he believes the new tariffs represent a negative demand shock for the Canadian economy that is likely to slow growth, delay business investment, and reduce the urgency for the Bank of Canada (BoC) to raise interest rates. However, he doesn't see the BoC cutting rates unless economic conditions deteriorate significantly, noting that inflation remains around target and the next move in rates is still more likely to be higher than lower. He argues that fiscal policy (i.e. spending and benefit programs), rather than monetary policy, is the most appropriate tool to support affected industries and offset tariff-related weakness. From an investment perspective, he continues to favour earning durable income through shorter- and mid-term fixed income securities, while remaining mindful of downside economic risks if the trade situation worsens.

To round out the discussion on tariffs, President Trump's approval rating remains stuck around 33% according to a recent Reuters/Ipsos poll, as Americans grow tired of inflation, tariffs and the conflict in the Middle East, which saw a new escalation of hostilities as both the U.S. and Iran exchanged new military strikes as August drew to a close. With the mid-term elections on the near horizon in November, those hoping he'll temper his base instincts to appeal to the masses that appear to be losing faith, there is no indication of that yet. We may yet be in for more escalation, at least in terms of rhetoric, on both the tariff and military fronts as he seeks to dominate the news cycle and appears more focused on personal interests rather than on a flagging approval rating.



Equities

August was a constructive month for most equity markets globally, with the NASDAQ 100 Index¹ rebounding from a rough July. Semiconductor stocks and even, yes, software stocks, performed well after many bouts of volatility. Based on recent earnings results within the software industry, coupled with rebounding stock performance, many are now questioning whether the so-called “SaaS-pocalypse” is now in the rear-view mirror. Particularly strong results and stock returns came from companies including Salesforce and ServiceNow.

Both Citibank and JPMorgan upgraded their 2026 targets for the S&P 500 Index² recently, after an exceptional Q2 earnings season brought about a fresh burst of optimism on Wall Street. While S&P 500 companies reported a more than 50% rise in earnings in Q2, that figure falls to about 30% when excluding investment gains by Amazon and Alphabet. According to State Street³ data that tracks more than US\$50 trillion of institutional money, demand for U.S. technology stocks returned to a 5-year high in August⁴. Critics of NVIDIA and its circular financing arrangement were somewhat humbled as the company struck back with 70% sales growth forecasted in 2027 – a very significant beat of expectations, which were around 45% before the announcement. Remember, this is a company with solid visibility when it comes to its order book, so investors view these forecasts as relatively reliable. The world’s largest company continues to defy expectations and rose another 10% in August.

Early signs also indicate that hyperscalers⁵ are beginning to monetize their massive Artificial Intelligence (AI) capex, a trend that, if continued, should provide significant tailwinds to a segment of the market that has been under greater scrutiny of late. “The fact that earnings have remained as strong as they have, despite the geopolitical and economic noise, is reinforcing the idea that this is a structural rather than cyclical trade”, said Michael Metcalfe, head of macro strategy at State Street. Further indicative of equity market bullishness is that investors are piling into derivatives, betting on the market climbing higher. CBOE reports that investors have recently sold out of hedges and rotated into upside call options to chase the rally. To play devil’s advocate, Henry Allen, macro strategist at Deutsche Bank, was quoted as saying, “Markets are pricing a goldilocks combination where growth remains strong, central banks only hike a bit, that the supply shocks (from the Middle East crisis) will prove temporary, and oil prices fall back again. That leaves next to no room for error. It’s hard to imagine this entirely benign set of conditions happening simultaneously.”

Within the S&P 500 Index, Energy, Information Technology and Materials were the strongest sectors in August, with the top-performing stocks being Moderna (+156%, Health Care), Palantir (+51%, Info Tech) and Veeva Systems Inc (+40%, Health Care).

In Canada, the S&P/TSX Composite Index⁶ was amongst the best-performing indexes we track based on massive gains within the Materials sector. In fact, all of the top 30 performing stocks in the index in August reside in the Materials sector, each up between 27-48%. Leading the way were Aris Mining Corp (+48%), Eldorado Gold Corp (+47%) and Novagold Resources (+46%).

Meanwhile, from an international standpoint, the MSCI EAFE Index⁷ underperformed the U.S. in August, but remains ahead on a YTD return basis, 14.4% vs. 13.1%.

From an equity factor standpoint, everything was positive in August, but it was led by the Growth factor (which remains the worst-performing factor YTD). Perhaps surprisingly to some, based on the lack of fanfare, the Value factor has nearly doubled Growth so far this year, up 17.5% vs. 9%.

On the currency side, the U.S. dollar declined again in August vs. both the Canadian dollar and a basket of global currencies, down 1.2% and 0.5% respectively.



Fixed Income

Fixed income markets posted another ho-hum month of August, extending a challenging, muted stretch of performance. Canadian bonds were slightly negative as duration was a detractor and corporate exposure was a slight positive. Meanwhile on the U.S. side, the relative performance advantage of credit remained intact, with high yield bonds more than doubling the returns of the aggregate benchmark.

Yields on both sides of the border remain elevated at the long end of the curve and increased across most tenors in Canada, while remaining largely anchored in the U.S.

Both the BoC and the U.S. Federal Reserve (Fed) held rates steady in August. Here in Canada, this was the seventh consecutive “hold” decision, with comments continuing to reference trade uncertainty. Operating in a vacuum, the BoC would seem unlikely to make any moves this year, but based on the integrated nature of global markets (and global central bank policies), with the majority of developed nations in hiking mode, the BoC may have slight upward pressure to follow suit. That said, they remain committed to their wait-and-see, data-driven approach to rate setting.

All eyes were on Fed chairman Kevin Warsh in late August. After holding rates steady at the Fed’s latest meeting, investors were looking for reassurance and guidance in his Jackson Hole speech. They largely got it, with Warsh signalling that the Fed is prepared to raise rates if inflation doesn’t fall soon. He described the labour market as broadly robust but warned that “on the price stability side of our mandate, the numbers are more concerning.” At the time of writing, the market implied probability of a September rate hike is roughly 70%.

Elsewhere, the other main man, in terms of the U.S. bond market, Treasury Secretary Scott Bessent, before that Fed address, surprised markets by announcing the U.S. Treasury would be buying a considerable amount of long-term bonds, seemingly as a way to put a lid on steadily increasing bond yields. Though as many observers point out, this is a band-aid solution that doesn’t address the underlying cause of rising bond yields, which increasingly seems to be concerns over the U.S. fiscal incontinence and growing debt/deficit burden. Insofar as investors look to interpret and act on these headlines, the Treasury stepping in to buy long-term bonds is, naturally, bullish at the margin for long-duration bonds (or at least helps to mitigate negative price action on the bonds), as well as potentially bullish for equities, as lower bond yields mean lower discount rates used when determining equity valuations. On the flip side, it is potentially bearish for the U.S. dollar, as lower yields are less attractive to foreign buyers, though a weaker dollar doesn’t appear to worry the current administration.

Private Markets

Turning to private markets, we’ve seen recent headlines discussing stress in that area of the market, with certain funds needing to put up “gates” (capping or outright disallowing redemptions). In a recent Financial Times article⁸, private credit funds are taking write-downs and warning of problems in their portfolios, with the value of troubled loans in the sector at their highest levels in nearly a decade. The article states that loans placed on “non-accrual” status by the largest 20 publicly traded business development companies (listed funds that invest in private credit loans) climbed to 2.8%, up from 2% at the end of March. “Non-accrual” status is a signal of stress in the private credit industry, indicating borrowers have either stopped making payments on their loans or that a fund believes a borrower might soon default on its obligations. Leading funds have acknowledged that after a long period of relatively muted defaults, bankruptcies and restructurings are beginning to move back (higher) towards their long-term average. While still in fairly benign territory, we’ll keep tabs on developments here and assess any potential spillover impacts across other parts of the market.

Thanks as always for your attention, and best of luck with back-to-school!



John Pagliacci

Vice President, Canadian Retail Strategy and Marketing | Guardian Capital LP

John Pagliacci is Vice President of Canadian Retail Strategy and Marketing for Guardian Capital LP. He contributes to strategic planning for the Canadian retail asset management business, including product strategy and development, overall sales enablement initiatives and serving as a brand ambassador.



David Onyett-Jeffries

Vice President, Economics & Multi Asset Solutions | Guardian Capital LP

David Onyett-Jeffries is Vice President, Economics & Multi Asset Solutions, at Guardian Capital LP (GCLP). He provides macroeconomic guidance to GCLP and its affiliates. Additionally, he is a portfolio manager of GCLP's multi-asset portfolios and funds and works closely with GCLP's Directed Outcomes team.

¹ The Nasdaq-100 Index® includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization.

² The S&P 500 is an index of 500 stocks designed to reflect the risk/return characteristics of the large-cap US equity universe.

³ Financial Times, "Investors pile back into US stocks as bullishness returns to Wall Street", August 15-16, 2026

⁴ Financial Times, "Investors pile back into US stocks as bullishness returns to Wall Street", August 15-16, 2026

⁵ A hyperscaler is a large-scale cloud computing and data center company that provides massive infrastructure, storage, and networking resources globally

⁶ The S&P/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange (TSX), with about 250 companies included in it.

⁷ The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. and Canada.

⁸ Financial Times, "Private credit concerns mount after troubled loans approach decade high", August 18, 2026



This commentary is for general informational purposes only and does not constitute investment, financial, legal, accounting, tax advice or a recommendation to buy, sell or hold a security. It shall under no circumstances be considered an offer or solicitation to deal in any product or security mentioned herein. It is only intended for the audience to whom it has been distributed and may not be reproduced or redistributed without the consent of Guardian Capital LP. This information is not intended for distribution into any jurisdiction where such distribution is restricted by law or regulation.

The opinions expressed are as of the date of publication and are subject to change without notice. Assumptions, opinions and estimates are provided for illustrative purposes only and are subject to significant limitations. Reliance upon this information is at the sole discretion of the reader. This document includes information concerning financial markets that were developed at a particular point in time. This information is subject to change at any time, without notice, and without update. This commentary may also include forward-looking statements concerning anticipated results, circumstances, and expectations regarding future events. Forward-looking statements require assumptions to be made and are, therefore, subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Investing involves risk. Equity markets are volatile and will increase and decrease in response to economic, political, regulatory and other developments. Investments in foreign securities involve certain risks that differ from the risks of investing in domestic securities. Adverse political, economic, social or other conditions in a foreign country may make the stocks of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some foreign markets may be higher than investing in domestic markets. Investments in foreign securities are also subject to currency fluctuations. The risks and potential rewards are usually greater for small companies and companies located in emerging markets. Bond markets and fixed-income securities are sensitive to interest rate movements. Inflation, credit and default risks are all associated with fixed-income securities. Diversification may not protect against market risk and loss of principal may result. Index returns are for information purposes only and do not represent actual strategy or fund performance. Index performance returns do not reflect the impact of management fees, transaction costs or expenses. Certain information contained in this document has been obtained from external parties, which we believe to be reliable; however, we cannot guarantee its accuracy.

Guardian Capital LP is the manager and portfolio manager of the Guardian Capital Funds and Guardian Capital ETFs, with capabilities that span a range of asset classes, geographic regions and specialty mandates. Guardian Capital LP is an indirect, wholly owned subsidiary of Desjardins Global Asset Management Inc., which is part of the Desjardins Group. For further information, visit guardiancapital.com. All trademarks, registered and unregistered, are owned by Guardian Capital Group Limited and are used under license.

Published: September 9, 2026