

Monthly newsletter

Commentary October 2026

Macro does (not) equal micro

Here we are entering the fourth quarter of the year, and the macro noise could not be louder globally and quite frankly in our ears almost every day. The granular list of macro noise is exhausting and literally daily no matter what media channel choice you choose. But does the macro equal the micro from a market and stock perspective?

This is likely a multi billion dollar, check that trillion-dollar, question. Given this, we won't be providing the trillion-dollar answer but maybe a bit of perspective. At a high level here is a list of a few of the bigger macro noises out there: Interest rates, inflation, wars, valuations, artificial intelligence, politics, politics, politics etc... You see where the macro noise gets pretty fast.

If we peel back the onion does this reflect the micro?

There are numerous examples of places where there have been profound impacts from the macro to the micro. Take gas prices and more acutely diesel gas versus regular gas. The wars and oil price impact has been significant to the micro effect when we fill up our cars and trucks. Most recently diesel prices in California have reached ~\$10 per gallon! That is a lot of Benjamin's (slang for dollars) or hamburgers where I come from.

In some cases, the macro does equal the micro. In other cases, not so much. As an example, we still have a decent employment situation in the U.S.A, with growth numbers coming in decently, companies continue to raise capital for new growth projects (Enbridge raise of \$3 billion in September near the recent market low on the stock). The argument of the title above evolves to the point where the macro does and does not equal the micro.

There are clearly lots of examples where the war events are having a less desirable impact and effecting our lives but in other cases late night truth lies tweets have no impact (Enbridge raising capital). This certainly makes it messy or at a minimum noisy.

What's next?

The elephant in the room is the U.S. midterm elections where we will see once again exactly what the voting public think of the last two years. Two years that went fast! Let's hope the next two go faster. In a rational world one would expect the Democrats to gain some ground and see a more balanced government going forward but it's a strange world. Our best-case guess is regardless of the outcome we should expect some more noise before, during and after this event.

Middle East

If history is any or holds any correlation to future events it would be realistic or ration to expect that the U.S. leaves this part of the world with a big tax bill and a proclaimed victory. The when of this is likely tied up in election results. The challenge with our thinking is that it sounds rational to us. The world is not rational right now so we will refrain from adding irrational outcomes because that rabbit hole is too deep. If we are right and the wars subside, oil prices come back to a rational supply demand understood level, crack spreads normalize we should see this be a tailwind to markets.



Interest rates, inflation and Kevin Warsh (Head of the FED)

We are in a new FED era where guidance and dot plots have basically become extinct. Kevin Warsh has only said that the FEDs mandate is to get inflation to the 2% level and his or their tool for this is higher rates. We have some way to go to get to 2% as we are at about 3% right now. This should act as a bit of a headwind for markets but once again we are in a strange world. On the most recent FED interest rate (September 16th, 2027) hike day the markets dropped the day after they went up? Just another random walk couple off days post the FED announcement. At current we would expect another rate move this year. The X factor of this may be lower oil prices less inflation and a more moderated approach from the FED. Time will tell.

Will the market crash? Final thought...

Quick answer is, no? There are still a lot of silly macro things that could happen in a black swan world, but it is hard to account for black swans. In a more rational world, we have already seen some pullbacks to more rational levels, Canadian banks have come off of recent highs, energy infrastructure has pulled back from recent highs, AI momentum has come out of smaller cap names, quantum computing names have lost their luster and the list

goes on. When we look around for the smoking gun we know we don't have a 2007/2008 CDO mortgage challenge. We do see a lot of new AI debt and capital spending but that is likely more of a 2027 rationalization if it comes. Bumps are part of the market equation, so we are expecting more but are not hearing panic at this point.

Bottomline we are hearing the noise but in a lot of cases not listening. We are however listening and hearing the micro and things continue to grind forward.

Happy Halloween!



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