iA Global Asset Management

Keys to the market

Highlights

- In Canada, the outlook was driven by global sentiment and commodities amid thin data releases.
- In the U.S., mixed data pointed to a slow-cooling economy and a steady, measured pace of Fed easing.

On our radar

- Canada: CPI, PPI, housing starts, retail sales for January
- United States: PCE price index, building permits, housing starts, GDP growth rate for Q4

What happened this week

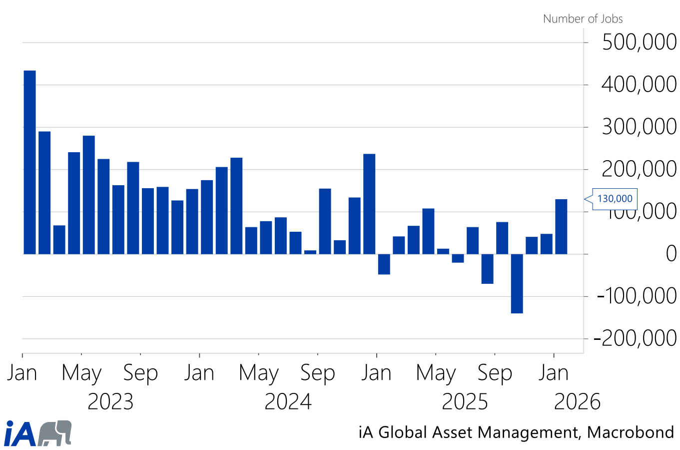
February 13, 2026

In Canada, during a quiet week for domestic macroeconomic releases, the economic narrative was dictated by global risk sentiment and commodity prices. In the absence of major local data, expectations for the domestic economy were driven by shifting views on the U.S. Federal Reserve's policy path, as investors looked across the border for clues as to potential monetary policy divergence.

In the United States, a compressed data calendar reinforced the "slow-cooling, not recession" narrative. December retail sales stalled at 0.0% month over month, with the control group slipping 0.1%, signalling a loss of consumer momentum into year-end. Conversely, the January labour market surprised to the upside, adding 130,000 jobs to nonfarm payrolls and pushing unemployment down to 4.3%. The robust jobs print, alongside a 3.7% year-over-year increase in average hourly earnings, suggests the market is cooling but not cracking. Finally, January inflation data confirmed a gradual glide path toward target; headline CPI fell modestly to 2.4% year over year, while core CPI hit a cycle low of 2.5%. Ultimately, the mixed data anchored expectations for a measured, gradual Fed easing cycle.

U.S.: Net Change in Nonfarm Payrolls

U.S. Bureau of Labor Statistics (BLS), MoM, as at 1/2026



Bond market

It was a monumental week in the U.S. bond market as lower-than-expected retail sales and softer inflation data more than offset recent strength in labour to drive 10-year Treasuries below 4.1% for the first time since early December last year, shaving off more than 20 basis points from their flirtation with 4.3% at the start of February. Meanwhile, 2s-30s flattened by roughly 10 basis points this week as the prospect of declining policy rates got priced in, causing outperformance in longs. Adding to the bullish tone for U.S. bonds was the growing narrative that Fed Chair nominee Kevin Warsh is far from a hawk and will deploy various mechanisms to lower policy rates and yields, working in tandem with the Treasury. Futures are trying earnestly to price in three 25-basis-point cuts by the Fed this year. Next week, the United States will have more inflation and sentiment data, with 10-year Treasuries seemingly destined to march below 4% in the coming weeks, as we have been expecting. Canada will get its own taste of inflation data next week, but obviously the workings of the U.S. bond market are the dominant theme right now in North America. In spread, both U.S. IG and U.S. HY backed up a touch as risk-off sentiment pervaded the market, particularly regarding AI and the related massive corporate bond issuance that is expected. Nonetheless, both remained at the lower end of their historical ranges.

Stock market

This week saw heightened volatility across U.S. equities, driven by a pronounced rotation away from the technology sector as investors scrutinized corporate earnings and the long-term structural impacts of artificial intelligence. Markets penalized companies perceived as vulnerable to AI-driven disruption or burdened by the heavy capital expenditures required for AI infrastructure. Notably, software and technology mainstays, such as AppLovin and Cisco Systems, suffered double-digit share price drops, despite posting headline earnings beats, as investors aggressively weighed the threat to their future profit margins.

As capital rotated out of high-beta tech names, investors sought refuge in defensive equities. In the currently favoured consumer staples sector, Coca-Cola reported a largely in-line quarter accompanied by slightly conservative guidance, establishing a cautious baseline before its new CEO takes the helm. Upper-income spending remained highly resilient, with hotel operators Marriott and Hilton showcasing sustained travel demand alongside robust unit growth and room-supply expansion. In contrast, the low-income cohort exhibited pronounced value-seeking behaviour. McDonald's capitalized on the shift, reporting record-breaking domestic and international comparable store sales. The restaurant chain captured market share among budget-conscious consumers with its Everyday Value Menu and highly effective marketing campaigns, driven by the return of the Monopoly game as well as the Grinch Meal and $5 McValue meals.

Markets

(Total returns, in CAD)

As of February 12, 2026	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-1.68	-1.08	-0.86	8.77	21.08	14.86
S&P/TSX	-0.01	1.70	2.56	30.35	19.86	15.27
NASDAQ	-1.82	-2.98	-2.99	8.14	26.89	13.86
MSCI ACWI	-0.55	0.18	1.18	13.12	19.94	13.04
MSCI EAFE	2.58	3.82	7.91	28.17	18.46	11.46
MSCI EM	3.98	3.23	11.02	38.20	19.81	6.31
Commodities (USD)						
Gold	-0.85	0.57	13.96	69.49	38.18	21.96
CRB	0.74	-0.26	1.03	-0.76	-0.50	3.02
WTI	-1.12	-3.63	9.44	-11.95	-7.62	1.11
Fixed income						
FTSE TMX Canada Universe	0.66	0.86	1.45	3.62	4.45	0.35
FTSE TMX Canada Long	1.29	1.69	2.50	1.88	3.21	-2.29
FTSE TMX Canada Corporate Overall	0.53	0.75	1.56	5.58	6.43	2.02
Currencies (USD)						
DXY	-0.73	-0.07	-1.42	-10.20	-2.20	1.39
USDCAD	-0.48	-0.02	-0.83	-4.87	0.66	1.40
USDEUR	-0.47	-0.17	-1.06	-12.53	-3.47	0.42
USDJPY	-2.85	-1.32	-2.53	-1.09	5.15	7.80
USDGBP	-0.08	0.47	-1.08	-8.64	-3.98	0.34

	CA	U.S.
Bond yields		
2Y	2.49	3.46
5Y	2.82	3.66
10Y	3.28	4.10
30Y	3.75	4.73

Source: iA Global Asset Management, Bloomberg

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