



What happened this week

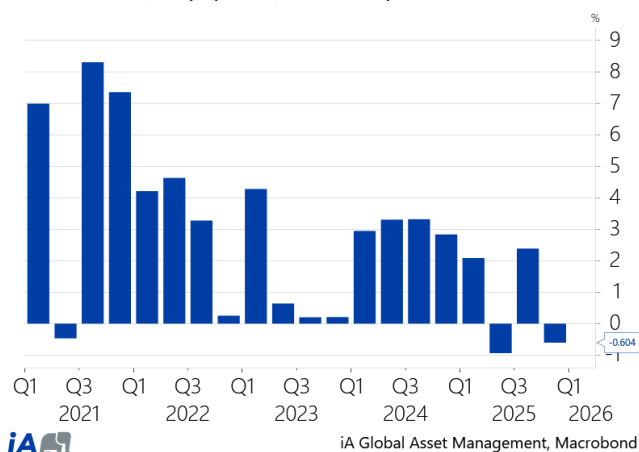
February 27, 2026

In Canada, this week's macroeconomic data signaled a mixed economic environment. Early estimates showed that manufacturing sales fell 3.3% in January, led by notable declines in the transportation equipment and machinery subsectors. Meanwhile, fourth-quarter GDP contracted at an annualized rate of -0.6%, a sharp downside surprise after the 2.4% expansion in the previous quarter. Even so, underlying activity proved more resilient than the headlines suggested. Exports rose 1.5% and household spending increased 0.4%, recovering from their third-quarter weakness.

In the United States, the January Producer Price Index showed that wholesale inflation came in hotter than expected, signalling persistent underlying price pressures. Headline PPI rose 0.5%, above expectations of 0.3% and faster than December's 0.4% increase. Core PPI, which excludes food and energy, increased by a sharper-than-expected 0.8%—more than double the market forecast and higher than the prior month's 0.6% gain. On a 12-month basis, core PPI accelerated to 3.6%, suggesting that underlying cost pressures are still building. Most of the inflation came from the services sector, where prices rose 0.8%, the biggest increase since mid-2025. Meanwhile, goods prices fell 0.3%, driven by declines in food and energy, although core goods rose 0.7% and metals prices posted a notable 4.8% gain.

Canada: Real GDP Growth

Statistics Canada, % QoQ, SAAR, as at 2025 Q4



Bond market

The roiling of the capital markets this week amid building geopolitical uncertainty, combined with worries about AI's impact on various sectors and concerns about private credit, helped push bond yields lower. The U.S. 10-year Treasury yield pierced through 4% to finally reach a three handle, albeit only modestly so.

Highlights

- Canada's fourth-quarter GDP underscored a softening economic backdrop, albeit with pockets of underlying strength.
- In the United States, upside surprises in PPI and core PPI readings tempered market hopes for imminent rate cuts.

On our radar

- Canada: S&P Global Manufacturing PMI for February.
- United States: Nonfarm payrolls, unemployment rate, ISM manufacturing/services PMIs for February.

Expectations for improved productivity from AI have been the main driver behind the collapse of longer-dated yields over the past couple of weeks, with U.S. 10s erasing more than 30 basis points since the recent peak in January. What's more, the 2s-30s curve dropped 15 basis points during the same period, because AI's favourable productivity impact is seen to be a longer-term phenomenon. At the same time, lingering U.S. inflation caused futures to push out expectations for the next Fed rate cut to July, although three 25-basis-point moves are still seen for 2026. As we have noted for a while, the directionality for U.S. yields remains lower. In addition, rising risk-off sentiment is starting to affect credit, with U.S. IG backing up 10 basis points in February to finally break past 80 basis points, while U.S. HY tacked on 20 basis points to move above 280. Both U.S. IG and HY are near the low end of the range, but persistent AI pressures were exacerbated this week by the insolvency of a U.K. lender, suggesting credit pressure may worsen in the near term.

Stock market

Canadian equities continued to advance whereas U.S. equity markets were unable to sustain gains this week, despite strong results from Nvidia. Higher-than-expected PPI readings reinforced expectations that the Fed will keep rates steady in the near term. Additionally, concerns are mounting about potential economic disruption as AI replaces white-collar jobs.

Nvidia shares declined this week, even though record quarterly sales of \$68.1 billion exceeded analyst expectations and marked the strongest growth rate in four quarters. The company also projected an even higher growth rate for the current quarter, surpassing analysts' consensus by the biggest margin in two years. That said, investors remain concerned about the sustainability of the AI spending surge as well as threats to Nvidia's dominance.

As for the streaming sector, Netflix shares rallied after the company announced it would withdraw from bidding for Warner Bros. This decision reassured investors, who were concerned that Netflix might overpay and become another conventional Hollywood studio.

Markets

(Total returns, in CAD)

As of February 26, 2026	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.05	0.72	0.94	12.05	22.11	16.08
S&P/TSX	2.06	8.18	9.09	39.81	23.10	17.20
NASDAQ	0.13	-0.99	-1.01	13.00	28.02	15.96
MSCI ACWI	0.29	1.99	3.01	15.49	20.90	14.27
MSCI EAFE	0.78	5.20	9.35	25.70	19.05	12.41
MSCI EM	3.41	7.18	15.27	39.82	22.14	8.58
Commodities (USD)						
Gold	1.52	5.94	20.04	77.79	41.99	24.49
CRB	0.69	0.68	1.98	0.66	0.04	2.50
WTI	-1.78	0.00	13.57	-4.97	-5.11	1.18
Fixed income						
FTSE TMX Canada Universe	0.29	1.48	2.07	2.92	5.08	0.79
FTSE TMX Canada Long	0.53	2.61	3.43	0.26	4.19	-1.73
FTSE TMX Canada Corporate Overall	0.09	1.04	1.85	4.83	6.91	2.38
Currencies (USD)						
DXY	-0.01	0.82	-0.54	-8.10	-2.41	1.48
USDCAD	0.00	0.50	-0.31	-4.58	0.17	1.44
USDEUR	-0.11	0.46	-0.43	-11.12	-3.66	0.46
USDJPY	0.70	0.87	-0.37	4.71	4.59	7.94
USDGBP	-0.03	1.51	-0.05	-5.98	-3.96	0.65

	CA	U.S.
Bond yields		
2Y	2.43	3.43
5Y	2.71	3.57
10Y	3.17	4.00
30Y	3.67	4.66

Source: iA Global Asset Management, Bloomberg

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