

TIAA: There Is An Alternative | September 2026

“There is no alternative.”
Margaret Thatcher

TINA, or ‘there is no alternative’, was popularized in the ‘80s by Margaret Thatcher to argue that free market neoliberal capitalism was the only viable economic and political system.

More recently, financial markets have adopted the term to mean that, in a low-interest-rate environment, there is no alternative to equities. But with yields at levels not seen in over two decades, bonds are once again offering investors an attractive option.

Yes, inflation remains elevated and central banks are hiking, but bond yields reflect that, with the Canadian market pricing in 4 hikes over the next twelve months.

So, is it time to give bonds a second chance?

The math is mathing.

Most of the focus and attention in bond markets is centred on the short-term direction of rates. Will yields keep marching higher, or will they reverse course and rally?

But in our experience, most investors have longer time horizons than bond traders. And with the Canadian 10y yield ~4%, for many institutions and investors, the bond math is mathing.

Today, an investor can build a high-quality portfolio of 10y investment-grade bonds and lock in a 5-5.5% yield. Given the TSX’s long-run total return is 7-8%, bonds are starting to look attractive, particularly for income-oriented investors.

For years, investors seeking diversification or income without sacrificing return had to allocate capital to riskier, less liquid asset classes (e.g., high yield and private credit). Today, investors can achieve similar returns with the security and liquidity of boring old bonds. Furthermore, in an economic or market crisis, rates have room to fall, and bonds can act as a hedge.

Buy the dip.

When it comes to equities, investors recognize the value of buying the dip. Oddly, in fixed income, the same people are paralysed over losses from rising yields, despite higher prospective returns and the issuer’s contractual obligation to the bondholder.

Of course, yields could go even higher, offering a better entry point. But we all know the perils of being too cute with market timing. In our view, investors should focus on prospective returns over the medium to long term, particularly as current yields offer protection should rates continue to rise.

With high-quality fixed-income portfolios offering yields north of 5%, and the Bank of Canada’s (BoC) track record of keeping inflation ~2%, the case to start buying is compelling.

The Month of September.

Credit.

Back-to-school also means back-to-issuance, and the month didn't disappoint. September saw \$17.6 bn in new deals hit the domestic market, well above the 10-year average of \$12.5 bn. Featured deals included RBC, which did \$1.1 bn in LRCN and \$1.5 bn in NVCC. Other financials included National Bank, BNS, Central 1, and Coast Capital. The real estate sector was also active, including Cadillac Fairview, Choice REIT, and Dream REIT. Inflows into fixed income funds remained strong, buoyed by higher yields, which made the deluge of supply easy to digest and allowed Canadian spreads to narrow slightly.

Issuance was robust in the US as well, with \$129 bn of new corporate bonds coming to market. Despite the supply and sharp rate move, credit spreads were resilient and finished a touch wider.

Investment-grade credit spreads:

- Canadian investment-grade spreads narrowed 3 bps to 86 bps.
- US investment-grade spreads widened 2bps to 80 bps.

Interest Rates.

September was not kind to anyone with duration exposure. Fears of energy inflation pass-through rose as diesel prices marched higher. Investors worried that the Federal Reserve's (Fed) 25 bps hike was the first in a string of three or four and responded by driving yields higher.

The Canadian market, which was already braced for three hikes by the Bank of Canada (BoC), could not resist the gravitational pull of the US and moved to price in an additional 25 bps hike.

- Canadian 2y finished at 3.37% (+36 bps) and the 10y at 3.99% (+26 bps).
- US 2y finished at 4.89% (+55 bps) and the 10y at 5.29% (+54 bps).

The Funds.

Algonquin Debt Strategies Fund.

The move in short rates was a headwind for the fund, as price erosion in our short-dated bonds offset some of the carry and profits from credit and trading. We intend to hold these shorter-dated securities (<1y) to maturity, and are therefore comfortable with the interest-rate volatility.

Portfolio Metrics:

- 5.5-6.0% yield
- Average credit rating: BBB+
- Average maturity: 1.3y
- IR Duration: 1.7y

	1M	3M	6M	YTD	1Y	3Y	5Y	10y	SI
X Class	0.24%	0.73%	1.96%	2.10%	3.15%	7.74%	5.44%	5.82%	7.75%
F Class	0.19%	0.56%	1.60%	1.61%	2.47%	6.74%	4.60%	4.96%	NA

* As of September 30th, 2026

The Algonquin Debt Strategies Fund LP was launched on February 2nd, 2015. Returns are shown on 'Series 1 X Founder's Class' since inception and for 'Series 1 F Class' since May 1st, 2016, and are based on NAVs in Canadian dollars as calculated by SGGG Fund Services Inc. net of all fees and expenses. For periods greater than one year, returns are annualized.

Algonquin Fixed Income 2.0

There was nowhere to hide as rates rose across the board. The losses from duration were partially offset by interest earned, new issue trading, and a modest narrowing of spreads. We have started adding 10-year duration exposure (for the first time in 5 years) and expect to gradually increase it over the next few months.

Portfolio Metrics:

- 4.5- 5.0% yield
- Average credit rating: A-
- Average maturity: 2.4y
- IR Duration: 3.9y

	1M	3M	6M	YTD	1Y	2y	3y	5y	SI
F Class	-0.93%	-1.42%	-0.06%	-0.17%	0.41%	3.44%	7.39%	3.54%	4.47%

* As of September 30th, 2026

Algonquin Fixed Income 2.0 Fund is an Alternative Mutual Fund and was launched on December 9th, 2019. Returns are shown for Class F since inception and are based on NAVs in Canadian dollars as calculated by SGGG Fund Services Inc., net of all fees and expenses. Investors should read the Simplified Prospectus, Annual Information Form, and Fund Facts Documents and consult their registered investment dealer before making an investment decision. Commissions, trailing commissions, management fees, and operating expenses all may be associated with mutual fund investments. An Alternative Mutual Fund is not guaranteed, its value changes frequently and its past performance is not indicative of future performance and may not be repeated. Payment of quarterly distributions is not guaranteed and paid at the discretion of the manager; therefore, it may vary from period to period and does not infer fund performance or rate of return.

Looking Ahead.

Central bank watchers have plenty to occupy their attention as they dissect inflation data for evidence of broadening price pressures, while parsing speeches and statements from decision-makers for clues about what will happen at the next meeting.

It seems clear that the Federal Reserve (Fed) will hike at least one more time this year. It is harder to pinpoint when the Bank of Canada (BoC) will finally move. Canadian bond traders believe that the Bank will deliver 4 or 5 hikes by next summer. We think the market may be a touch aggressive on both the speed and magnitude of hikes needed, given the pockets of weakness in the domestic economy.

On the credit front, with three months left in the year, issuance at \$164 bn already represents a new annual record. We have heard whispers that the \$200 bn mark might be eclipsed this year; however, visibility into the next three months remains limited.



We expect deals to be well received as higher coupons continue to draw investor interest. As has been the norm for many months, we continue to be disciplined about the issuers we invest in and remain attentive to price, particularly as there is no shortage of expensive credits.

Contact

Algonquin Capital
161 Bay Street, Suite 1230
Toronto, Ontario, M5J 2S1
www.algonquincap.com

Raj Tandon
Founding Partner
raj.tandon@algonquincap.com
+1 (416) 306-8401

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