CIBC PRIVATE WEALTH
WICKS ADVISORY GROUP

MARKET UPDATE – OCTOBER 12TH – NOVEMBER 6TH 2026

In a Nutshell: U.S. Markets hit a phase of heightened volatility as earnings season brought about strong, but less than exceptional results along with the Democrats sweeping the House and Senate which reduces likelihood of any extreme tax or spending legislation being agreed upon. Despite volatility south of the border, Canadian markets remained fairly resilient in the face of a 0.25% rate hike last week.

U.S. Midterms

The U.S. midterm elections in early November resulted in a divided government, as **Democrats secured control of Congress while Republicans retained the White House**. Financial markets had mixed reactions, **with the S&P 500 gaining nearly 2%, as the threat of extreme tax or spending overhauls was effectively removed, however tech stocks plummeted on Thursday as markets came to grips with a potential slow down in AI data center expansion with Texas being a key player in this expansion**. While the Trump administration is expected to continue utilizing executive orders for deregulation and tariff enforcement, **the split Congress fundamentally stabilizes asset prices by minimizing political volatility**.

Outlook: With sweeping policy shifts sidelined by a divided Congress, market performance will most likely pivot entirely back to economic fundamentals; corporate earnings and resilient macro data will dictate long-term returns rather than political machinations.

Middle Eastern Conflict

Diplomatic channels saw a major breakthrough as Iran **officially re-engaged with the U.S. in direct negotiations starting on November 2, 2026, suggesting that compounding economic sanctions are severely wearing down Tehran's resolve**. On the ground, the physical flow of energy has largely normalized; **Middle East oil flows excluding Iran have fully rebounded to pre-war levels.** This rapid recovery was driven by the swift restoration of Saudi Arabia's East-West Pipeline to over 80% capacity and highly effective U.S. military escorts that have guided over 3,000 commercial vessels safely through the Strait of Hormuz, where traders are successfully commanding a lucrative $20 risk premium per barrel.

Outlook: The resumption of direct U.S.-Iran negotiations and the proven resilience of regional energy infrastructure signal a stabilizing security architecture; consequently, the risks surrounding current crude oil prices appear to be tilted heavily downward.

U.S. Labour Markets

The U.S. labor market maintained exceptional stability over the last four weeks, continuing its low-firing regime. **Initial jobless claims decreased** to 189,000 for the week ending October 31 (down from 195,000 the prior week), remaining at **historically depressed levels**. While broader non-farm payroll additions have moderated throughout the fall, **the lack of widespread corporate layoffs indicates that employers are aggressively retaining talent despite elevated capital costs**. Job openings (JOLTS) continue to track in line with pre-pandemic normalization, and nominal wage growth remains steady, preventing any sudden collapse in consumer purchasing power.

Outlook: The labor market will likely remain robust enough to support continuous consumer spending, with sub-200,000 weekly jobless claims proving that a recessionary mass-layoff cycle is absent, granting the Federal Reserve the flexibility to maintain restrictive policy rates.

U.S. Economy

The U.S. macroeconomic engine **accelerated into the fall, with the advance Q3 2026 GDP estimate printing at a robust 3.4% annualized rate** (a sharp increase from 2.2% in Q2), fueled by **private domestic investment and consumer spending**. A massive $5.5 trillion Artificial Intelligence CapEx cycle remains the central pillar of this economic resilience, driving a cyclical equity bull market that is now four years old and boasts a 119% cumulative return. **However, this rapid growth has reignited inflation fears; a recent energy-driven rate shock sent the 10-year Treasury yield surging** from 4.41% to 5.29%. Despite the rising cost of capital, extraordinary forward expectations—such as 60% projected earnings growth for semiconductors—continue to propel market optimism.

Outlook: The U.S. economy remains in a powerful, AI-driven expansionary phase; while elevated 10-year Treasury yields and rising energy costs pose valuation risks, staggering technology sector earnings growth will likely drive equities higher through the historically bullish post-midterm seasonal window.

Canadian Economy

Canada's economic momentum showed uneven performance heading into the fourth quarter, buffeted by trade volatility. Retail sales rebounded 1.2% in August to $74.6 billion, demonstrating temporary consumer resilience. However, underlying growth is stalling, with forecasts projecting Q3 GDP growth to hit 2.0% before decelerating to 1.4% in Q4. **The compounding effects of the ongoing Canada-U.S. trade war are actively inflating domestic costs; nearly 39% of businesses plan to increase prices by over 3% in the next year to offset punitive cross-border tariffs**. Consequently, **headline CPI inflation is expected to remain stubbornly sticky near 3.0% through the end of the year**.

Outlook: The Canadian economy potentially faces a sluggish winter as persistent U.S. tariffs and elevated fuel costs constrain business investment and consumer discretionary budgets; the Bank of Canada will likely be forced to hold rates steady as it balances decelerating GDP against structurally higher imported inflation.

Eurozone and UK Economy

Europe's economic landscape was defined by renewed stagflationary pressures over the past month.

The UK economy maintained positive output, with **GDP expanding 0.7% in the three months to August 2026. However, inflation resurfaced as September headline CPI accelerated to 3.5%, prompting the Bank of England to hold its base interest rate steady at 3.75% on October 26**.

Continental Europe faced similar price hurdles, **with September headline inflation jumping to 3.8%,** heavily driven by a severe 12.1% spike in regional natural gas prices during October as winter energy demand began to set in.

Outlook: Both the UK and the Eurozone are entering a precarious winter season where localized energy price spikes are actively reversing disinflationary progress; this persistent cost-push inflation most likely sidelines any near-term monetary easing by the BOE and ECB, squeezing factory margins across the continent.

Commodities

Global commodity complexes experienced significant volatility over the last four weeks. Brent crude **oil prices rose 7.0% in October, and European natural gas surged 12.1% as seasonal demand and transit friction priced in early winter premiums**. However, the physical reality is less dire; **because non-Iranian Middle East oil flows have fully recovered, traders are successfully securing a $20 risk premium per barrel for navigating the Strait of Hormuz, making transit highly profitable despite the risks**. In precious metals, surging global bond yields created a hostile environment for non-yielding assets, driving gold prices down 6.2% over October as investors pivoted toward higher-yielding U.S. Treasuries.

Outlook: Despite recent spot price increases for oil and gas, the successful adaptation of global maritime trade and the resumption of U.S.-Iran negotiations mean crude oil supply risks are heavily skewed to the downside. For gold, the recent 6.2% pullback represents a natural consolidation phase driven by spiking Treasury yields, presenting a potential accumulation zone before the next rate-cut cycle.

Sources: Investing.com , Yahoo Finance and BNN Bloomberg

Latest Equity Market Data

Market Data	S&P/TSX	S&P 500	DOW	NASDAQ	STOXX EU	WTI	GOLD
This Week	0.5%	-2.7%	-0.9%	-3.4%	0.6%	-13.2%	4.6%
Last Month	0.4%	-5.7%	-0.5%	-10.9%	-1.6%	1.0%	-2.6%

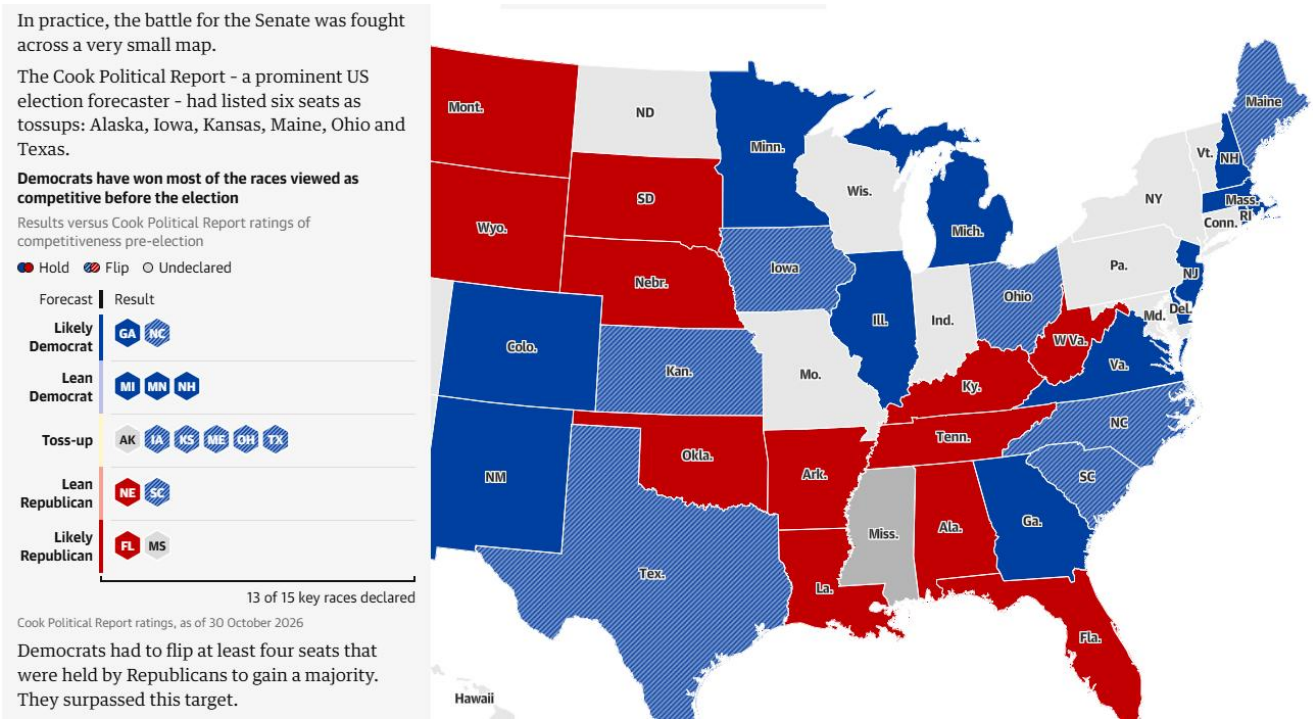
Reuters Market Updates *http://www.reuters.com*

Bloomberg Market Updates - *https://www.bnnbloomberg.ca/markets*

Beyond the Ballots: What Matters for Markets by Jeff Buchbinder, Chief Equity Strategist, LPL Research **Link to article**

The conclusion of the recent elections brings essential clarity to the U.S. equity market by establishing a divided government, which historically acts as a stabilizer for asset prices. With legislative control split, the likelihood of extreme tax or spending legislation is effectively removed, preventing the sweeping structural overhauls that typically rattle investors. **While the Trump administration will continue to advance specific policy objectives such as deregulation, immigration adjustments, and tariff enforcement through executive orders and regulatory action, the broader legislative gridlock neutralizes a significant layer of uncertainty**. This political equilibrium minimizes the volatility normally associated with campaign cycles and allows equity markets to operate with clearer operational expectations.

A visualization of the states that flipped to Democrat



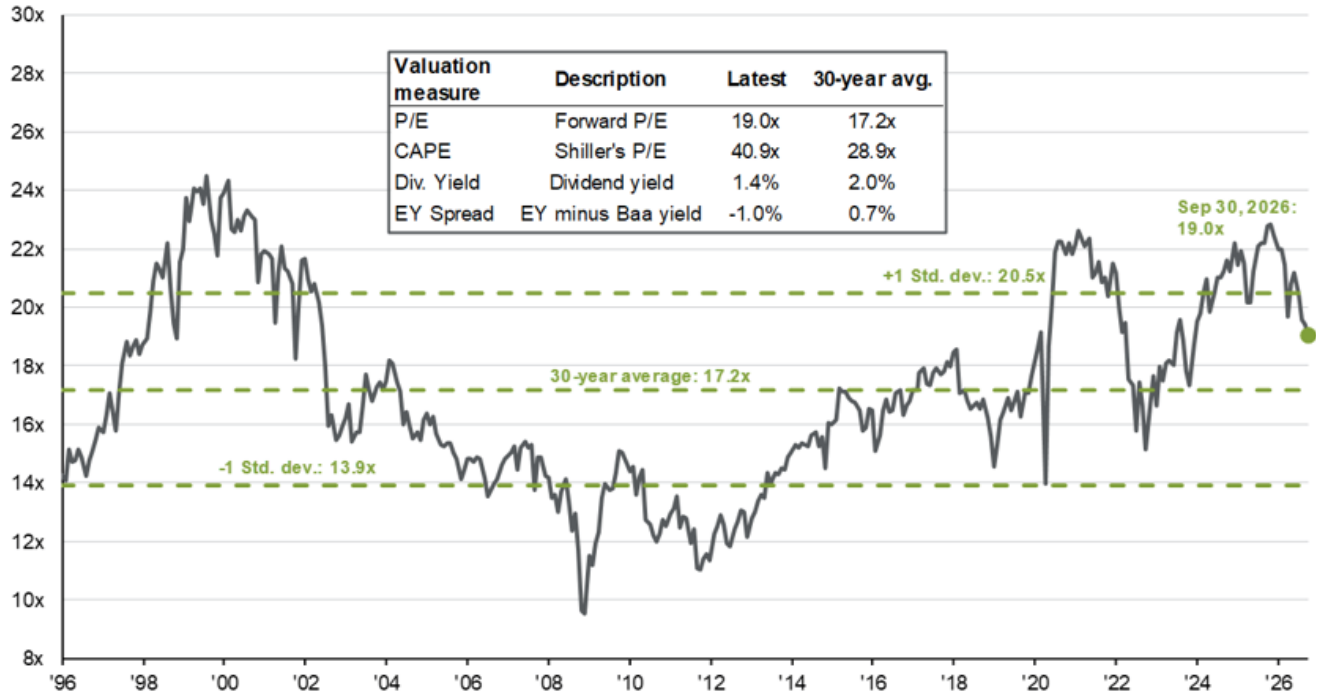
Source: The Guardian Link to Source

Moving past the ballots, investors should pivot their focus entirely toward the core economic fundamentals actively driving the market. **With sweeping policy shifts sidelined, corporate profitability resumes its role as the dominant engine of market performance**. **Portfolios should remain anchored to these fundamentals, as the resilience of corporate earnings and economic data will ultimately dictate long-term market returns far more than the mechanics of the incoming Congress.**

The Pause Before the Push by Jeffrey R. Thompson, Chief Executive Officer of Donoghue Forlines and Advisor Analyst **Link to Article**

The U.S. stock market recently experienced a volatile third quarter driven by a sharp nearly 30% rally in crude oil, which rapidly pushed the 10-year Treasury yield from 4.41% to 5.29%, creating a feedback loop of inflation and duration risks. According to Jeffrey R. Thompson of Donoghue Forlines, this energy-driven rate shock combined with heavy AI capital expenditures, stretched valuations, and political uncertainty left the market looking nervous with significantly thinning breadth. **However, rather than signaling a reversal, this recent pullback is viewed as a necessary reset. This acts almost as a sentiment trough that historically functions as a launching pad for future gains rather than a confirmed weakness**.

S&P 500 Forward P/E Ratio - Market Valuations are Historically Elevated



Source: JP Morgan as of September 30, 2026

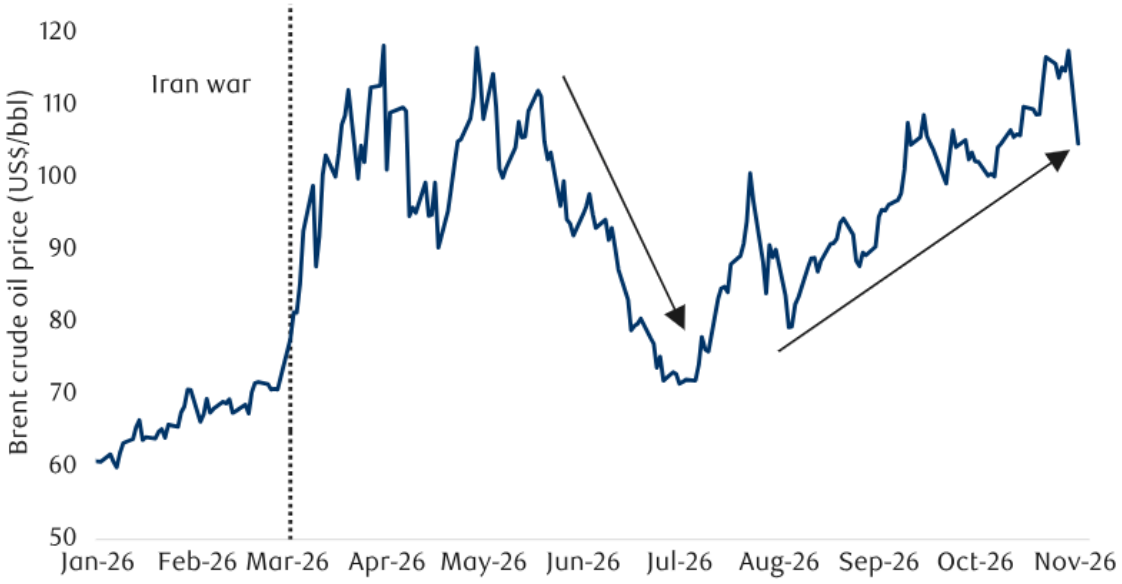
Looking forward, **the setup for U.S. equities appears remarkably strong. The market is entering a historically bullish mid-term election seasonal window, a pattern that has delivered positive returns in every instance since 1950**. More importantly, this seasonal tailwind is backed by massive fundamental earnings expectations, with forward guidance projecting 60% earnings growth for the semiconductor industry and 40% for the broader technology sector. **For investors, the strategy should focus on looking past the immediate rate and energy volatility to recognize that robust tech earnings and softening valuations are positioning the market for a strong upward push in the coming year.**

Macro Memo - November 3rd – November 16th, 2026 by E.Lascelles, J.Nye Link to Article

Oil market update

Severe trade restrictions through the Strait of Hormuz over the past three months have cut global oil supply by 12.8M barrels per day and caused large inventory drawdowns. Even so, oil and refined product prices have retreated from their peaks**. Three factors explain this: rapid releases from strategic petroleum reserves, which are depleting quickly; U.S. and South American exports redirected to Asia; and sharp demand cuts by airlines and factories in developing Asia**. Natural gas markets are far less affected, thanks to North American supply buffers and Asian fuel switching, even though 20% of global LNG trade normally passes through the Strait.

Crude oil prices remain high



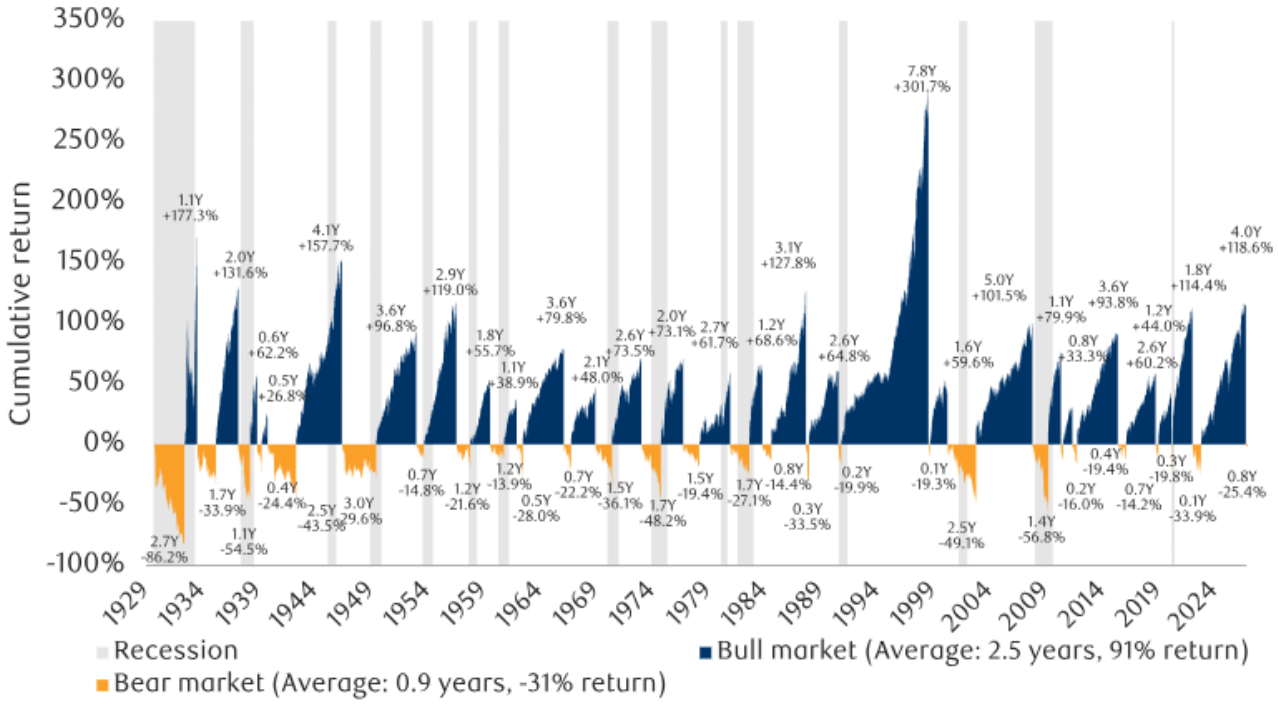
As of 11/02/2026. Sources: Bloomberg, RBC GAM

The market balance is fragile and vulnerable to sharp price increases. European jet fuel inventories are falling fast, which could cause severe shortages by late June or early July if normal transit doesn't resume. Even if peace talks reopen the Strait soon, the oil market will stay in deficit through Q4 2026 while inventories and damaged infrastructure are rebuilt. **For investors, current prices understate the underlying physical tightness. If talks fail and strategic reserves run out, energy and refined product prices are likely to spike just as the summer travel season begins.**

How long can the bull run?

The current cyclical bull market, which began after the 2022 bear market, is four years old and has returned about 119%. That is above the historical averages of 2.5 years and 91%. It sits within a larger secular bull market that began after the 2009 financial crisis. Cyclical bulls inside secular bulls tend to be stronger and longer, averaging a 93% return over nearly three years, and the bear markets that follow are typically shallower and shorter. The secular bull has passed the 17-year average lifespan, but past secular expansions have run well over 20 years.

U.S. has seen an equal number of bull and bear markets since 1929



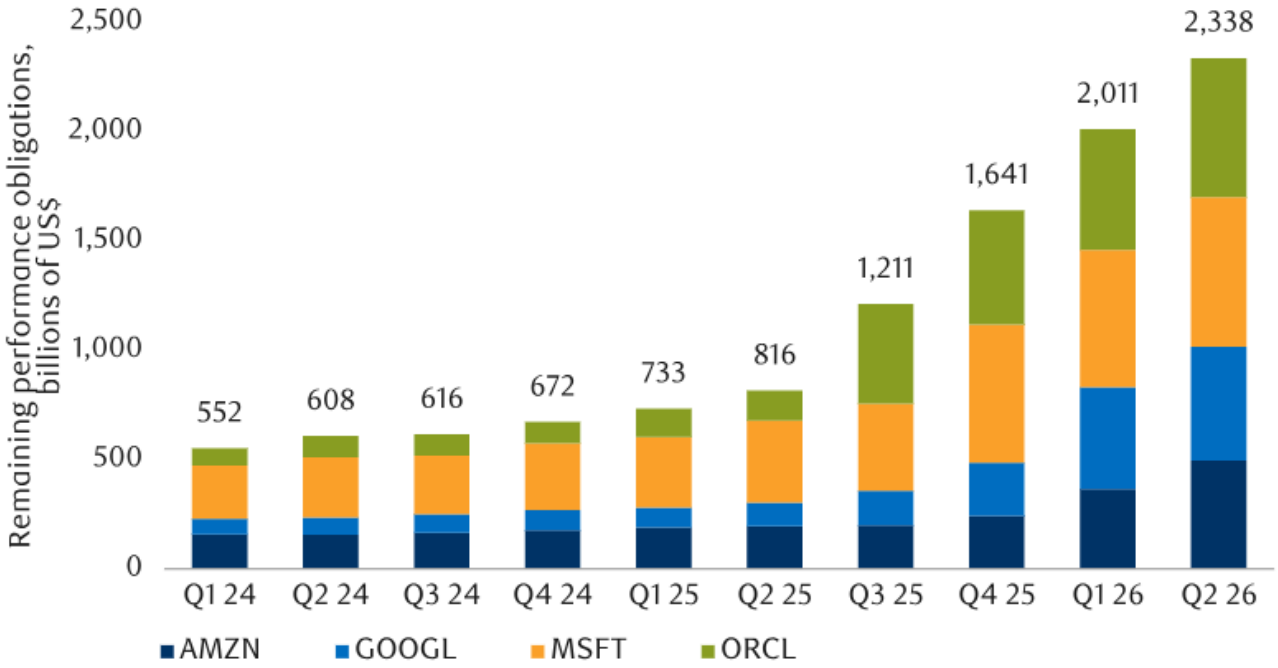
As of 10/26/2026. 54 cycles (27 bull and 27 bear markets) since 1929. Sources: Bloomberg, RBC GAM

Despite the market's maturity, conditions remain supportive, driven by AI-related productivity gains, strong earnings growth, and healthy corporate balance sheets. **Risks include elevated U.S. valuations, fading monetary and fiscal support, high concentration in a few stocks, and growing geopolitical fragmentation. Because bull-market gains far outweigh the short, shallow losses of bear phases, maintaining equity exposure is crucial for long term compounding growth .**

AI demand: if you build it, will they come?

The U.S. economy and equity markets increasingly depend on massive AI capital expenditure. The big five hyperscalers are projected to invest over $5.5 trillion from 2026 to 2030, nearly three-quarters of it for AI data centers. Demand remains strong, with rising business adoption, hyperscaler order backlogs above $2.3 trillion, and climbing NVIDIA GPU rental prices that suggest compute demand still outpaces supply. The shift toward cheaper open-weight models inflates token volumes without a matching rise in revenue.

Hyperscaler order backlogs now exceed $2 trillion



As at 10/23/2026. Backlogs reflect contracts signed with customers for cloud computing that has not yet been delivered.
Sources: Bloomberg, RBC GAM

Investor focus has moved from supply constraints to whether revenue will justify the spending. Estimates of the annual revenue needed to break even on CapEx by 2032 range from $700 billion to $3.7 trillion. A mid-range estimate of $2.3 trillion is a high bar but achievable if AI keeps evolving and displaces existing enterprise software and labor costs. **This scale justifies growing scrutiny of tech CapEx plans. Future earnings for hyperscalers and their suppliers depend on turning this investment into sustainable, widespread business adoption.**

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