



## QUEENSBURY GROUP OUTLOOK September 2026

Stock markets tend to be a leading indicator of the economy. It follows that if we can approximate where we are in the economic cycle, we may be able to get some idea of the future direction of the economy, interest rates and markets. The surprise of the past quarter came from an interest rate hike from the US Fed. Interest rates tend to increase during the boom phase of an economic cycle, just before markets collapse in anticipation of a recession. Is this where we are today?

The US Federal Reserve raised interest rates in June, August and November of 1999 and in February, March and May 2000. Stock markets began to decline in September 2000 and over the next two years, the tech heavy NASDAQ Composite Index fell by 78%. The Fed hike on September 16<sup>th</sup>, 2026 has led to the yield on 10 year US Treasuries hitting levels not seen since 2007 and concern that further increases could derail the stock market. Is 2026 the new 1999? No, for several reasons:

Inflation today sits around 3.4%, far above the Fed's 2% target. In July 1999, inflation was only 2.1%. The recent interest rate increase represents the tail end of the Fed's fight with inflation. In contrast, 1999 Real GDP growth was 4.7% compared to a modest 1.5% today. In 1999, rates went up to slow unsustainable economic growth. The stock market had turned into a fully disconnected retail speculation frenzy with valuations completely detached from corporate revenues and profits. S&P500 earnings have increased by 24% this year, far more than the 12% growth of the market.

Today's economy resembles 1995 more than 1999. In 1995, companies were investing in the structural buildout of the internet, much like companies are investing in AI today. Inflation in 1995 hovered around 2.8%, high enough to keep central bankers alert. And GDP growth was around 2.2%, comparable to today's 1.5%. Just as 1995 was digesting the significant interest rate increases of 1994, we are still reeling from the record setting interest rate increases of 2022. The 1995 labour market was tight but resilient, just as it is today. This all puts us solidly in the middle of the growth phase of the economic cycle. The recent action by the Fed has given the market something else to worry about, but, as we know, markets like to climb a wall of worry.

It is important to consult with your financial advisor to confirm that security suitability is in keeping with your personal investment objectives and levels of risk tolerance and capacity.

|          |        | S&P   | S&P    | Cdn        | GOC         |        |
|----------|--------|-------|--------|------------|-------------|--------|
| Levels   | DJIA   | 500   | TSX    | Bank Prime | 10 yr Bonds | Cdn \$ |
| Current  | 51,105 | 7,694 | 35,352 | 4.45%      | 3.99%       | 70.28  |
| Sep 2025 | 46,248 | 6,650 | 29,900 | 4.70%      | 3.14%       | 71.86  |
| Sep 2024 | 42,313 | 5,738 | 23,956 | 6.45%      | 2.95%       | 73.98  |
| Sep 2023 | 34,900 | 4,508 | 20,555 | 7.20%      | 3.69%       | 73.96  |
| Sep 2021 | 34,869 | 4,468 | 20,666 | 2.45%      | 1.23%       | 79.08  |