



Market Commentary

Q1 2026



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March 31, 2026	3 months (%)	1 Year (%)
Canadian Equities		
S&P/TSX Composite TR	3.94	34.83
S&P/TSX 60 TR CAD	3.08	30.75
S&P/TSX Small Cap TR	11.39	65.80
Canadian Fixed Income		
S&P Canada Aggregate Bd TR CAD	0.22	0.76
US Equities		
S&P 500 TR (1989)	-4.33	17.80
NASDAQ Composite TR USD	-6.96	25.60
US Fixed Income		
Bloomberg US Agg Bond TR USD	-0.05	4.35
Global Equities		
MSCI World GR CAD	-1.73	15.76
MSCI EAFE GR CAD	0.67	18.18
MSCI EM GR CAD	1.71	26.35
Global Fixed Income		
FTSE WGBI CAD	0.74	0.60

March 31, 2026	S&P/TSX GIC Sectors (CDN)		S&P 500 GIC Sectors (USD)	
Equity Sectors	3 months (%)	1 Year (%)	3 months (%)	1 Year (%)
Information Technology	-22.50	3.05	-9.13	29.05
Communication Services	5.78	14.94	-6.94	32.51
Consumer Discretionary	-3.94	26.03	-9.19	11.72
Utilities	11.24	26.94	8.26	19.71
Energy	30.08	50.99	38.25	36.32
Industrials	-0.24	4.87	4.61	25.17
Health Care	-4.47	5.35	-4.88	2.31
Financials	-1.91	34.40	-9.35	0.72
Materials	10.70	84.56	9.73	17.97
Real Estate	-4.31	1.37	2.76	2.34
Consumer Staples	3.13	16.88	7.68	6.31

Source: Morningstar

All in Canadian Dollars except US indices and S&P 500 GIC sectors, which are in US Dollars.

Global Markets: Geopolitics Changed the Narrative

Global markets began 2026 with cautious optimism, supported by resilient economic data, moderating inflation, and expectations for additional monetary easing. That backdrop changed abruptly late in the quarter as geopolitical tensions escalated sharply.

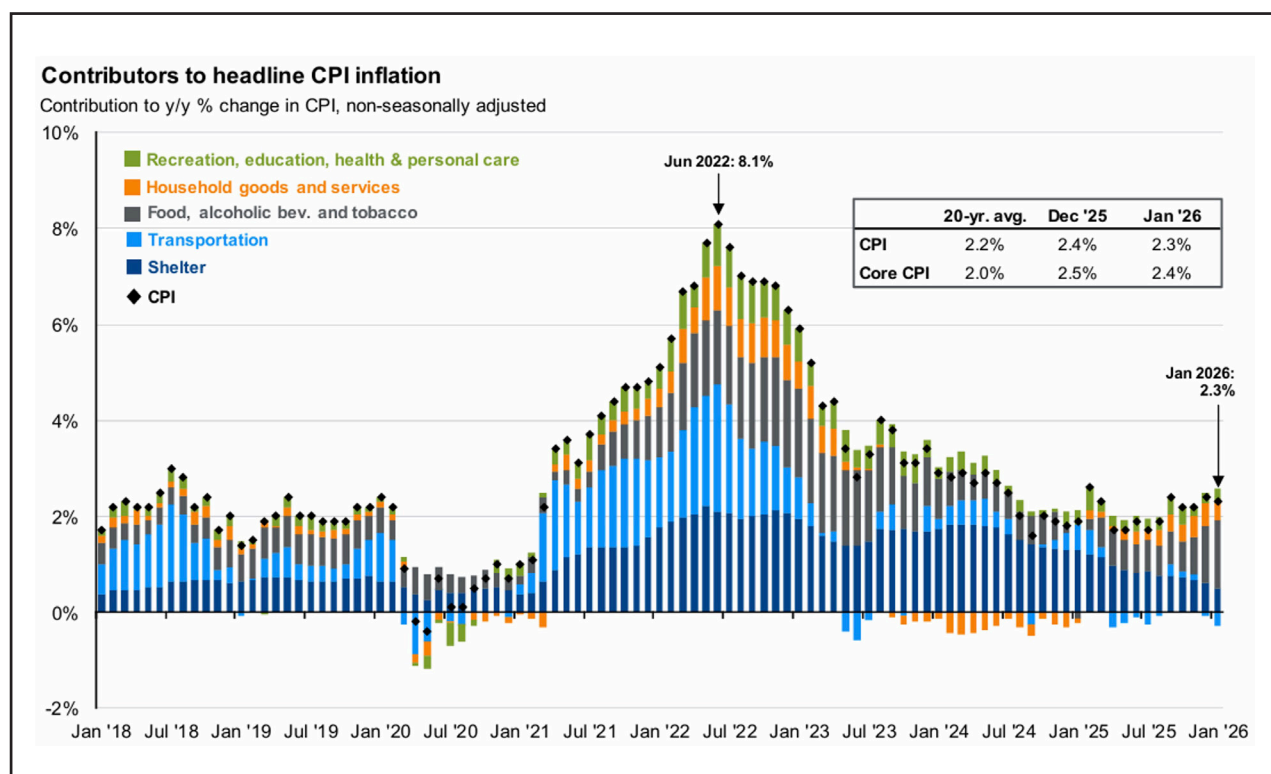
The conflict involving the United States, Israel, and Iran triggered a surge in energy prices, renewed inflation concerns, and a broad rise in market volatility. As a result, investors moved away from the soft-landing narrative that had supported risk assets entering the year and began to price a more uncertain macroeconomic environment.

Monetary Policy: Caution Returned

Central banks entered Q1 in a patient position following rate cuts late in 2025. Both the U.S. Federal Reserve and the Bank of Canada held rates steady in January, emphasizing data dependence and uncertainty around the path of future easing.

By March, however, the rise in oil prices had complicated the outlook. Investors quickly reassessed how much easing central banks might realistically deliver, and bond yields moved higher as markets shifted toward a more prolonged higher-for-longer view. While policymakers continued to frame the energy shock as potentially temporary, the tone became less supportive for risk assets by quarter-end.

Importantly, inflation is no longer accelerating broadly, but it is not fully resolved. Headline inflation has moderated significantly from its 2022 peak, yet underlying pressures remain uneven. Shelter continues to contribute meaningfully, while more volatile categories retain the potential to disrupt the disinflation trend.



Source: Statistics Canada, FactSet, J.P. Morgan Asset Management

Equity Markets: Leadership Narrowed

Equity markets were challenged in Q1, but the more important story was the rotation beneath the surface. As inflation concerns resurfaced, bond yields rose, and the outlook for rate cuts became less certain, leadership shifted away from long-duration growth and other rate-sensitive sectors toward energy, materials, and more inflation-resilient areas. This change in leadership also offers useful insight into where we may be in the broader cycle.

The chart below illustrates how sector performance has historically evolved across market phases. While cycles are never exact, the current environment increasingly resembles a later-cycle phase, where leadership tends to narrow and investors place greater emphasis on resilience, cash flow, and inflation sensitivity.

Sector	Early Cycle—rebounds	Mid Cycle—peaks	Late Cycle—moderates	Recession—contracts
 Financials	+	-	+	-
 Real Estate	++	-	+	--
 Consumer Discretionary	++	-	--	-
 Information Technology	+	+	-	--
 Industrials	++	-	-	--
 Materials	+	--	-	-
 Consumer Staples	--	-	+	++
 Health Care	--	-	+	++
 Energy	--	-	++	--
 Communication Services	-	+	-	-
 Utilities	--	-	+	++
Economically sensitive sectors have tended to outperform, while more defensive sectors have tended to underperform. Making marginal portfolio allocation changes to manage drawdown risk with sectors may enhance risk-adjusted returns during this cycle. Defensive and inflation-resistant sectors have tended to perform better, while more cyclical sectors underperform. Since performance generally has been negative during recessions, investors should focus on the most defensive, historically stable sectors.				

Source: Quarterly Market Update Commentary First Quarter 2026, Fidelity Investments

Canada: Canadian equities proved relatively resilient, supported by the market's heavier exposure to financials, energy, and materials. Rising commodity prices provided meaningful support, while Canada's lower exposure to high-valuation technology shares was helpful in a less forgiving rate environment. Still, strength was selective rather than broad-based, with leadership concentrated in commodity-linked and value-oriented sectors.

United States: U.S. equities were weaker and more volatile as investors reassessed the outlook for inflation, interest rates, and geopolitical risk. Mega-cap technology and other high-valuation growth shares came under pressure, while energy and more defensive areas outperformed.

International: International markets were mixed. Europe faced pressure from rising energy costs and softer growth momentum, while some commodity-linked emerging markets proved more resilient. Overall, regional performance reflected differences in energy sensitivity, sector exposure, and macro vulnerability.

The main takeaway from Q1 is that sector composition mattered more than geography alone. Leadership narrowed, valuation discipline returned, and investors placed greater emphasis on cash-flow durability and real-asset exposure.

Fixed Income: Pressure in the Short Term, Opportunity in the Medium Term

Fixed income markets faced renewed pressure in Q1 as higher energy prices revived inflation concerns and pushed yields higher. Government bonds sold off, and shorter-duration bonds were particularly affected as markets repriced near-term policy expectations. Credit spreads remained relatively contained for much of the quarter, although volatility increased late in the period.

While short-term returns were muted, the broader outlook for fixed income remains more balanced. Elevated yields continue to offer more attractive income potential than was available for much of the prior cycle, especially in high-quality segments of the market.

Commodities and Gold: Real Assets Stood Out

Commodities were the strongest-performing asset class in Q1, led by energy. The disruption to global oil flows drove prices higher and had ripple effects across inflation expectations, manufacturing costs, and investor sentiment.

Gold was more mixed. While geopolitical tensions supported safe-haven demand, rising real yields and a stronger U.S. dollar limited its upside. This highlighted the continued importance of monetary policy expectations in shaping precious metals performance.

Focus on Canada: Relative Resilience, but Not Broad Strength

Canada's economy showed both resilience and divergence during the quarter. Resource-producing regions benefited from higher energy prices and stronger materials demand, while consumer activity moderated as higher fuel costs weighed on sentiment. Housing remained relatively stable, supported in part by lower mortgage rates earlier in the easing cycle.

Canada remained exposed to global trade and geopolitical developments, but its commodity mix provided an important buffer in a volatile quarter. That relative resilience, however, should not be mistaken for uniformly strong domestic conditions.

Private Markets: Caution, but Fundamentals Remain Intact

Private markets activity moderated in Q1 as investors and managers placed greater emphasis on liquidity management and capital discipline. Within private credit, gating activity increased modestly, reflecting prudent fund-level management, prior inflows, and portfolio rebalancing rather than a broad deterioration in credit quality.

In many cases, gating has been proactive rather than distress-driven. Underlying fundamentals across much of private credit remain sound, with generally healthy corporate balance sheets, contained defaults, and continued downside protection from senior secured structures. For long-term investors, private credit continues to play an important role in diversification, income generation, and risk-adjusted return potential.

Looking Ahead: Key Themes for Investors

As investors move further into 2026, several themes remain central:

- **Geopolitics:** The duration and scope of Middle East tensions will continue to influence energy prices and market sentiment.
- **Inflation:** Commodity-driven price pressures may delay further rate cuts and keep policy uncertainty elevated.
- **Earnings quality:** Markets are likely to reward balance-sheet strength, pricing power, and cash-flow visibility.
- **Diversification:** A balanced portfolio remains essential in a volatile, headline-driven environment.



Final Thoughts: Stay Disciplined

Q1 was a reminder that market cycles rarely move in straight lines. Geopolitical shocks can be disruptive, but they are often episodic rather than permanently structural. In this environment, discipline, diversification, and a long-term perspective remain critical. Your Mandeville Advisor remains well positioned to help assess evolving risks and ensure portfolios stay aligned with long-term objectives.

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