iA Global Asset Management

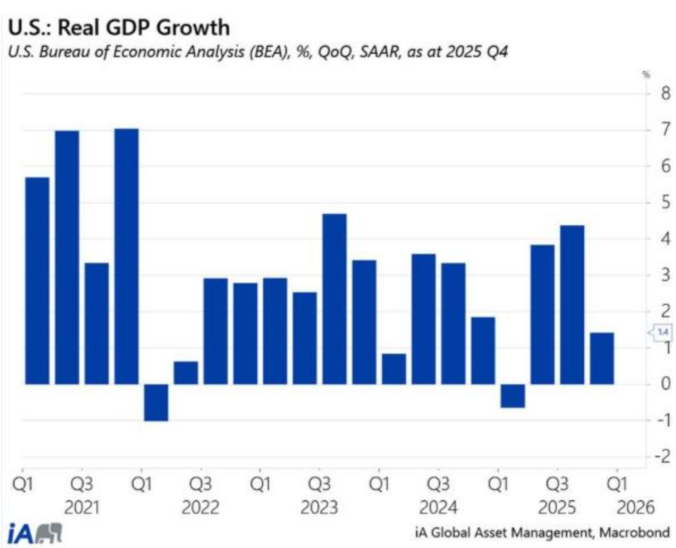
Keys to the market

What happened this week

February 20, 2026

In Canada, the week's macro data made for a mixed economic backdrop. Headline inflation eased to 2.3%, slipping below expectations on a sharp drop in gasoline prices. Retail sales are on track to rebound at the start of the year after barely expanding in the fourth quarter: December sales fell 0.4%, but January's advance estimate showed a strong 1.5% gain. Housing data also surprised but to the downside, with starts falling 15% to 238,000, well below consensus. Meanwhile, Canada's trade deficit narrowed sharply to $1.31 billion on stronger exports, suggesting external demand remains a stabilizing force.

In the United States, the release of the Federal Reserve's minutes underscored a rather nuanced and divided policy backdrop. Even though several officials pointed to continued progress on inflation and saw room for further easing if disinflation persists, others emphasized the risk that price pressures will remain uneven. Friday's data painted a softer picture of economic momentum. The economy grew less than expected at the end of last year, dragged down by the longest-ever government shutdown, weaker consumer spending, and the deteriorating trade deficit. U.S. GDP expanded at an annualized 1.4% in the fourth quarter of 2025, the slowest pace since the first quarter of last year and well below expectations of 3%. Inflation data also surprised to the upside: Core PCE, the Fed's preferred gauge of underlying price pressures, increased 0.4% month over month, exceeding market expectations for a milder 0.3% rise.



Bond market

There was lots of talk in the bond market this week, but little movement in yields as numerous forces counterbalanced one another. On the bearish side, perhaps the most prominent feature was the Fed minutes and surface-level expectations that FOMC members are leaning toward prudence on the inflation front because previous concerns about labour seem more transient. Conversely, the growing chance of a military conflict between the United States and Iran kept a persistent bid in bonds, allowing U.S. 10s to retain gains from the previous couple of weeks to sit around 4.05%. In futures, however, the bearish tilt from the Fed minutes caused investors to push out expectations for the next 25-basis-point cut to June while still modestly pricing in three such moves for the full year. In the coming week, U.S.-Iran tensions will most likely keep the bond market anchored. Credit markets continued to hum along, as U.S. IG remained below 80 basis points and U.S. HY was under 275. Of note, IG corporate spreads in Canada finally joined their southern neighbours after a strong rally down to 80 basis points, reaching levels not seen since the 1990s. Everyone wants corporate bond spreads these days.

Highlights

- In Canada, inflation continued to ease amid mixed economic signals.
- In the United States, mixed data highlighted moderating GDP growth and higher-than-expected inflation, giving rise to divergent views among Fed officials.

On our radar

- Canada: GDP growth for the fourth quarter, preliminary manufacturing sales for January.
- United States: PPI for January and house price index for December

Stock market

Markets came under early pressure this week as escalating tensions between the United States and Iran pushed oil prices higher, while increasing divisions among Fed officials over the direction of interest rate policy added to investor uncertainty. That being said, on Friday, the U.S. Supreme Court struck down Trump's tariffs, sending most markets higher. It's worth noting that the White House has alternative means to reinstate the tariffs in a piecemeal fashion.

Walmart, the largest U.S. retailer, reported strong sales growth this week, driven by increased grocery and online delivery demand across income groups. Advertising revenue, although still a small segment, remained profitable and grew rapidly. Management noted continued value-seeking among middle- and low-income consumers and expect higher tax refunds from the One Big Beautiful Bill to support sales growth this year. Even so, they issued full-year guidance below expectations, citing ongoing uncertainty from tariffs and the broader economy.

Markets

(Total returns, in CAD)

As of February 19, 2026	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.78	0.01	0.23	8.84	21.18	15.44
S&P/TSX	1.63	5.30	6.18	34.54	21.42	16.17
NASDAQ	0.63	-1.94	-1.95	7.61	26.73	14.66
MSCI ACWI	0.81	1.13	2.14	13.03	19.95	13.52
MSCI EAFE	0.76	3.94	8.04	26.74	18.05	11.59
MSCI EM	0.91	3.43	11.23	35.98	20.03	6.49
Commodities (USD)						
Gold	-0.91	2.08	15.67	70.32	39.45	22.87
CRB	-0.13	-0.84	0.44	-2.15	-0.54	2.42
WTI	5.63	1.87	15.69	-8.06	-4.53	2.32
Fixed income						
FTSE TMX Canada Universe	0.09	1.12	1.71	3.83	4.80	0.66
FTSE TMX Canada Long	-0.05	1.93	2.74	1.99	3.80	-1.74
FTSE TMX Canada Corporate Overall	0.08	0.90	1.71	5.68	6.69	2.23
Currencies (USD)						
DXY	1.04	0.96	-0.40	-8.63	-1.94	1.62
USDCAD	0.46	0.49	-0.32	-3.89	0.51	1.63
USDEUR	0.81	0.66	-0.23	-11.47	-3.15	0.58
USDJPY	1.51	0.15	-1.08	2.34	4.94	8.01
USDGBP	1.38	1.63	0.07	-6.53	-3.67	0.80

	CA	U.S.
Bond yields		
2Y	2.44	3.46
5Y	2.75	3.64
10Y	3.22	4.07
30Y	3.71	4.70

Source: iA Global Asset Management, Bloomberg

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