

Views from the Frontline

February 3, 2026

As of Jan 30, 2026	QTD	YTD
S&P 500	1.5%	1.5%
S&P/TSX Composite	0.8%	0.8%
EAFE	3.2%	3.2%
Volatility (VIX)	2.5	2.5

In January, US equities returned 1.5% and Canadian equities gained 0.8%. U.S. earnings were broadly supportive, with companies showing improved operating margins and steady growth in both sales and profits. Early tech earnings reported continued commitment to AI investment, while valuation

concerns slowed recent momentum in stock prices. Major U.S. banks delivered solid results, supported by strong trading activities and stable fee incomes. Global markets faced a volatile start to the year, with equity performance largely driven by several geopolitical events. These included Japan's snap election, events in Venezuela, and U.S. interest in Greenland. In Canada, higher demand for precious metals initially boosted the market as geopolitical uncertainty pushed gold and silver prices to record highs. A sharp reversal in both metals late in the month dragged the materials sector lower and erased the broader index's early outperformance.

U.S. interest rates rose slightly in January, supported by steady economic data and reduced expectations that the U.S. Federal Reserve would lower the policy rate in the first half of 2026. The U.S. bond market generally ignored geopolitical developments except for events in Japan. Rising concerns about Japan's fiscal position and currency intervention drove U.S. interest rates higher before stabilizing later in the month. U.S. economic indicators pointed to strong growth, a stable labour market, and somewhat elevated inflation. The Federal Reserve kept its policy rate at 3.50%–3.75% in January and remains data dependent. President Trump's nomination of Kevin Warsh to succeed Chair Powell as Federal Reserve Chair was accepted by markets with little volatility despite earlier concerns about central bank independence.

As of Jan 30, 2026	QTD	YTD
US 10 Year	7 bps	7 bps
Canada 10 Year	-2 bps	-2 bps
Volatility (MOVE)	-4.8	-4.8

In Canada, interest rates ended the month roughly unchanged. The economy faced ongoing pressure from U.S. tariffs and broad uncertainty ahead of the USMCA renewal. The unemployment rate remained elevated in the fourth quarter, inflation was persistent, and growth appears to have stalled. The Bank of Canada kept its policy rate at 2.25%, noting that uncertainty remains high and it is ready to adjust policy if needed.

Market participants expect the Federal Reserve to cut the policy rate by two 25-basis-point moves in 2026, while the Bank of Canada is expected to keep rates unchanged this year.

As of Jan 30, 2026	QTD	YTD
Canada Aggregate Bond	0.6%	0.6%
US Aggregate Bond	0.1%	0.1%
US High Yield Bond	0.5%	0.5%

In January, the FTSE Canada Universe Bond Index returned 0.6%. Long-term bonds performed the best (+0.8%), followed by mid-term bonds (+0.6%), and short-term bonds (+0.4%). Corporate bonds outperformed government bonds with a return of

0.8%, as investors bought risk. The risk premium for owning corporate bonds is now at levels not seen since prior to the financial crisis in 2008. The market demand for corporate bonds was also on display with very strong bond issuance. In total, January saw 23 bond issues come to market worth \$16.9 billion, a new record for January. Issuers of note included Canadian banks (TD Bank, CIBC, National Bank, Desjardins), auto company Hyundai, and a new issuer to the Canadian market: Artemis Gold, taking advantage of record high gold prices.

Market Drivers

Geopolitics	Japan	Central Banks	Earnings

*Market driver size implies significance of developments, subjectively ranked given internal opinions.

Geopolitics – Negative

Rising tensions between the U.S. and the EU over Greenland increased uncertainty and worried investors. However, fears that global capital might shift away from U.S. assets were short-lived. Gold and silver prices surged to record highs as investors sought safety, before retreating toward month-end.

Japan – Negative

Japanese government bond yields jumped to record highs after Prime Minister Takaichi proposed tax cuts and large fiscal spending despite already heavy debt levels. Rising interest rates increased concerns about potential spillover effects most notably in the U.S. bond market. Conditions improved later as policymakers signaled readiness to support market stability.

Earnings – Neutral

U.S. earnings were generally strong, with companies showing improved operating margins and steady growth in sales and profits. Early tech results indicated continued commitment to AI investment despite rising concerns about monetization and valuations.

Central Banks – Neutral

The Federal Reserve and the Bank of Canada both kept interest rates unchanged in January. President Trump’s nomination of Kevin Warsh as the next Federal Reserve Chair has raised questions about the future path of interest rates and the Federal Reserve’s balance-sheet approach.

Mark Warywoda, CFA VP, Public Investments	Ian Whiteside, CFA, IMBA AVP, Public Investments	Johanna Shaw, CFA Director, Public Investments	Jin Li Director, Equity Investments
Wanyi Chen, CFA, FRM Sr. Quantitative Analyst	Andrew Vermeer, CFA Sr. Analyst, Credit		Kate (Huyen) Vinh Analyst, Equity
Elizabeth Ayodele Analyst, Credit	Edward Ng Cheng Hin Analyst, Credit		Francie Chen Analyst, Rates

ADVISOR USE ONLY

Except for statements of historical fact, all statements in this document are forward-looking statements. These forward-looking statements represent the portfolio manager’s current best judgment as to what may occur in the future. However, forward-looking statements are subject to many risks, uncertainties, and assumptions, and are based on the portfolio manager’s present opinions and views. For this reason, the actual outcome of the events or results predicted may be materially different from what is expressed. Furthermore, the portfolio manager’s views, opinions, or assumptions may subsequently change based on previously unknown information, or for other reasons. Equitable assumes no obligation to update any forward-looking information contained in this document. The reader is cautioned to consider these and other factors carefully and to not to place undue reliance on forward-looking statements. Investments may increase or decrease in value and are invested at the risk of the investor. Investment values change frequently, and past performance does not guarantee future results. Professional advice should be sought before an investor embarks on any investment strategy.