



# Keys to the market

## What happened this week

May 1, 2026

In Canada, this week's data suggested stable monetary conditions alongside gradually improving but uneven growth dynamics. The Bank of Canada kept its policy rate at 2.25%, in line with expectations, emphasizing caution amid geopolitical risks and recent energy-driven inflation pressures. Policymakers noted that although inflation has accelerated because of higher oil prices, pass-through to broader sectors remains limited and inflation expectations are still anchored. On the activity front, GDP rose 0.2% month over month in February, supported by a strong rebound in manufacturing and gains across goods-producing industries, even as flash estimates pointed to flat output in March. Canada's manufacturing sector moved firmly back into expansion in April, with the S&P Global Canada Manufacturing PMI rising to 53.3, up from 50.0 in March, marking the highest reading since June 2022. Production and new orders increased sharply, with output growth the strongest since May 2022 and new orders rising at the fastest pace in over four years. Export orders also accelerated, reflecting stronger near-term demand.

In the United States, data pointed to resilient economic activity amid uncertainty and firm inflation pressures. Real GDP expanded at an annualized 2.0% in the first quarter of 2026, up from 0.5% previously but below expectations, supported by a rebound in government spending and a sharp pickup in business investment, notably in AI-related equipment, while softer consumption and net trade weighed on growth. Durable goods orders rose 0.8% month over month in March, exceeding expectations. Meanwhile, the Federal Reserve held rates at 3.75% as inflation measures remained elevated. The U.S. core PCE Price Index rose 0.3% in March 2026, easing slightly from a 0.4% increase in February and landing in line with market expectations. Services inflation continued to contribute to core pressures while goods prices showed mixed dynamics. Lastly, ISM Manufacturing PMIs remained in expansion, but the composition of growth became more uneven. New orders continued to strengthen, suggesting demand resilience, while production growth cooled modestly after stronger gains earlier in the quarter.

### Bond market

It was a difficult week for bonds as the United States' inability to close out its Iran incursion weighed on oil prices again, prompting fixed income to finally throw in the towel, with U.S. 10s piercing 4.4% again after reaching a low of 4.25% at mid-month. Also adversely influencing sentiment for bonds was the hawkish tone expressed at the many central bank meetings that took place during the week, including in Canada, the U.S., Europe and the U.K. Although there were no moves, as expected, the global impact of the Iran conflict has all central banks cautioning about inflation. And in the United States, three committee members dissented on the bias of the FOMC's statement, preferring a more neutral tone versus potentially accommodative language. As has been

### Highlights

- In Canada, policy remained steady as GDP rebounded modestly and inflation pressures stayed contained.
- In the U.S., activity and economic growth stayed resilient; the policy rate was unchanged.

### On our radar

- Canada: Unemployment rate and Ivey PMI for April, balance of trade for March
- United States: Nonfarm payrolls, unemployment rate, ISM services PMI for April, and job openings for March

the case for a while, the Middle East turmoil is driving bonds, although next week we will see if U.S. labour data can exert any impact. In contrast to rates markets, spread was still unaffected by events in the Middle East, with U.S. IG staying below 80 basis points and U.S. HY below 270. Earnings season did nothing to alter that relatively sanguine view.

### Stock market

The S&P 500 Index rose this week, as the earnings season hit full stride, with major reports led by the hyperscalers—Meta Platforms, Alphabet, Amazon, and Microsoft—marking their first updates since the U.S. operations began in Iran in late February. Meta Platforms, the parent company of Facebook and Instagram, delivered revenue ahead of expectations but fell short on user growth and flagged a step-up in capital expenditures, driven by rising component costs. The company pointed to Internet disruptions in Iran and restricted access to WhatsApp in Russia as headwinds to user growth. Unlike its hyperscaler peers, Meta lacks a cloud business, making it more difficult to demonstrate to investors clear returns on its escalating AI investments.

In contrast, the cloud-heavy trio, Alphabet, Microsoft, and Amazon, all reported stronger-than-expected cloud performance. Alphabet, the parent company of Google, YouTube, and Gemini, posted a solid quarter, with continued momentum in Gemini adoption. Notably, enterprise AI solutions emerged as the primary growth driver in its cloud segment for the first time, with paid monthly active users rising 40% quarter over quarter. Microsoft reported standout growth in Azure and related cloud services, supported by a sharp increase in demand for AI capabilities. The number of customers deploying models from Anthropic and OpenAI through Microsoft's platform doubled sequentially. Amazon delivered its fastest cloud growth in over three years, with AWS revenue up 28% year over year. The company's in-house chip initiatives continue to benefit from AI-driven demand. Overall, the divergence remains clear: While Meta is investing heavily to keep pace in AI, the hyperscalers with established cloud platforms are already translating AI demand into tangible revenue acceleration, with investors preferring to back the latter.

## Markets

(Total returns, in CAD)

As of April 30, 2026	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	0.06	7.77	4.96	29.14	21.83	15.45
S&P/TSX	0.21	3.81	7.90	40.10	21.54	15.51
NASDAQ	-0.01	12.78	7.97	38.23	27.65	16.99
MSCI ACWI	0.07	6.89	4.93	27.27	19.84	13.56
MSCI EAFE	0.08	4.80	5.37	22.77	15.43	11.05
MSCI EM	-1.14	11.90	13.81	45.35	21.42	8.71
<b>Commodities (USD)</b>						
Gold	-1.95	-1.08	6.91	40.42	32.39	21.15
CRB	0.00	0.00	4.71	3.24	1.08	1.22
WTI	11.30	3.64	82.99	80.50	11.02	10.57
<b>Fixed income</b>						
FTSE Canada Universe	-0.53	0.12	0.35	1.63	3.20	0.74
FTSE Canada Long	-0.81	0.45	0.41	0.08	1.18	-1.44
FTSE Canada Corporate	-0.42	0.40	0.55	3.61	5.34	2.33
FTSE Canada Short Term	-0.29	0.08	0.33	2.36	4.20	2.00
Bloomberg Global-Aggregate (CAD-Hedged)	-0.37	0.17	-0.41	0.98	2.68	-0.05
Bloomberg US Aggregate (CAD-Hedged)	-0.52	-0.01	-0.48	2.23	2.10	-0.75
<b>Currencies (USD)</b>						
DXY	-0.48	-1.91	-0.27	-1.42	-1.20	1.44
USDCAD	-0.63	-2.40	-1.03	-1.57	0.07	2.02
USDEUR	-0.08	-1.52	0.12	-3.43	-2.07	0.49
USDJPY	-1.75	-1.34	-0.08	9.45	4.73	7.45
USDGBP	-0.53	-2.76	-0.94	-2.01	-2.61	0.31

	CA	U.S.
<b>Bond yields</b>		
2Y	2.95	3.87
5Y	3.19	4.01
10Y	3.54	4.37
30Y	3.92	4.97

Source: iA Global Asset Management, Bloomberg

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