



Financial Monitor

For the week ending February 27th, 2026

Market Commentary

We will briefly recap the week and touch on some previously discussed themes that are now re-surfacing in markets (as well as a late breaking weekend development):

Sentiment remained mostly downtrodden this week with major US indices closing in the red, although, the S&P/TSX continues to lead the way on a year-to-date basis (+8.28%) after rising 1.54% this week – led again by the materials and energy sectors – the sectors perhaps the least exposed to AI disruption, and most apt to benefit from its development.

Indeed, uncertainty about the impacts of AI on the real economy and industries is creating a great deal of volatility and fear in equity markets – so much so that Nvidia’s strong earnings, which would have served to reinforce the AI narrative only a few months ago – was interpreted this week as “AI is coming for us and will disrupt whole industries” (software, etc?).

Economic uncertainty amidst continued concern about AI adoption and sharply rising capital expenditures hurting the bottom lines of hyperscalers has hurt the US technology sector (we note the NASDAQ index is the only major North American index in negative territory this year – see tables herewith).

Moreover, the US Supreme court’s ruling against President Trump’s tariffs, and his subsequent re-imposition of new tariffs further increased uncertainty on the trade file – and as we often note, markets do not like uncertainty, which has been in ample supply these days, and was not helped by the US State of the Union speech (the longest in history).

Indeed, over the weekend, additional uncertainty was created by the US led attack (joint with Isreal) on Iran which set off a string of regional conflicts in the Middle East. We anticipate this will spike oil prices upward due to increased insurance premiums at a minimum – and if production or transportation is disrupted in gulf states, price increases would be

Equity Indexes	Last	1W%	YTD %
S&P 500	6,878.88	- 0.44	+ 0.49
S&P/TSX Composite	34,339.99	+ 1.54	+ 8.28
Dow Jones	48,977.92	- 1.31	+ 1.90
NASDAQ	22,668.21	- 0.95	- 2.47
FTSE 1000 (UK)	10,910.55	+ 2.09	+ 9.86
CSI 300 (China)	4,710.65	+ 1.08	+ 1.74
Sensex Index (India)	81,287.19	- 1.84	- 4.62
Bonds Yields	Last	1W	YTD
Canada 10 Year Bond	3.128%	- 0.090	- 0.308
Canada 30 Year Bond	3.628%	- 0.077	- 0.235
US 10 Year Bond	4.017%	- 0.066	- 0.146
US 30 Year Bond	4.669%	- 0.053	- 0.172
Currencies	Last	1W	YTD
US Dollar Index	97.65	-0.15%	-0.69%
<i>Currencies to the Loonie</i>			
US Dollar	\$0.733	+\$0.002	+\$0.004
Euro	\$0.620	\$0.000	-\$0.000
British Pound	\$0.543	+\$0.001	+\$0.003
Chinese Yuan	\$5.025	-\$0.023	-\$0.070
Bitcoin	\$65,564	- 3.02%	- 25.23%
Commodities	Last	1W %	YTD%
Gold (USD/Troy Ounce)	\$5,277.29	+ 3.41	+ 22.33
ICE Brent Crude(USD/bbl)	\$73.24	+ 2.18	+ 20.24
WTI Light (USD/bbl)	\$67.29	+ 1.20	+ 17.21

Data as of: February 27, 2026 2:49 PM PT

Source: LSEG Datastream, Convexity Economics

higher. (Increased regional conflicts serve to highlight the relative stability and security of North American energy supplies)

Simmering liquidity concerns in the private equity space came to the fore again this week as credit defaults on levered lending portfolios met illiquid, stagnant and/or declining real estate holdings. This prompted accelerating investor redemptions, causing some funds to severely limit, and in some case, halt redemptions entirely “to preserve” asset values – to avoid forced liquidations in weak markets. As you

Equity Indexes	Daily Changes					1 Week %		YTD%	
	Monday	Tuesday	Wednesday	Thursday	Friday				
S&P 500	-1.04%	0.77%	0.81%	-0.54%	-0.43%	▼	0.44%	▲	0.49%
S&P/TSX Composite	-0.12%	0.57%	0.46%	1.10%	-0.47%	▲	1.54%	▲	8.28%
Dow Jones	-1.66%	0.76%	0.63%	0.03%	-1.05%	▼	1.31%	▲	1.90%
NASDAQ	-1.13%	1.04%	1.26%	-1.18%	-0.92%	▼	0.95%	▼	2.47%
Russell 2000	-1.61%	1.20%	0.41%	0.52%	-1.68%	▼	1.18%	▲	6.06%
S&P 600 Small Cap Index	-2.05%	0.97%	0.33%	0.55%	-1.27%	▼	1.50%	▲	7.71%

Data as of: February 27, 2026 2:49 PM PT

Source: LSEG Datastream, Convexity Economics

would expect, these developments hurt their share prices significantly, driving them below Net Asset Values (NAVs).

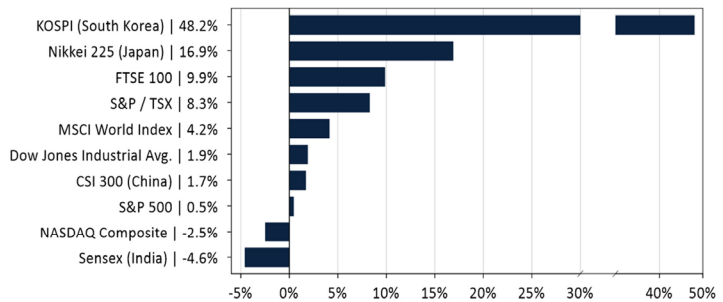
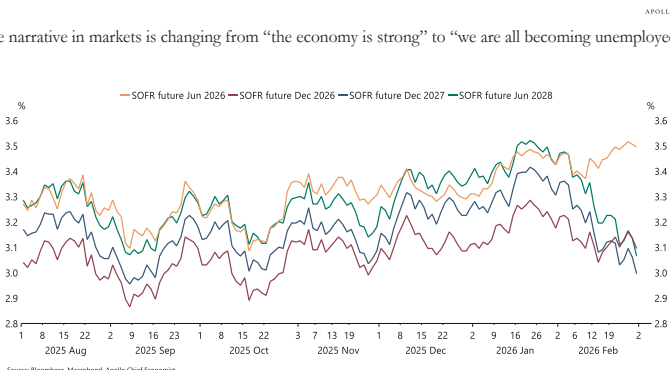
Compounding matters, private equity funds have been large investors (debt and equity) in the software space creating additional concerns, not only about these private equity funds, but about potential financial system risks given the interconnectedness of private equity markets and their borrowings from the public banking system.

The reaction of bond markets to these developments was relatively muted this week as longer yields were little changed. However, as shown in the chart below, expectations for short-term policy rates in the US, as represented by futures for the Secured

Overnight Financing Rate (SOFR) are increasingly pricing in a sharper path of US interest rates cuts than earlier this year – implicitly assuming a rapid pace of AI adoption.

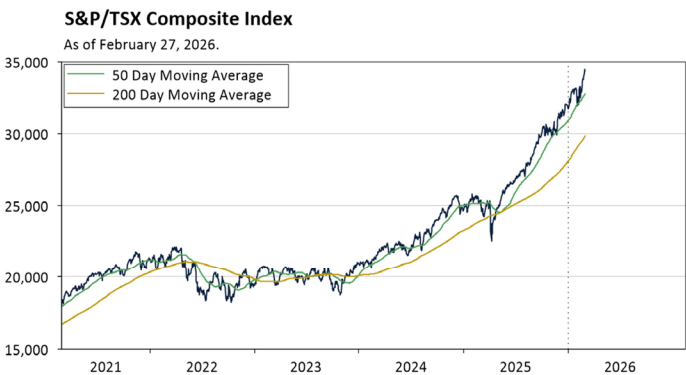
In the event this weekend’s developments lead to spike in energy prices, it may be difficult for the Federal Reserve to justify additional interest rate cuts this year. Accordingly, should a systemic financial issue arise from private equity or credit defaults, we expect the Federal Reserve to expand its balance sheet to ensure financial markets have ample liquidity to cope with any potential contagion risks.

The narrative in markets is changing from “the economy is strong” to “we are all becoming unemployed”

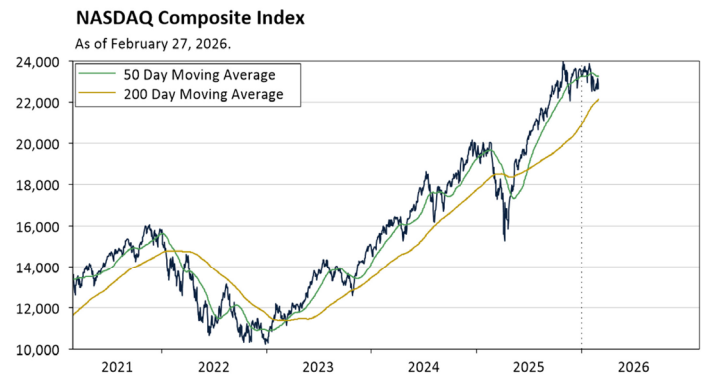


as of February 27, 2026

Source: LSEG Datastream, Convexity Economics










Source: LSEG Datastream, Convexity Economics



Source: LSEG Datastream, Convexity Economics

Central Bank Rates

Current Key Interest Rates			Next Meeting	Last Decision	Last Meeting
Canada		2.25%	Mar 18, 2026	—	Jan 28, 2026
United States*		3.75%	Mar 18, 2026	—	Jan 28, 2026
Mexico		7.00%	Mar 26, 2026	—	Feb 5, 2026
European Union		2.15%	Mar 19, 2026	—	Feb 5, 2026
India		5.25%	Apr 7, 2026	—	Feb 5, 2026
China		3.00%	Mar 19, 2026	—	Feb 23, 2026
Japan		0.75%	Mar 18, 2026	—	Jan 22, 2026

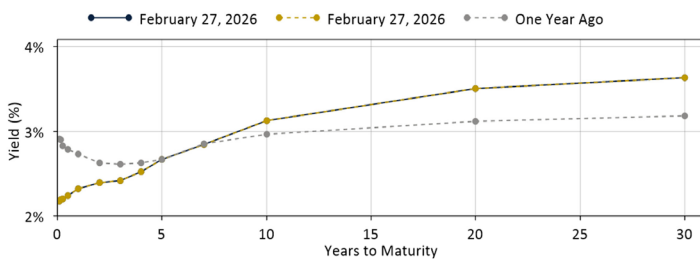
*Upper Limit

Data as of: March 1, 2026

Source: LSEG Datastream, Convexity Economics

Government of Canada Bond Yields

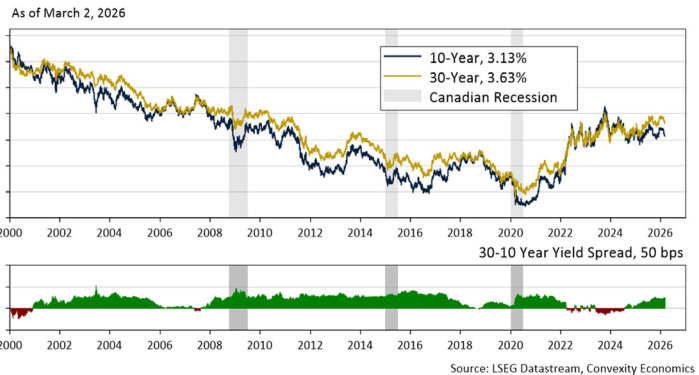
Government of Canada Bond Yield Curve



	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	2.18	2.19	2.20	2.24	2.32	2.40	2.42	2.52	2.67	2.85	3.13	3.50	3.63
Current	2.18	2.19	2.20	2.24	2.32	2.40	2.42	2.52	2.67	2.85	3.13	3.50	3.63

Source: LSEG Datastream, Convexity Economics

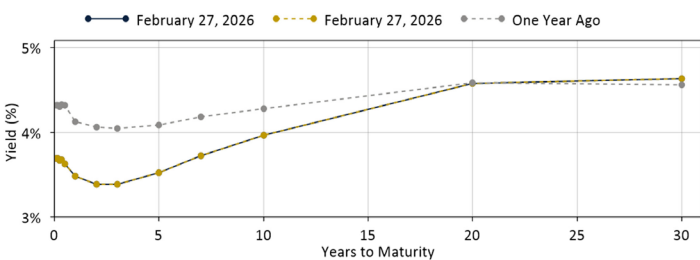
Canadian Government Bond Yields



Source: LSEG Datastream, Convexity Economics

U.S. Treasury Yields

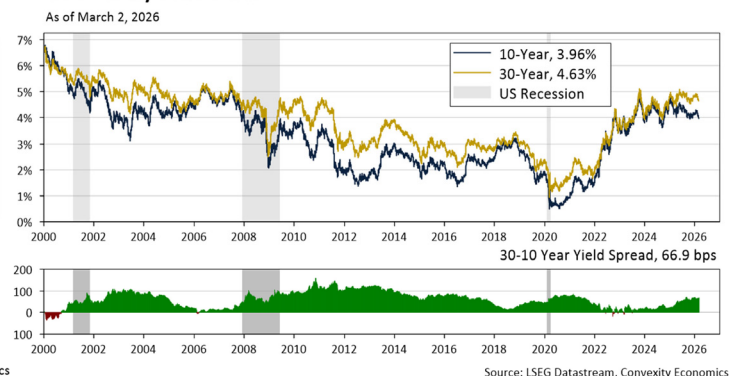
US Treasuries Yield Curve



	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	3.69	3.69	3.67	3.63	3.48	3.39	3.39	2.75	3.52	3.72	3.96	4.57	4.63
Current	3.69	3.69	3.67	3.63	3.48	3.39	3.39	2.75	3.52	3.72	3.96	4.57	4.63

Source: LSEG Datastream, Convexity Economics

US Treasury Bond Yields



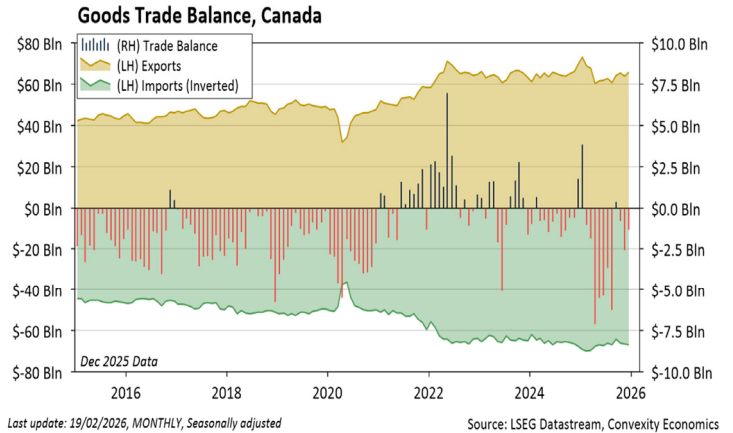
Source: LSEG Datastream, Convexity Economics

Canadian Goods Trade Balance

Canada's goods trade deficit was halved in December, narrowing from -\$2.6 billion to -\$1.3 billion. Exports rose 2.6% to \$65.6 billion, while imports rose 0.6% in December to \$66.9 billion.

A large proportion of trade occurs in US dollars and then is converted back to Canadian dollars by Statistics Canada. Due to the Canadian dollar strengthening relative to the US dollar*, this lowered the Canadian dollar values reported, all else being equal. In US dollars, exports rose 4.5% and imports increased 2.4%.

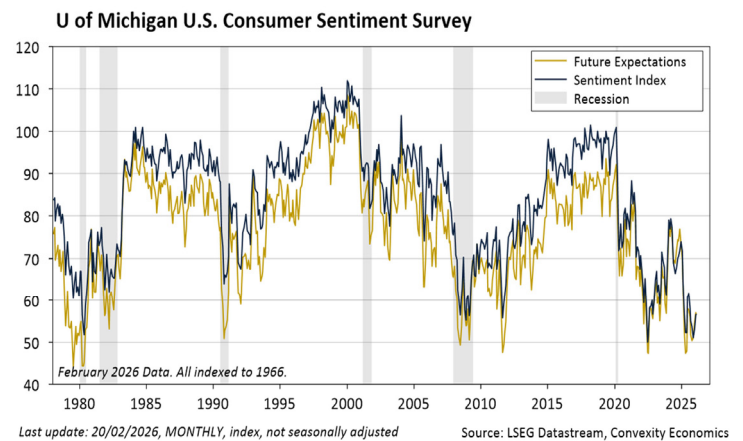
*The Statistics Canada December average value of the Canadian dollar was 1.3 cents USD higher than November.



University of Michigan Consumer Sentiment

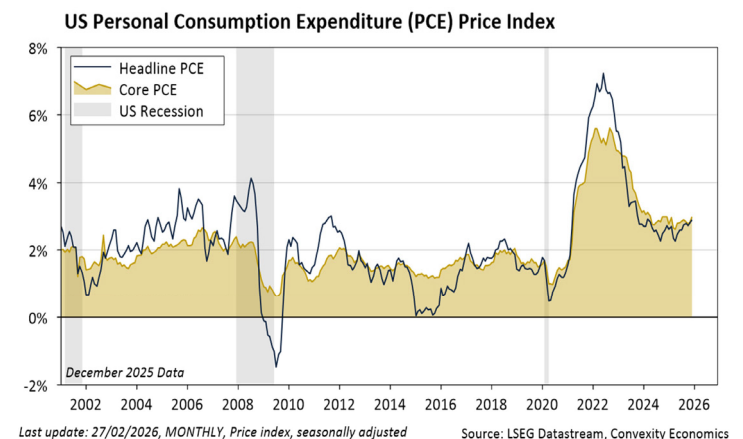
University of Michigan's US Consumer Sentiment improved slightly, increasing 0.2 points (0.4%) in February, but remains quite low relative to historical sentiment. The Future Expectations index declined 0.4 points (-0.7%) in February.

There was a "sizable" monthly increase in sentiment among respondents with relatively large stock holdings, while this was offset by those without stock holdings. This divergence was also seen across income distributions, suggesting wealthier, invested consumers feel they are less exposed to the broader economic concerns, specifically high prices (46% of consumers mentioned prices eroding personal finance).



US Personal Consumption Expenditure (PCE)

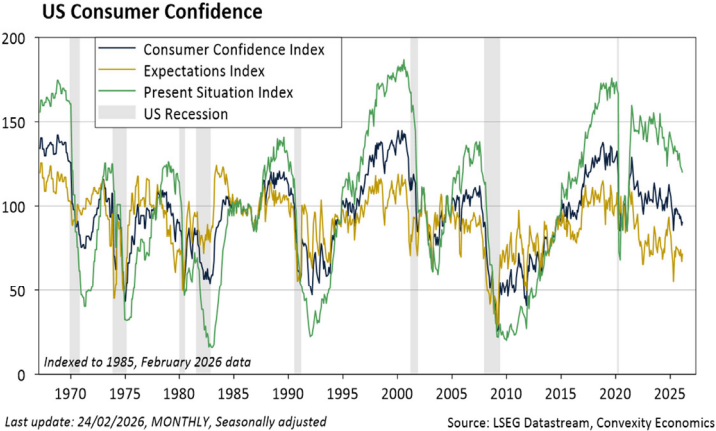
The US Personal Consumption Expenditure (PCE) increased 2.9% year-over-year in December, while Core PCE increased 3.0%. The FOMC has historically preferred the methodology used to calculate PCE as a more effective measure of true inflation. As a result, despite the relatively promising CPI report for January, inflation remains well above the Fed's 2% target.



US Consumer Confidence

The US Consumer Confidence Index Increased 2.2 points to 91.2 in February, after an upward revision to the January data. The Present Situations Index decreased 1.8 points while the Expectations Index rose by 4.8 points.

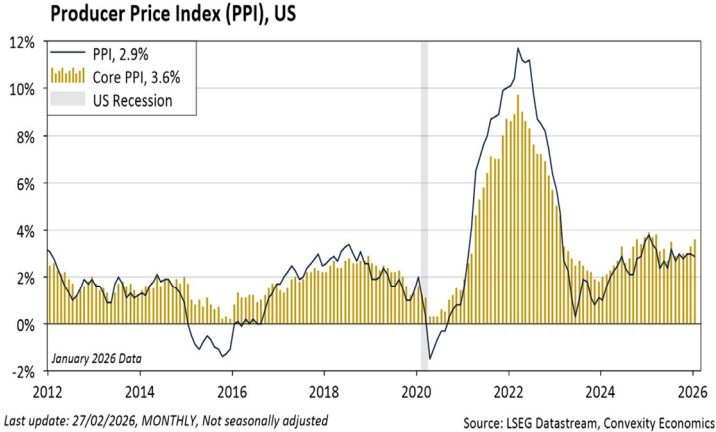
Overall, four of the five categories showed improvement in February. All three components for the Expectations Index improved with the business and labour market conditions still remaining negative, and income expectations were increasingly positive. Within the Present Situation Index, current business conditions declined, while employment conditions improved slightly.



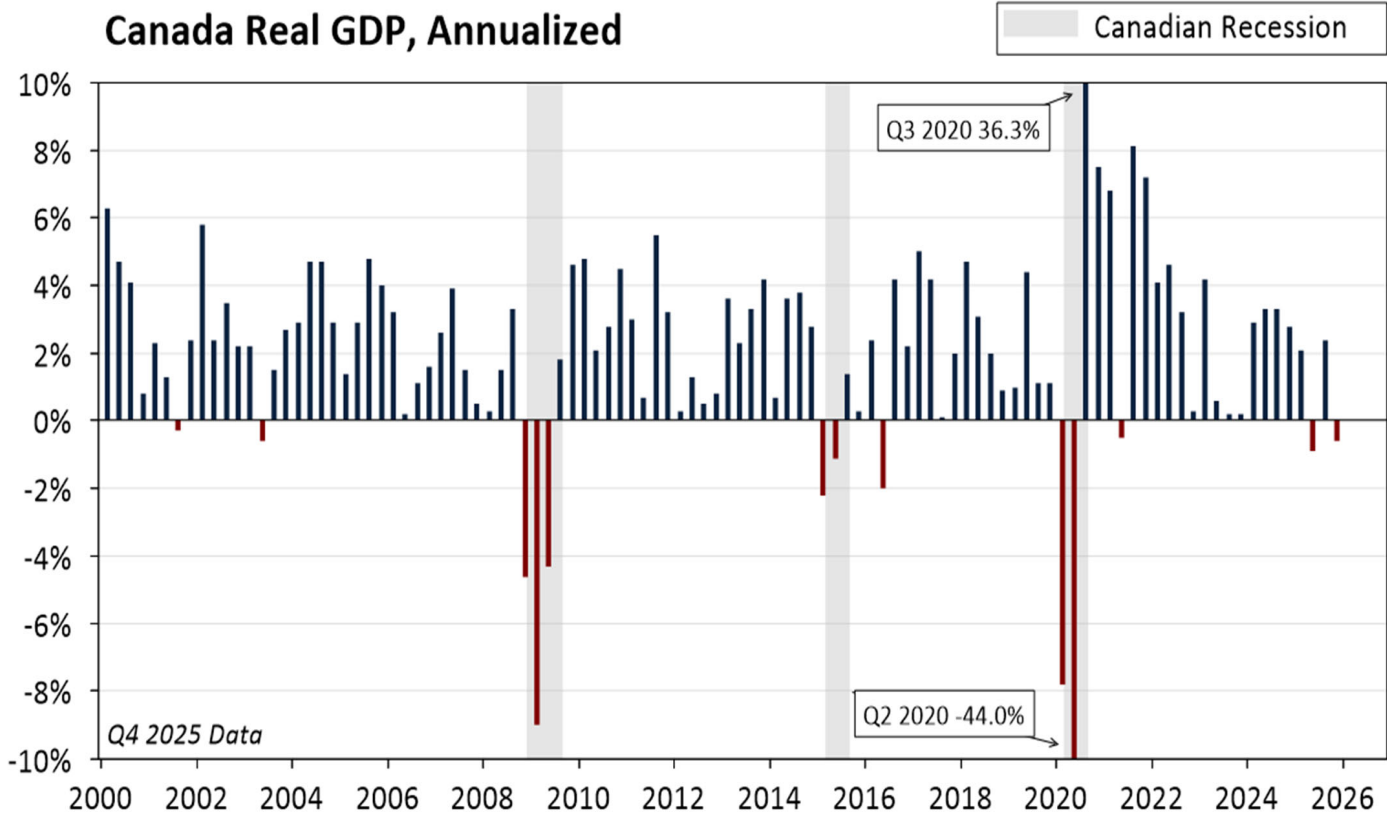
US Producer Price Index

The January Producer Price Index (PPI) for the US was higher than expectations at 2.9%, compared to an expected 2.6%. Core PPI was also above estimates at 3.6% compared to estimated of 3.0%.

The higher than expected increase was in large part due to a 4.1% year-over-year increase in services. This represented a 0.8% increase month-over-month, while goods PPI fell 2.7% month-over-month.



Canadian Gross Domestic Product - Q4 2025



Last update: 27/02/2026, QUARTERLY, Seasonally adjusted

Source: LSEG Datastream, Convexity Economics

Canadian GDP contracted in Q4 2025, declining at an annualized rate of 0.6%, resulting in an overall growth of 1.7% in 2025 – barely above the Bank of Canada’s estimate of potential GDP. This represents the lowest growth since the COVID-19 pandemic, and absent 2020, the lowest growth since 2016.

Inventory drawdowns in Q4 were the largest drag on GDP growth, as businesses sold existing inventories that were built up in the first two quarters of the year, and have not been reproduced. The changes in inventories subtracted 4.2% alone from headline GDP growth.

Government investments increased 0.8% in Q, driven largely by investments in weapons systems (+45.9%) and engineering structures (+6.7%),

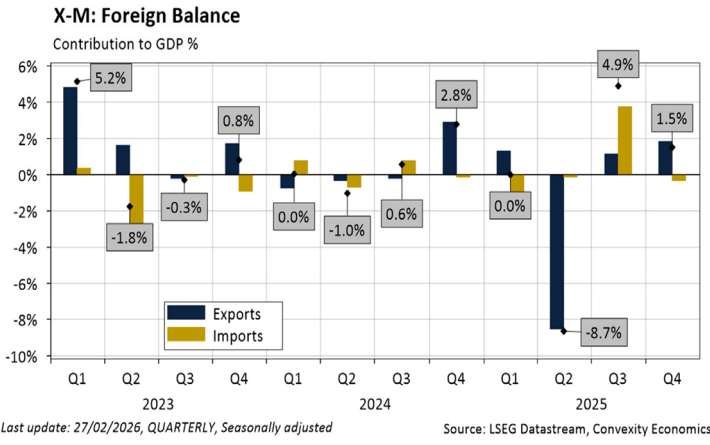
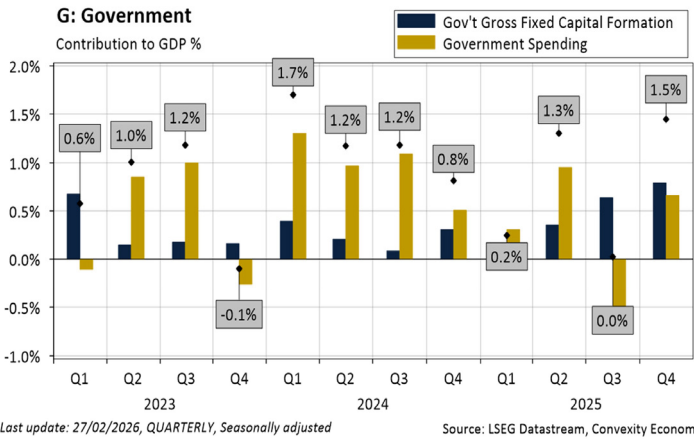
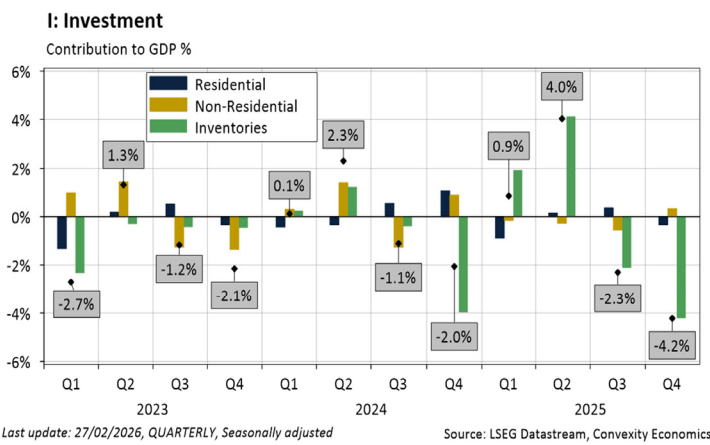
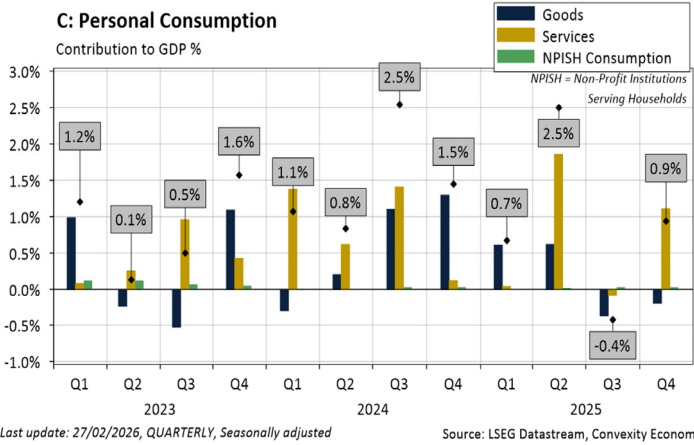
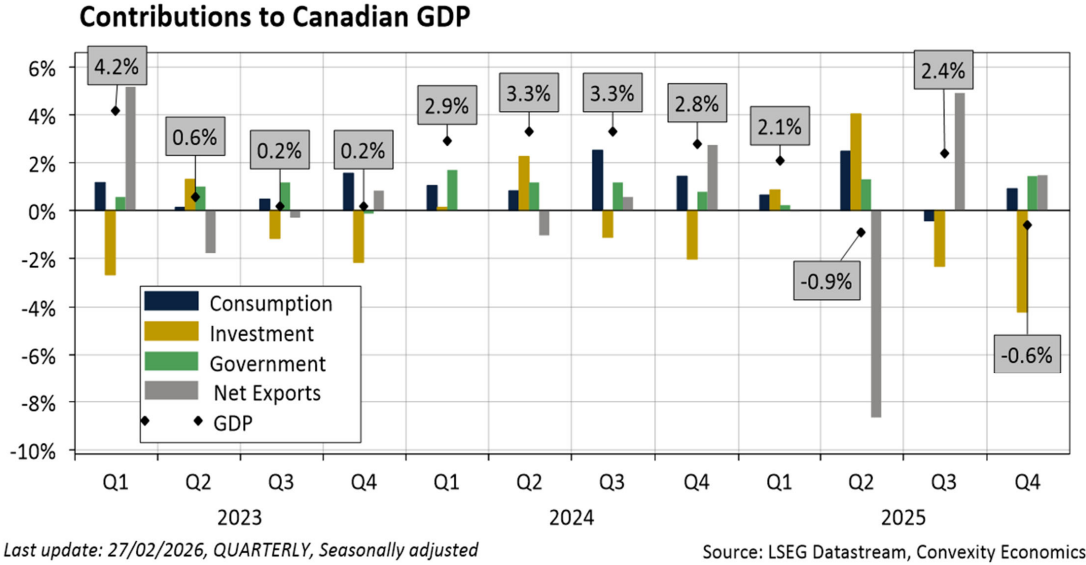
combined with continued government spending contributed 1.5% to the Q4 growth. Government capital investments outpaced business capital expenditures in 2025, and for the third consecutive year.

Personal consumption remained mixed. With household spending increasing 0.4% in the fourth quarter after a decline in Q3. However, the household savings rate declined from 5.2% in Q3 to 4.4% in Q4 as household disposable income growth (0.6%) lagged the increase in household spending (1.2% in nominal dollars). Moreover, disposable income growth decelerated in Q4, as did mixed income growth (a combination of salary, wages, and self employment income).

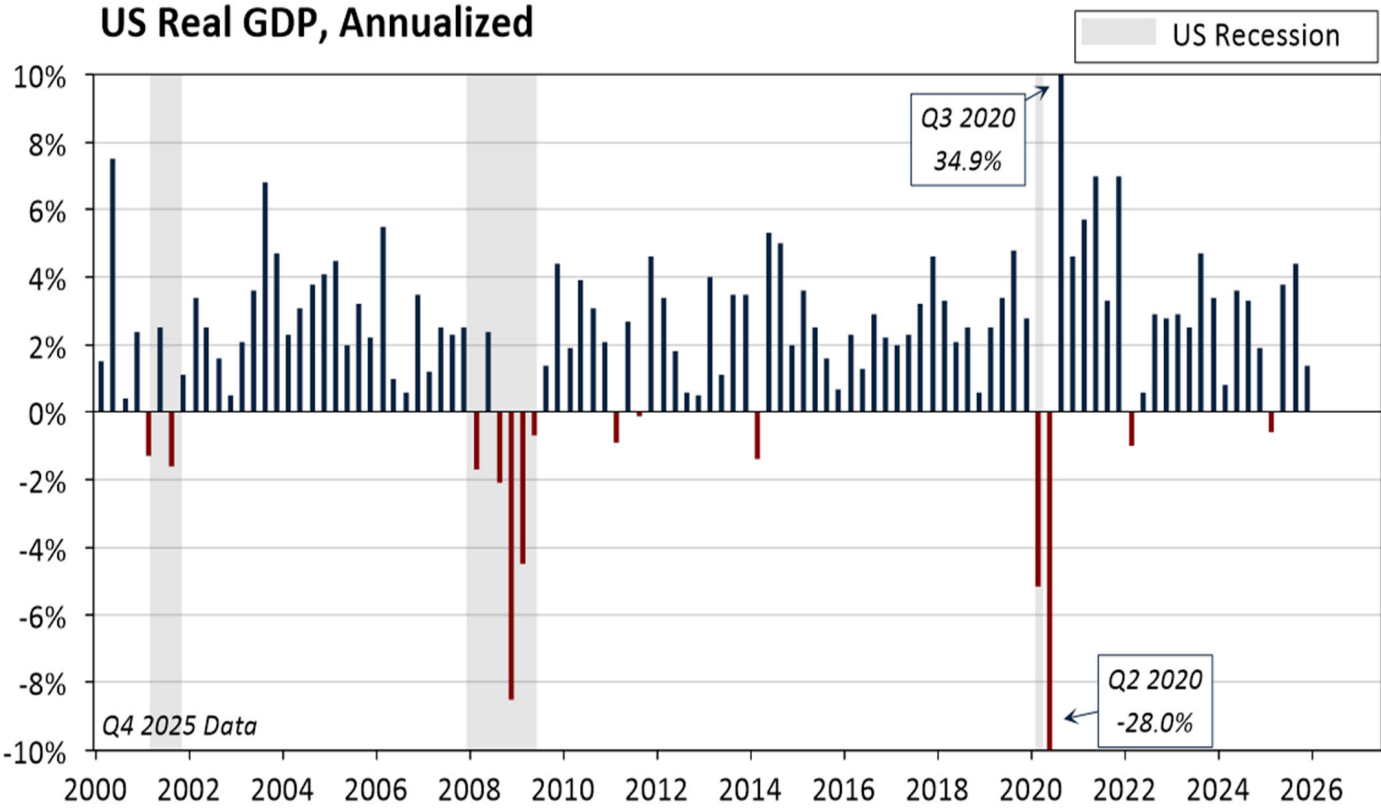
Contributions to Canadian GDP

These charts illustrate the contributions of each component to first-quarter GDP, based on the formula:

$$GDP = C + I + G + (X - I)$$



US Gross Domestic Product - Q4 2025



Last update: 20/02/2026, QUARTERLY, Constant prices, seasonally adjusted Source: LSEG Datastream, Convexity Economics

The US economy grew at a 1.4% annualized rate in the fourth quarter, below the Bloomberg consensus estimate of 2.8%. The slowdown was driven largely by a lack of government spending, particularly at the federal level, which was a result of the 43-day government shutdown from October 1st to November 12th. The Go

Consumption accounted for 1.6% of GDP growth in the fourth quarter, with overall consumer spending increasing at 2.4% quarter-over-quarter. Despite the positive quarterly growth in spending, this represents deceleration of consumer spending after increasing at a pace of 3.5% in Q3.

Investment improved slightly, contributing 0.7% to overall GDP. Inventories increased in the fourth quarter, contributing 0.21% to total GDP growth, the first positive contribution from inventories since Q1

2025 (when companies were stockpiling inventories ahead of tariffs).

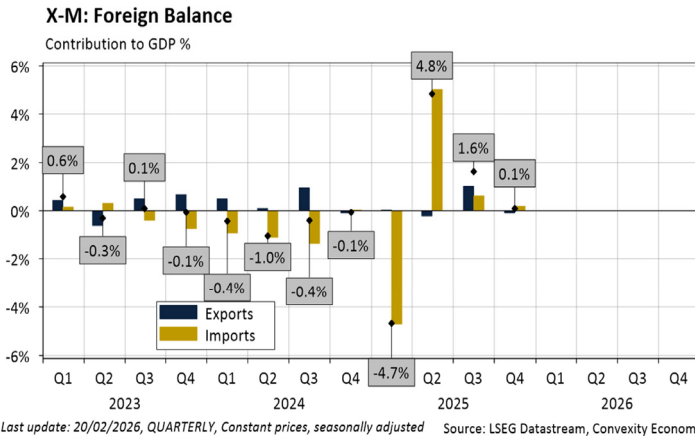
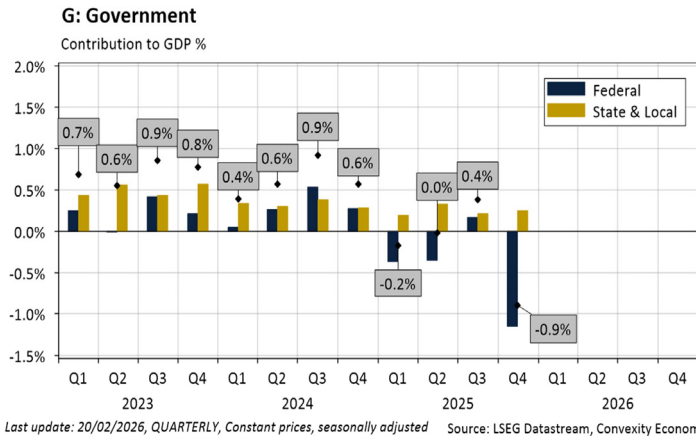
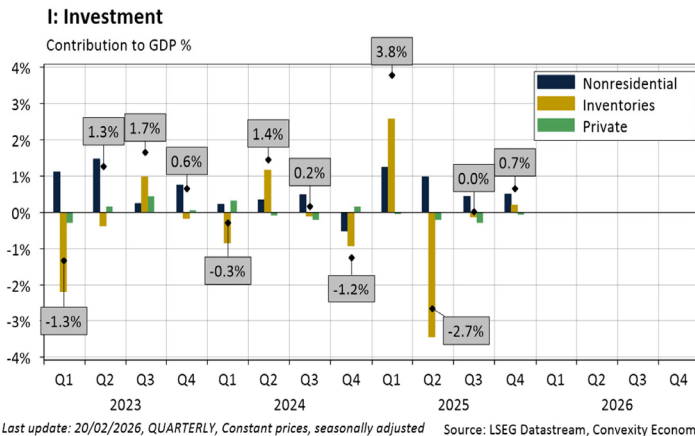
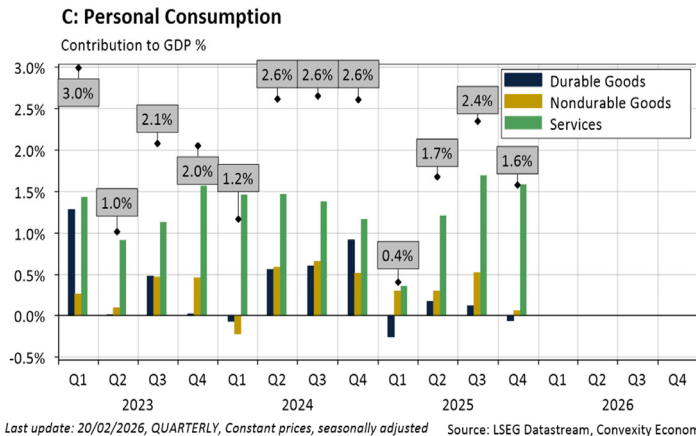
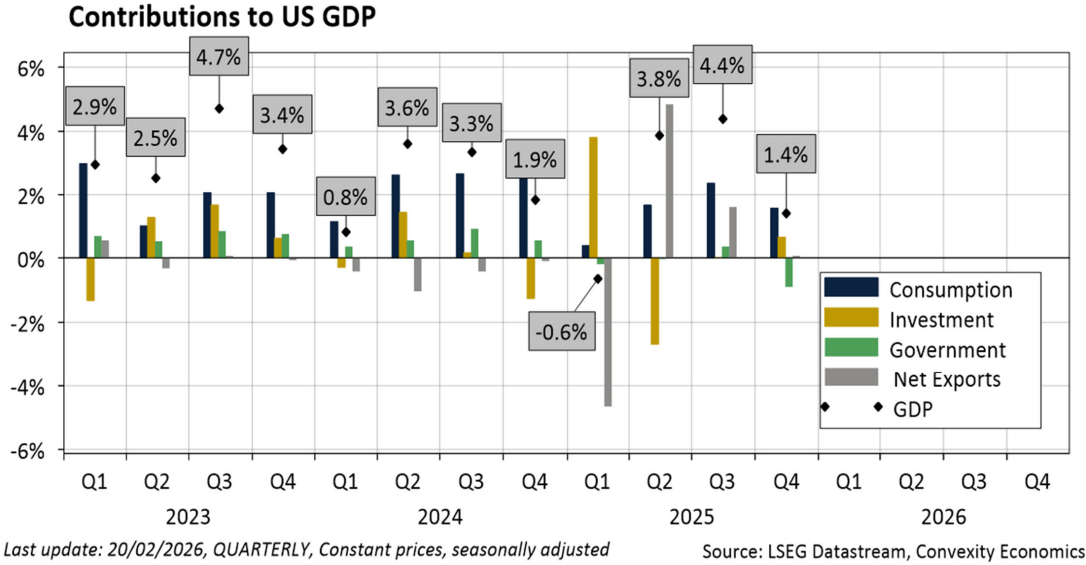
(Gross Domestic Product (GDP) is calculated by summing up spending by consumers, businesses, and government, along with foreign purchases of US exports. Imports are subtracted from this total, since they represent spending on goods not produced domestically.)

Exports fell 0.9% this in Q4, resulting in a drag on GDP growth (less goods produced domestically and consumed internationally). This decline was offset by a larger decline in imports, declining 1.3% (less goods produced internationally and consumed domestically). This resulted in foreign trade having a positive yet negligible impact on GDP growth, contributing a mere 0.1%.

Contributions to US GDP

These charts illustrate the contributions of each component to first-quarter GDP, based on the formula:

$$GDP = C + I + G + (X - I)$$

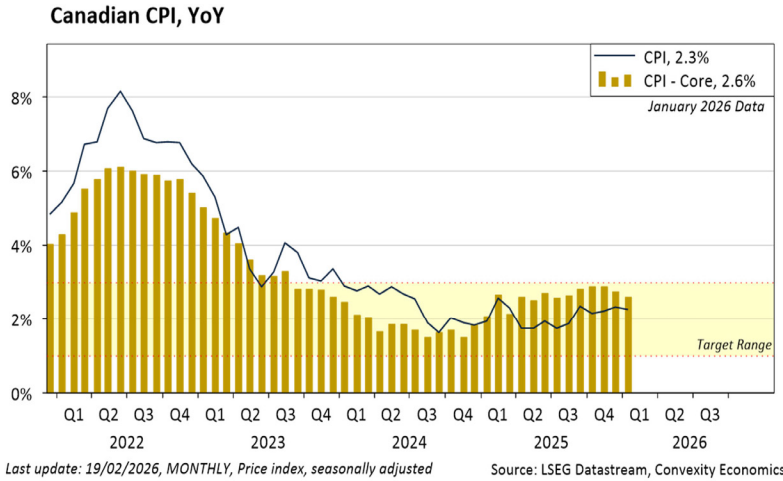


Canadian Consumer Price Index (CPI)

Canada's Consumer Price Index (CPI) reported a slight slowing of inflation as the year-over-year CPI declined from 2.34% in December to 2.28% in January, seasonally adjusted. Core inflation declined from 2.74% to 2.61%, seasonally adjusted.

Tax policy has had an impact on this month's CPI specifically due to the GST holiday in 2025 which resulted in January 2025 being the only full month having a lower base year effect (the tax exemption began December 14th, 3034 and ended February 15th, 2025). Restaurant prices saw the largest surge due the tax holiday and were 12.3% higher year-over-year. Other affected sub-categories also saw noticeable increases.

Additionally, we continue to see the effect of the removal of the carbon tax, with gas prices 16.7% lower than a year ago, materially lowering the headline inflation number.



Canadian Consumer Price Index

January 2026

YoY% Change	Category	MoM% Change
+2.3	CPI	+0.1
+2.6	Core CPI	+0.2
-10.9	Energy*	+0.8
+7.4	Food	+0.1
+1.7	Shelter	-0.1
-16.7	Gasoline stations*	+0.5
+0.9	Goods	+0.8
+3.4	Services*	-0.7
+4.8	Alcoholic Beverages and tobacco	0.0
+0.6	Clothing and footwear	+0.5
+2.4	Health and Personal Care	-0.4
+3.4	Household Operations, Furnishings and Equipment	+0.3
+1.0	Education and Receptions	+0.4
-1.8	Transportation	-0.7

*Not Seasonally Adjusted

Updated: February 19, 2026
Source: LSEG Datastream, Convexity Economics

Canadian Housing Market Update

The Teranet-National Bank Composite Index fell -3.9% year-over-year in January, now marking nine-consecutive months of year-over-year declines. The National Composite Index measures eleven metropolitan areas and peaked in April 2022, it has now declined 4.7% from the peak, seasonally adjusted. Notably, since April 2022, Toronto has seen a decline of -16.0%.

Four of the eleven areas in the Composite Index declined this month, with the Composite Index declining 0.5% in January, seasonally adjusted. Ottawa-Gatineau declined the most at -2.4%, while Halifax saw the largest increase, +2.0%.

Teranet Housing Indexes

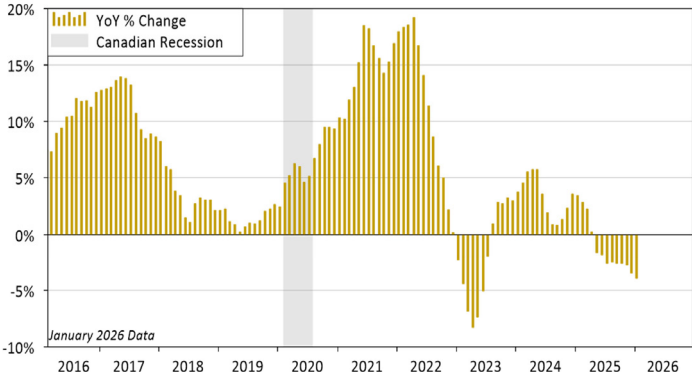
January 2026

YoY% Change	Category	MoM% Change
-3.9	National Composite	-0.5
1.9	Calgary	0.7
3.3	Edmonton	-0.9
2.1	Halifax	2.0
-6.7	Hamilton	-0.5
5.6	Montreal	1.4
0.0	Ottawa-Gatineau	-2.4
11.7	Quebec City	1.6
-8.6	Toronto	-0.9
-6.2	Vancouver	-0.7
-1.5	Victoria	-0.1
4.7	Winnipeg	-1.0

Updated: February 19, 2026

Source: LSEG Datastream, Convexity Economics

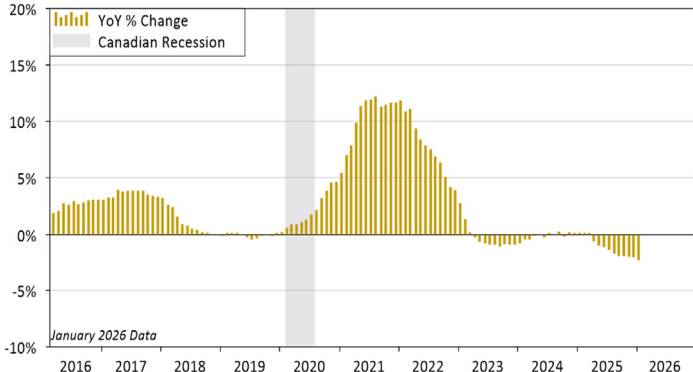
Teranet Housing Price Index - National Composite



Last update: 19/02/2026, MONTHLY, Price index, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

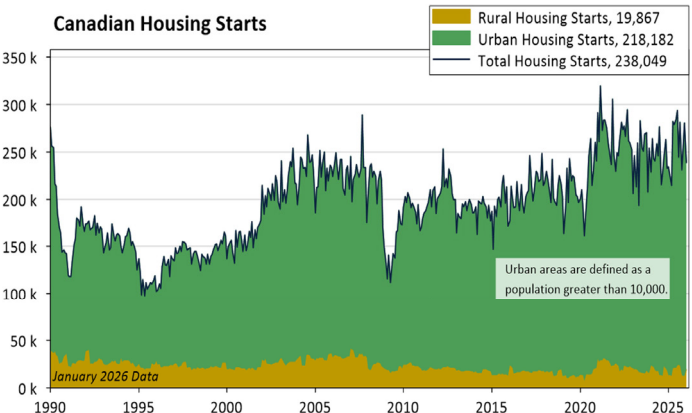
StatsCan New Housing Price Index - Canada



Last update: 24/02/2026, MONTHLY, Price index, not seasonally adjusted

Source: LSEG Datastream, Convexity Economics

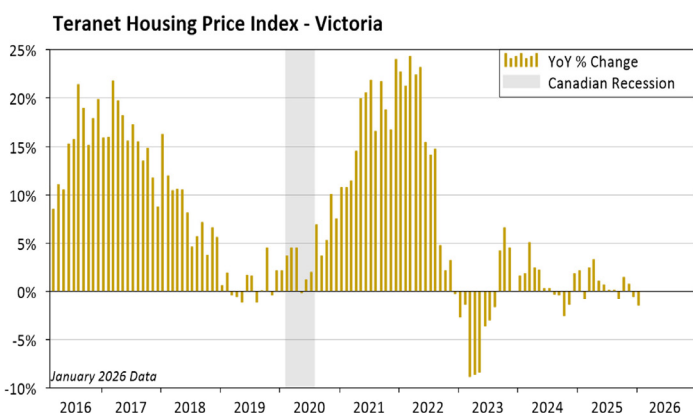
Canadian Housing Starts



Last update: 16/02/2026, MONTHLY, Volumes, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

Teranet Housing Price Index - Victoria

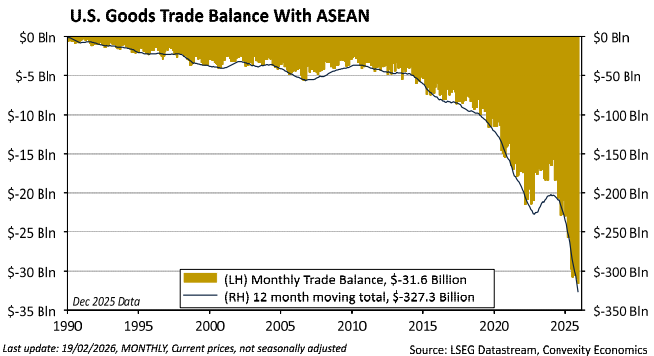
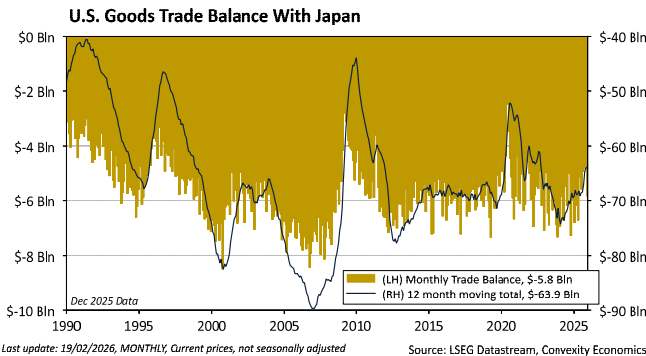
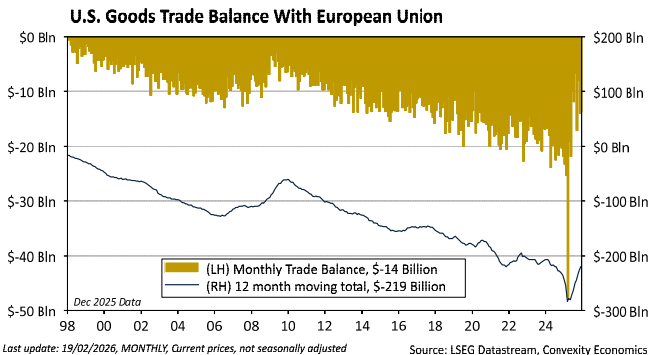
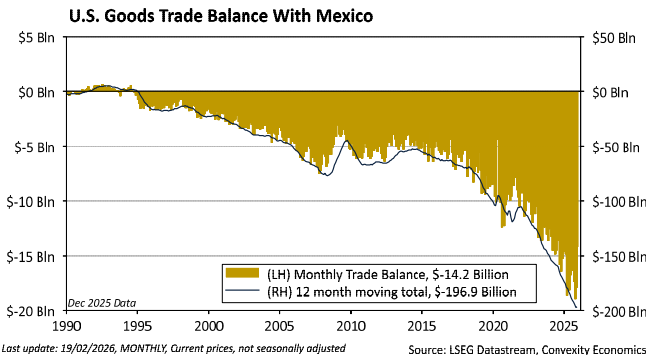
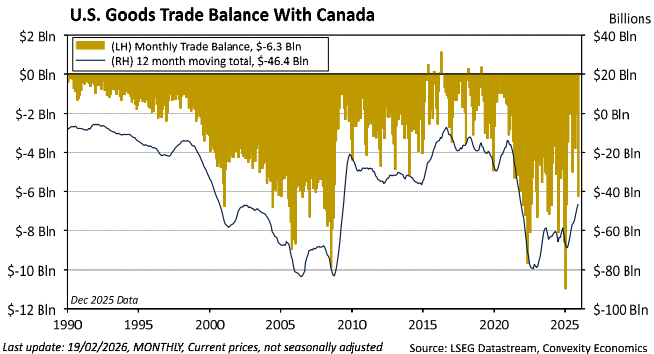
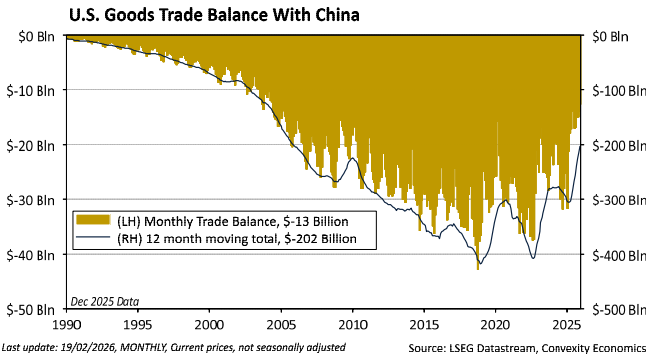
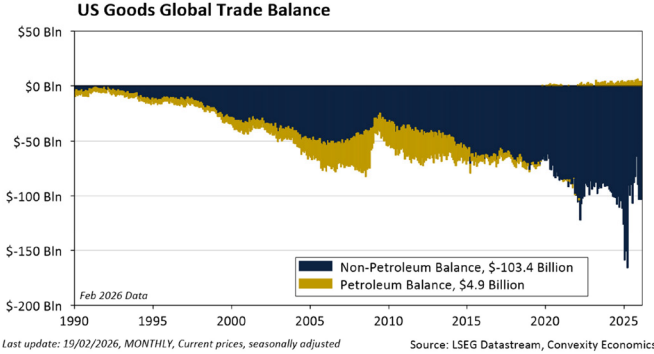
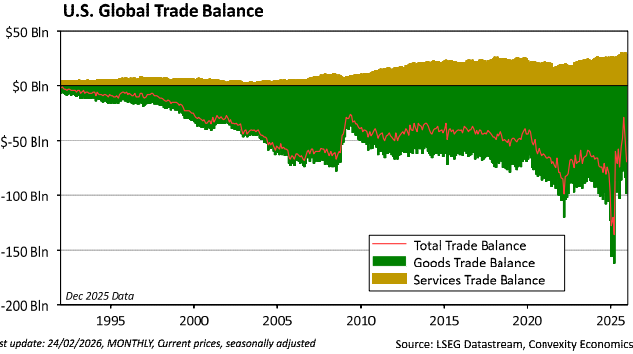


Last update: 19/02/2026, MONTHLY, Price index, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

US Trade Balances

The US Global trade balance continues to widen in December following the sharp narrowing from July - October, the trade balance has now reverted to it's July levels. The trade balance widened by \$17 billion in December resulting in a trade deficit of -\$70 billion.



Equity Indexes	Last	1W%	YTD %
S&P 500	6,878.88	- 0.44	+ 0.49
S&P/TSX Composite	34,339.99	+ 1.54	+ 8.28
Dow Jones	48,977.92	- 1.31	+ 1.90
NASDAQ	22,668.21	- 0.95	- 2.47
FTSE 1000 (UK)	10,910.55	+ 2.09	+ 9.86
CSI 300 (China)	4,710.65	+ 1.08	+ 1.74
Sensex Index (India)	81,287.19	- 1.84	- 4.62
Bovespa Index (Brazil)	188,787	- 0.92	+ 17.17
Merval Index (Argentina)	2,642,105	- 8.04	- 13.42
Russell 2000	2,632.36	- 1.18	+ 6.06
S&P 600 Small Cap Index	1,580.95	- 1.50	+ 7.71
VIX Volatility Index	19.86	+ 4.03	+ 32.84

Bonds Yields	Last	1W	YTD
Govt of Canada 5 Year	2.667%	- 0.078	- 0.309
Govt of Canada 10 Year	3.128%	- 0.090	- 0.308
Govt of Canada 30 Year	3.628%	- 0.077	- 0.235
US Treasury 5 Year	3.583%	- 0.065	- 0.139
US Treasury 10 Year	4.017%	- 0.066	- 0.146
US Treasury 30 Year	4.669%	- 0.053	- 0.172

Currencies	Last	1W	YTD
US Dollar Index	97.65	- 0.15%	- 0.69%
Bitcoin (USD)	\$65,564	- 3.02%	- 25.23%
<i>Currencies to the Loonie</i>			
US Dollar	\$0.733	+ 0.002	+ 0.004
Euro	\$0.620	+ 0.000	- 0.000
British Pound	\$0.543	+ 0.001	+ 0.003
Japanese Yen	\$113.980	+ 0.590	+ 0.040
Chinese Yuan	\$5.025	- 0.023	- 0.070
Aussie Dollar	\$1.029	+ 0.061	+ 0.114

GDP	YoY %	Change	Quarter
Canada	- 0.60	- 3.00	Q4
United States	+ 1.40	- 2.90	Q4
Mexico	+ 1.80	+ 1.90	Q4
Euro Zone**	+ 1.30	- 0.10	Q4
China**	+ 4.50	- 0.30	Q4
Japan	+ 0.20	+ 2.80	Q4
India	+ 7.80	- 0.60	Q4

Inflation	YoY %	Change	Month
Canada	+ 2.28	- 0.06	Jan
United States	+ 2.39	- 0.26	Jan
Mexico	+ 3.79	+ 0.10	Jan
Euro Zone**	+ 1.95	- 0.19	Dec
China**	- 0.30	- 1.00	Jan
Japan**	+ 1.53	- 0.55	Jan
India	+ 2.74	+ 1.58	Jan

Canadian Sectors	Last	1W%	YTD %
Energy	369.30	+ 1.11	+ 22.93
Industrials	498.01	+ 1.84	+ 6.64
Consumer Staples	1,298.42	- 1.42	+ 4.87
Financials	630.66	- 1.31	+ 0.50
Communication Services	167.48	+ 2.79	+ 6.77
Real Estate	318.03	+ 1.16	+ 0.52
Materials	992.07	+ 8.27	+ 32.33
Consumer Discretionary	404.54	- 0.06	+ 5.73
Health Care	22.14	+ 0.05	+ 1.10
Information Tech	261.55	- 2.38	- 19.92
Utilities	387.82	+ 1.98	+ 10.08
S&P/TSX Composite	34,339.99	+ 1.54	+ 8.28

US Sectors	Last	1W%	YTD %
Energy	855.10	+ 2.01	+ 24.41
Industrials	1,497.59	- 0.09	+ 14.05
Consumer Staples	1,003.08	+ 2.71	+ 15.98
Financials	853.79	- 1.96	- 6.34
Communication Services	453.56	+ 0.49	+ 0.26
Real Estate	278.35	+ 0.70	+ 9.14
Materials	675.69	+ 1.26	+ 17.63
Consumer Discretionary	1,854.79	- 0.48	- 3.82
Health Care	1,864.30	+ 2.14	+ 3.23
Information Tech	5,365.45	- 2.17	- 5.60
Utilities	482.91	+ 2.89	+ 11.32
S&P 500	6,878.88	- 0.44	+ 0.49

Commodities	Last	1W %	YTD %
Baltic Dry index	2,117.00	+ 3.62	+ 12.79
Bloomberg Industrial Metals Index	171.55	+ 1.50	+ 5.00
Gold	\$5,277.29	+ 3.41	+ 22.33
Silver	\$93.82	+ 10.93	+ 31.65
Copper	\$6.06	+ 5.50	+ 7.08
Oil (ICE Brent Crude)	\$73.24	+ 2.18	+ 20.26
Oil (WTI Light)	\$67.29	+ 4.98	+ 17.25
Natural Gas	\$2.86	- 4.70	- 22.63
Corn	\$438.75	+ 2.57	- 0.45
Wheat	\$591.25	+ 2.87	+ 16.79
Cocoa	\$2,898.00	- 8.98	- 52.34
Coffee	\$280.05	- 1.84	- 15.95

Data as of: February 27, 2026 2:49 PM PT

Source: LSEG Datastream, Convexity Economics

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