



What happened this week

May 22, 2026

In Canada, this week's data pointed to resilient consumer activity alongside easing underlying inflation pressures. Headline CPI rose to 2.8% in April, below expectations of 3.1%, driven largely by a surge in gasoline prices, while core inflation softened to 2.1%, its lowest level since early 2025, suggesting limited pass-through beyond energy. March retail sales rose 0.9% month over month, above expectations of 0.6%, with sales excluding motor vehicles and parts dealers up 1.4%, indicating solid underlying consumption. Overall, while energy-driven price pressures lifted headline inflation, softer core measures and firm retail activity pointed to a still-resilient but stabilizing domestic backdrop.

In the United States, data indicated resilient but uneven activity amid mounting cost pressures. The S&P Global Composite PMI held at 51.7 in May, above the expected 51.5, with manufacturing surprising to the upside at 55.3, its strongest expansion in over four years that offset softer services at 50.9. Factory output and hiring strengthened, partly supported by precautionary stockpiling, while services demand remained subdued and job cuts accelerated. Housing starts fell 2.8% month over month to 1.465 million, above expectations of 1.41 million, reflecting headwinds from elevated mortgage rates, with weakness concentrated in single-family construction. Across sectors, rising input costs, driven by energy and supply constraints, intensified price pressures and weighed on demand and employment.

Canada: Total Inflation
Statistics Canada, % YoY, as at 4/2026



Bond market

It was another volatile week for bonds. Rumours of a pending partial resolution to Middle East turmoil allowed yields to climb down from recent peaks, although not before triggering speculation that ongoing global inflation pressures and unique difficulties facing numerous sovereigns had caused a permanent upshift in levels. Notwithstanding those concerns, it is more likely North American bond investor momentum will take yields lower, once an official announcement is made about any agreement between the U.S. and Iran. Ten-year US treasuries are already looking to move back below 4.5%; however, futures still suggest that the next Fed move will be a 25-basis-point hike early in 2027.

Highlights

- In Canada, consumer resilience held as core inflation softened despite energy-driven headline pressures.
- In the United States, activity remained resilient but uneven, with manufacturing offsetting weakness in services amid rising costs.

On our radar

- Canada: Q1 GDP, wholesale sales and manufacturing sales (preliminary) for April
- United States: Q1 GDP, core PCE and durable goods orders for April

Although the Middle East tumult has been the main driver of yields for the past while, next week's numbers on U.S. inflation may impact the market either way, since investors are currently sensitive to any such data. In credit, like other risk assets, investors are looking past the Middle East conflict with optimism, given ongoing decent corporate earnings, keeping U.S. IG below 80 basis points and U.S. HY under 270.

Stock market

It was a short but eventful week, with the S&P 500 ending up 0.9%. Nvidia, the U.S. chip giant, delivered another record quarter, beating both sales and earnings expectations and signalling no slowdown in AI-driven demand. Its consistently strong performance continues to raise investor expectations, setting a very high bar even as concerns grow that increasing competition could challenge its dominance.

On the consumer side, Walmart—a key bellwether—issued a weaker-than-expected outlook for the current quarter. High gas prices weighed on consumer affordability, while also pressuring Walmart's margins due to higher-than-anticipated fuel costs. The cautious guidance reflects ongoing concerns around consumer confidence but also positions Walmart to gain market share as inflation drives consumers to seek value.

Meanwhile, Home Depot highlighted a still-muted environment for home improvement. Elevated mortgage rates and broader consumer uncertainty are discouraging homeowners from taking on large projects, despite generally healthy financial positions. The company noted that higher fuel costs are weighing on both transportation and input expenses, though potential tariff refunds could provide some relief. With guidance unchanged, expectations for consumer demand appear to have stabilized, leaving room for upside if conditions improve.

Markets

(Total returns, in CAD)

As of May 21, 2026	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.73	4.72	9.91	28.42	23.61	17.12
S&P/TSX	1.71	1.39	9.40	36.41	22.62	15.30
NASDAQ	0.99	8.33	16.96	38.71	29.48	20.16
MSCI ACWI	0.99	3.98	9.11	25.80	21.39	14.86
MSCI EAFE	1.53	2.46	7.96	20.04	16.59	11.54
MSCI EM	0.67	6.22	20.88	45.65	23.97	10.76
Commodities (USD)						
Gold	0.07	-1.62	5.18	37.05	31.94	19.28
CRB	0.00	0.00	4.71	1.09	1.32	0.90
WTI	-8.60	-8.30	67.80	56.49	10.43	8.67
Fixed income						
FTSE Canada Universe	1.04	0.35	0.71	3.44	3.85	0.83
FTSE Canada Long	1.83	0.58	0.99	3.44	2.32	-1.24
FTSE Canada Corporate	0.91	0.36	0.91	4.66	5.90	2.43
FTSE Canada Short Term	0.51	0.28	0.61	3.03	4.50	2.06
Bloomberg Global-Aggregate (CAD-Hedged)	0.28	-0.34	-0.75	1.99	2.87	-0.10
Bloomberg US Aggregate (CAD-Hedged)	0.27	-0.59	-1.07	3.72	2.47	-0.86
Currencies (USD)						
DXY	-0.03	1.22	0.95	-0.30	-1.29	1.97
USDCAD	0.20	1.44	0.39	-0.60	0.67	2.69
USDEUR	0.06	0.97	1.09	-2.47	-2.39	0.95
USDJPY	0.15	1.53	1.45	10.65	4.84	7.85
USDGBP	-0.79	1.28	0.32	-0.09	-2.51	1.05

	CA	U.S.
Bond yields		
2Y	2.91	4.08
5Y	3.20	4.24
10Y	3.55	4.57
30Y	3.91	5.09

Source: iA Global Asset Management, Bloomberg

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