TD Wealth

Fall 2026
Quarterly Update

As summer nears the end, we are reflecting on the experiences and memories that shaped the last few months. For our family, a highlight was bringing the boys to Desolation Sound, discovering Savary Island "The Hawaii of Canada" and spending a few lazy days on Salt Spring Island with our friends watching the beautiful sunsets.

In the office, we were focused on growth and innovation. We welcomed Dithni Perera as an Administrative Associate, hosted a team building event in the Cowichan Valley and spent considerable time exploring AI and emerging agentic technologies to improve our business and client experience. This edition takes a deeper dive into the AI Ecosystem.

Although the markets continued to hit new highs over this quarter, a lot happened beneath the surface. Top issues include the recent rise in US interest rates, central bank policy, and concerns around the overall health of the economy which we will address. Reviewing overall risk exposure in both equities and fixed income is an important exercise this fall as we consider what's on the horizon.

Finally, we will be hosting a luncheon on Thursday, October 22nd in Victoria with an esteemed Global Investment Strategist from TDAM/Epoch to share timely insights and thoughts on the economy and markets – stay tuned for an invite!

We hope you enjoy this edition of our newsletter and look forward to connecting with you.

Tamara Bonn, CFA, CIM®, BBA Nikola Gasic, CFA, BBA

The BonnGasic Group | Wealth Management

Why U.S. Rates Are Rising and What It Means for Portfolios

If you stepped away from the markets this summer, the results may be surprising. Broad equity markets in Canada, the U.S. and globally are up 10–15% year to date. Fixed income has been flat to negative, while oil has risen more than 50%. Despite a steady stream of negative headlines, year-to-date markets are generally positive.

The U.S. bond market has been unusually volatile in recent weeks. The 30-year Treasury yield reached its highest level since 2007 as U.S. national debt moved above $40 trillion. At the same time, the U.S. dollar weakened and investors began discussing the "debasement trade." This refers to the view that persistent deficits, rising debt and money creation may erode the value of a currency over time. Assets such as cryptocurrency, precious metals, real estate and infrastructure may therefore hold their value better than cash or government bonds.

Whether or not the debasement thesis proves correct, the practical questions are clear: what is pushing long-term rates higher, and how should portfolios adapt if these pressures persist?

One factor is the scale of borrowing required to build AI infrastructure. Current estimates are roughly US$6–7 trillion, with 75% expected to be debt-funded. Private-sector borrowing is therefore arriving alongside substantial government issuance, adding to bond supply and pushing long-term yields higher. The 30-year Treasury recently reached 5.27%, up sharply from below 2% in 2020.

A second factor is confidence in U.S. policy and institutions. Investors appear to be demanding a higher term premium—the additional return required to hold a 10-year bond rather than a three-month security. That premium reflects uncertainty, including the direction of Federal Reserve policy and Treasury intervention in currency and bond markets. Importantly, real rates have risen even though inflation expectations have not. Markets are currently pricing a 25-basis-point interest rate increase in December.

The bottom line is that U.S. debt remains manageable relative to the size and growth potential of the economy. We continue to monitor average borrowing costs and the factors shaping bond markets. If any of the above factors move in a negative direction, this is a key signal to us as we consider fixed income allocations and exposures for our long-term investors.

Over the past year, we have shortened fixed-income duration and pursued flexible yield opportunities across Canadian and Global markets. Changes in US yields, the dollar and investor confidence can influence markets worldwide which make this important to monitor from a Canadian perspective.

Trade War Round Two: Keeping a Long-Term Perspective

Trade tensions between Canada and the United States have once again moved to the forefront of the news cycle. New tariffs, counter-tariffs and stalled negotiations have created a fresh wave of uncertainty for businesses, consumers and investors alike.

While the headlines are new, the underlying challenge is one we have faced before: separating short-term noise from long-term investment implications.

As the latest tariffs create economic headwinds, the immediate impact appears manageable and is unlikely, on its own, to fundamentally alter the Canadian investment landscape.

The honest answer is that nobody knows exactly how this situation will unfold. Trade negotiations are inherently political, and developments can change quickly. We do not have a crystal ball, nor do we attempt to predict every policy announcement or headline.

What we do know is that uncertainty is not unusual. Over the years, investors have faced trade disputes, elections, financial crises, pandemics and geopolitical conflicts. While each event felt significant at the time, markets ultimately moved forward as businesses adapted and economies evolved.

This is why **diversification remains central to our investment philosophy**. Portfolios are intentionally structured across asset classes, sectors and geographic regions because we recognize that the future is unpredictable. Some industries may face challenges from renewed trade tensions, while others may be largely unaffected or even benefit from shifting economic conditions.

Trade War Round Two may not be the final round. There will likely be additional headlines, negotiations and periods of volatility ahead. Our approach remains unchanged: stay diversified, remain disciplined and focus on the long-term drivers of wealth creation rather than the short-term events that dominate the news cycle.

As a reminder, "What makes stocks valuable in the long run isn't 'the market'. It's the profitability of the companies you own." – Peter Lynch, Fidelity Investments

Understanding The AI Ecosystem

Artificial Intelligence (AI) has become one of the most important investment themes of our generation. While many investors associate AI with a handful of well-known technology companies, the overall AI ecosystem as actually much broader.

The graphic accompanying this article illustrates the **AI Value Chain**. Rather than a single industry, AI is an ecosystem with multiple layers working together. It begins with semiconductor designers and manufacturers, extends through equipment suppliers, memory producers, data centre operators, cloud providers, and software developers, and ultimately reaches the businesses using AI to solve real-world problems.

For investors, this distinction matters.

Historically, major technological advancements have created value across entire supply chains, not just among the companies making headlines. The internet, smartphones, and cloud computing produced leaders in different parts of their ecosystems. AI appears to be following a similar path.

What has been particularly interesting this year is how leadership within the AI ecosystem continues to evolve. Some areas that benefited from strong pricing power, such as memory and storage, have recently experienced slower momentum. At first glance, that might appear negative for the broader AI story.

However, lower memory prices can actually benefit other parts of the value chain. Cloud providers and hyperscale data centre operators may see lower input costs, helping improve profitability and potentially accelerating AI adoption. In other words, what creates a headwind for one sector within the "AI trade" can become a tailwind for another.

This highlights an important investment lesson: not all parts of the AI theme move in the same direction at the same time.

A similar broadening is occurring across the broader equity market. While technology remains a key driver of growth, industrial companies are benefiting from manufacturing investment and data centre construction. Utilities are seeing increased electricity demand, while financial institutions participate through financing and capital markets activity tied to infrastructure spending.

The opportunity, therefore, may be broader than the popular narrative suggests.

This is one reason we continue to emphasize diversification. Predicting exactly which company or subsector will lead next year is difficult. Owning high-quality businesses across multiple industries allows investors to participate as leadership rotates through different parts of the economy and the AI ecosystem.

Understanding The AI Ecosystem

The key takeaway is simple: **AI is not one company, one product, or one trade. It is an ecosystem.** Understanding how value is created across the entire chain can provide a more balanced investment perspective than focusing solely on a few high-profile names.

As always, our approach remains focused on identifying long-term opportunities, maintaining diversification, and investing in the enduring trends that drive sustainable wealth creation over time.

Updates From Our Team: Meet Dithni Perera

We are pleased to welcome Dithni Perera to our team as an Administrative Associate. Dithni brings a diverse background in client service, administration, consulting, and research. She holds a Bachelor of Arts in Economics with a minor in Business from the University of Victoria. Her previous experiences have helped her develop strong communication, organizational, and problem-solving skills, along with a thoughtful and people-focused approach to her work.

Dithni was drawn to wealth management because it gives her the opportunity to learn about the passion, hard work, and legacies behind the wealth that individuals and families have built. She values the personal stories behind each client relationship and looks forward to deepening her understanding of the wealth management industry as she develops her career.

In her role, Dithni supports the team with day-to-day administration, client service, account documentation, compliance, and money movement. Her goal is to help make the wealth management experience as seamless and well-organized as possible for both clients and the team.

Originally from Colombo, Sri Lanka, Dithni moved to Victoria to attend the University of Victoria and has since grown to love the city and its community. Outside the office, she enjoys exploring Victoria on foot, discovering local food, boxing, poetry, and music. She also loves a good conversation, a good cup of coffee, and will never pass up the opportunity to say hello to a cute dog.

We are delighted to have Dithni join The Bonn Gasic Group Wealth Management and are confident that her personable nature, curiosity, and commitment to thoughtful client service will make her a valuable addition to our team and the experience we provide our clients.

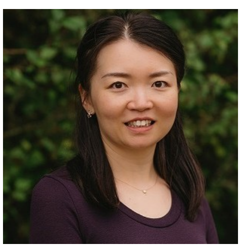
Dithni Perera

Dithni Perera, BA
Administrative Associate
T: 250-483-0917
Dithni.perera@td.com

Contact the Team

Tamara K. Bonn, BBA, CFA, CIM®
Senior Portfolio Manager
Senior Investment Advisor
Tel: 250-356-4149
tamara.bonn@td.com

Nikola Gasic, BBA, CFA
Portfolio Manager
Investment Advisor
Tel: 250-483-0907
nikola.gasic@td.com



Laura Shi, CIM® CFP®, MSc.
Client Relationship Associate
Tel: 250-356-4083
laura.shi@td.com

Linh Truong
Client Service Associate
Tel: 250-356-4086
thimylinh.truong@td.com

Lily Taylor, BA
Administrative Associate
Tel: 250-356-4041
lily.taylor@td.com

Dithni Perera, BA
Administrative Associate
Tel: 250-483-0917
dithni.perera@td.com

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