THE PLAYBOOK

CI PRIVATE WEALTH

MONTHLY COMMENTARY

September 2026

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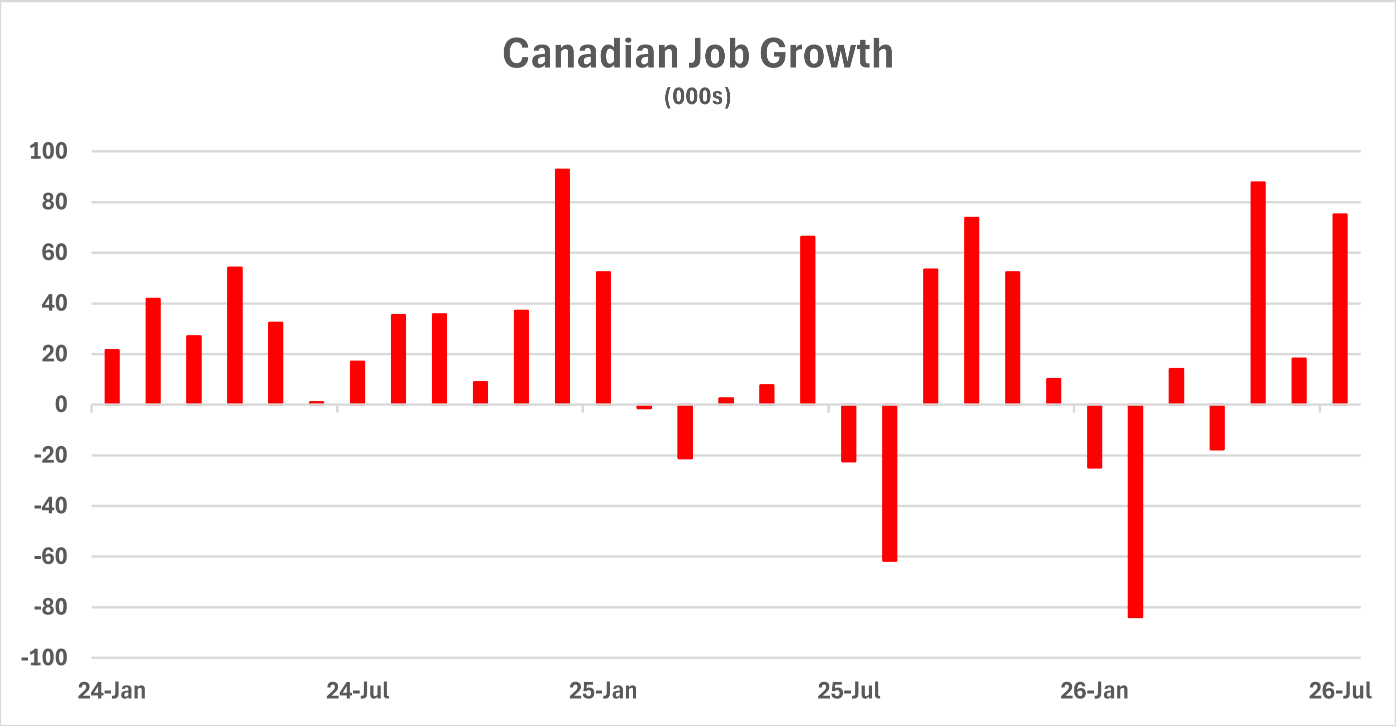
Jobs recovery underway.



Source: Statistics Canada

MARKET FOCUS

Recession may be nearing an end.

Despite Canada's recent period of weak business investment, strong commodity prices have begun to provide support for industry. Updated GDP figures revealed that mining, quarrying, and oil and gas extraction surged 1.0% in May and now reflect annual growth of 6.5%. This is the strongest growth figure for any sector of the Canadian economy. This can be expected to continue as new infrastructure projects appear to be moving towards realization.[1] Another positive sign has been the renewed growth in employment. As can be seen in the accompanying graph, Canadian total employment rose by 75,100 in July. This came on the back of an 18,200 advance in June and an 87,800 increase in May. These strong results have erased the large losses seen earlier in the year, and the cumulative jobs gains thus far in 2026 now stand at 68,800. The July results lifted the overall annual rate of job growth to 0.9%. While this figure does not appear to be particularly encouraging on its own, it is higher than the annual growth rate of Canada's working age population (0.6% in July). This is the first time that job growth has outstripped population growth since September 2023. A large number of sidelined workers remain, but as long as employment growth continues to improve relative to population growth, this problem will ease.

U.S. inflation continues to ease.

The U.S. Bureau of Labor Statistics reported that the consumer price index moved 0.1% higher on a seasonally adjusted basis in July after falling 0.4% in June, the largest one-month decrease since April 2020 (-0.8%). Over the last 12 months, the overall index has now increased 3.4%. This is down from the 3.5% figure posted for June and well below the three-year high of 4.2% recorded in May. The current data revealed that the energy sub-index was the primary driver for both monthly declines, falling 1.5% in June after dropping 5.7% in May. Despite these declines, energy prices still stand with a 14.7% advance on a 12-month basis. Perhaps more importantly, core inflation (CPI ex food and energy) eased to 2.5% (y/y) for July, below the 2.6% figure seen in the June report. Market participants will remain focused on any developments in energy pricing and the broader inflation implications as the U.S Federal Reserve reviews its monetary policy over the balance of 2026.

LONGER VIEW

Recent earnings trends and corporate profit margins suggest that the economy remains in the early stages of a growth cycle, supported by resilient business fundamentals and continued investment activity. At the same time, it is increasingly difficult to dismiss the transformative potential of artificial intelligence. While the pace and magnitude of adoption remain uncertain, we believe AI is a durable secular trend that is likely to have a meaningful impact on productivity, profitability, and economic growth over the long term. This creates a landscape that is rich with opportunities for investors, but one that also carries significant uncertainty as markets attempt to distinguish between near-term enthusiasm and sustainable long-term value creation.

Rising bond yields continue to present a challenge for many parts of the market, particularly sectors that lack strong earnings growth and are more sensitive to financing costs. We expect upward pressure on long-term interest rates to persist, with the U.S. 10-year Treasury yield potentially moving above 5% in the coming months. In our view, ongoing fiscal deficits and the apparent lack of political willingness to materially reduce government spending will contribute to increased Treasury issuance and higher borrowing requirements, creating a structural backdrop that supports elevated yields even as economic growth remains positive.

[1] *Carney government moves toward listing West Coast pipeline as national interest project.* CBC News. August 4, 2026. Retrieved August 10, 2026, from https://www.cbc.ca/news/politics/carney-moves-to-list-alberta-pipeline-national-interest-9.7295932

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