Financial Monitor

For the week ending March 27th, 2026

Market Commentary

We could not publish last week as the pace of developments and the timing of planned vacations did not allow it. Accordingly, we are writing a more fulsome update this week:

Financial markets continue to digest the implications for the global economy of an energy supply shock resulting from the US-led (joint with Israel) war against Iran. With no new significant developments this week over last, uncertainty remains elevated and financial markets are forced to wait and see as energy prices remain uncomfortably high and continue rising as the conflict simmers. (The longer the conflict persists, the greater are the humanitarian costs, ill will and the damages that to accrue to energy infrastructure – impairing its ability to be restarted once the conflict ends).

As outlined in the tables herewith, financial markets are generally not liking what they are seeing (no clear direction of the conflict, continued hardening of positions, and attacks on core infrastructure), with US indices declining on the week and bonds yields in both the US and Canada rising (prices falling).

The S&P/TSX rose 2.05% on the back of continued strength in the energy sector and a rebound in the materials sectors (+7.3%), though in the US, rises in these sectors were overwhelmed by declines in others. Recent developments continue to suggest to us that Canadian assets are well positioned for the new geopolitical reality – though in our opinion, the best entry points have passed as valuations have responded to these realities, especially in recent years though recent market declines have provided opportunities.

A protracted conflict in the Middle East will supply regular doses of uncertainty into financial markets as war is inherently unpredictable; this uncertainty clouds the forecast for oil prices, and accordingly, growth, inflation, unemployment, and interest rates. We will continue to monitor events closely and update our scenario forecast probabilities in line with our assessment of developments.

Equity Indexes	**Last**	**1W%**	**YTD %**
S&P 500	6,368.85	- 2.12	- 6.96
S&P/TSX Composite	31,960.65	+ 2.05	+ 0.78
Dow Jones	45,166.64	- 0.90	- 6.03
NASDAQ	20,952.03	- 3.21	- 9.85
FTSE 1000 (UK)	9,967.35	+ 0.49	+ 0.36
CSI 300 (China)	4,502.57	- 1.41	- 2.75
Sensex Index (India)	73,583.22	- 1.27	- 13.66
Bonds Yields	**Last**	**1W**	**YTD**
Canada 10 Year Bond	3.585%	+ 0.031	+ 0.149
Canada 30 Year Bond	3.952%	+ 0.002	+ 0.089
US 10 Year Bond	4.430%	+ 0.040	+ 0.267
US 30 Year Bond	4.972%	+ 0.019	+ 0.131
Currencies	**Last**	**1W**	**YTD**
US Dollar Index	100.11	0.47%	**1.82%**
Currencies to the Loonie			
US Dollar	$0.720	- $0.009	- $0.009
Euro	$0.625	-$0.005	+ $0.005
British Pound	$0.542	- $0.004	+ $0.002
Chinese Yuan	$4.976	- $0.041	- $0.119
Bitcoin	$65,984	- 5.79%	- 24.75%
Commodities	**Last**	**1W %**	**YTD%**
Gold *(USD/Troy Ounce)*	$4,510.92	+ 0.52	+ 4.56
ICE Brent Crude*(USD/bbl)*	$113.22	+ 3.35	+ 85.88
WTI Light *(USD/bbl)*	$99.71	+ 0.91	+ 73.68

Data as of: March 27, 2026 1:09 PM PT

Source: LSEG Datastream, Convexity Economics

Thus far, the initial key impact of the conflict on financial markets has been the sharp spike upward in oil prices (Brent crude rose this week to $113.22 USD/bbl., while West Texas Intermediate rose to $99.71 USD/bbl.) leading to declines in most financial assets as they not only price in slower growth due to higher energy costs, but also (potentially) higher interest rates as monetary authorities respond to the

	Daily Changes						
Equity Indexes	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**1 Week %**	**YTD%**
S&P 500	1.15%	-0.37%	0.54%	-1.74%	-1.67%	▼ 2.12%	▼ 6.96%
S&P/TSX Composite	1.81%	0.18%	1.38%	-1.53%	0.23%	▲ 2.05%	▲ 0.78%
Dow Jones	1.38%	-0.18%	0.66%	-1.01%	-1.73%	▼ 0.90%	▼ 6.03%
NASDAQ	1.38%	-0.84%	0.77%	-2.38%	-2.13%	▼ 3.21%	▼ 9.85%
Russell 2000	2.29%	0.45%	1.23%	-1.70%	-1.77%	▲ 0.44%	▼ 1.32%
S&P 600 Small Cap Index	2.12%	0.64%	1.08%	-1.08%	-1.58%	▲ 1.14%	▲ 1.06%

Data as of: March 27, 2026 1:09 PM PT *Source: LSEG Datastream, Convexity Economics*

inflationary impact of rising energy prices.

Further escalations in the conflict are likely and are apt to push oil prices higher, raising expectations about inflation and policy interest rates. While we do not believe $100 USD/bbl. is enough to cause a recession on its own in light expected strong productivity gains and costs savings, we note that prior to the energy shock, a large portion of consumers were already struggling with affordability and elevated debt levels, so any increase in energy costs will be an unwelcomed development for these households.

Additionally, we have talked about the K-shaped US economy: where lower and middle-income households struggle to maintain consumption levels, while wealthy households continue to support headline consumption growth, benefitting from strong returns in asset markets. Indeed, should equity markets (or confidence) decline on the back of uncertainty from conflict in the Middle East (or rising rates hurting asset prices), we could see this key segment of the US economy pull-back their spending as they experience a negative wealth effect.

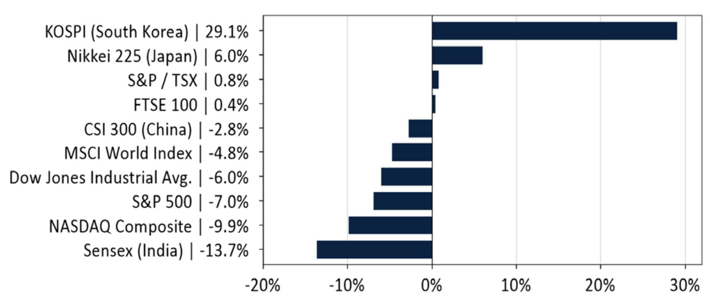
In the short-term, it is hard to determine the path of oil prices – further escalations of the conflict and the continued closure of the Strait of Hormuz could push prices much higher, raising the costs of goods and services across the economy, and limiting the ability of central banks to cut interest rates in response to slowing growth, brought on by…. higher energy prices. Alternatively, de-escalation or signs of progress toward US objectives could calm oil markets and reduce prices promptly – as could increases in output from other producers and a renewed commitment to clean energy alternatives in the face of high oil prices over time.

From a longer-term perspective, assuming the US and Isreal are eventually successful in deposing the Iranian regime and restoring energy output and regional security, oil markets could be in a stable and secure situation, resulting in a steady and predictable energy supply once Middle Eastern production is brought back online and better integrated into global markets. Put differently, some short-term disruption may yield a long-term peace dividend for energy markets.

While we have detailed a great deal this week and the outlook is complicated, our approach remains simple and our message remains the same: run a balanced portfolio that balances the risks in the outlook with your financial needs to avoid forced selling into a storm.

The level of uncertainty in the outlook and financial markets has no doubt risen, though we remind readers that this is the realization of risks already in the outlook. Moreover, volatility in financial markets often presents tremendous opportunities for astute investors able to maintain their discipline, control emotions, and invest in accordance with secular themes.

Global Equity Markets, YTD



as of March 27, 2026 *Source: LSEG Datastream, Convexity Economics*

Central Bank Rates

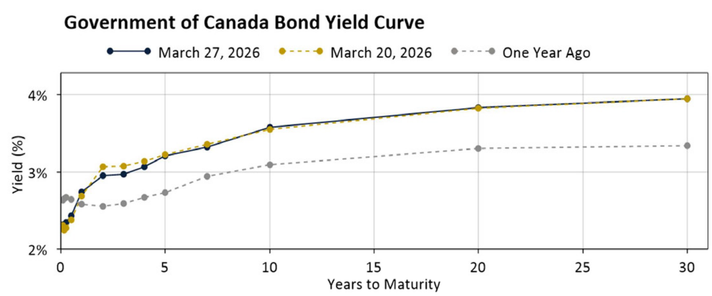
Current Key Interest Rates			*Next Meeting*	*Last Decision*	*Last Meeting*
Canada		2.25%	Apr 29, 2026	—	Mar 18, 2026
United States*		3.75%	Apr 29, 2026	—	Mar 18, 2026
Mexico		6.75%	May 7, 2026	▼ 0.25	Mar 26, 2026
European Union		2.15%	Apr 30, 2026	—	Mar 19, 2026
India		5.25%	Apr 7, 2026	—	Feb 5, 2026
China		3.00%	Apr 20, 2026	—	Mar 19, 2026
Japan		0.75%	Apr 28, 2026	—	Mar 18, 2026

**Upper Limit*

Data as of: March 28, 2026

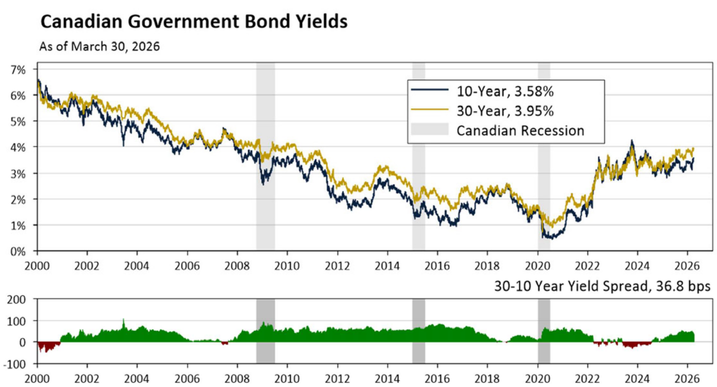
Source: LSEG Datastream, Convexity Economics

Government of Canada Bond Yields



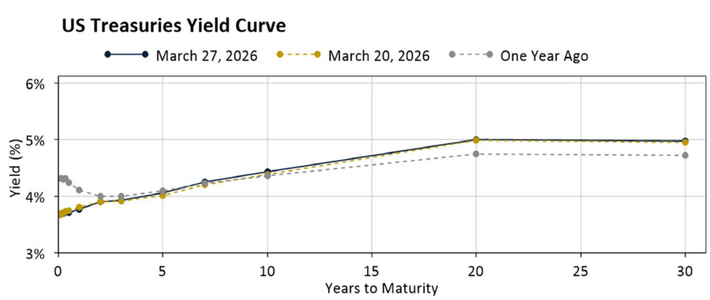
	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	2.32	2.30	2.34	2.43	2.74	2.95	2.97	3.07	3.21	3.33	3.58	3.84	3.95
Current	2.32	2.30	2.34	2.43	2.74	2.95	2.97	3.07	3.21	3.33	3.58	3.84	3.95

Source: LSEG Datastream, Convexity Economics



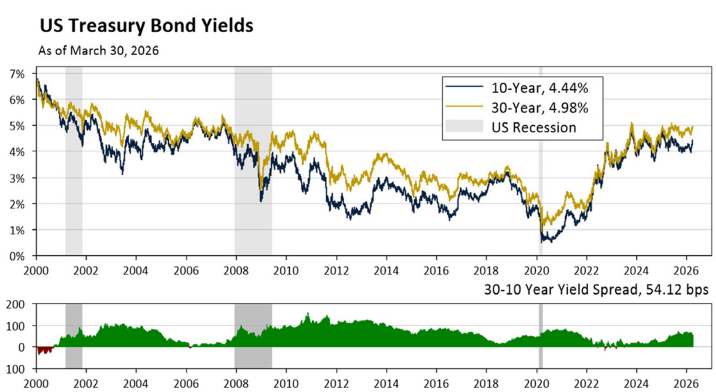
Source: LSEG Datastream, Convexity Economics

U.S. Treasury Yields



	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	3.70	3.70	3.72	3.77	3.91	3.93	2.75	4.07	4.26	4.44	5.01	4.98
Current	3.69	3.70	3.70	3.72	3.77	3.91	3.93	2.75	4.07	4.26	4.44	5.01	4.98

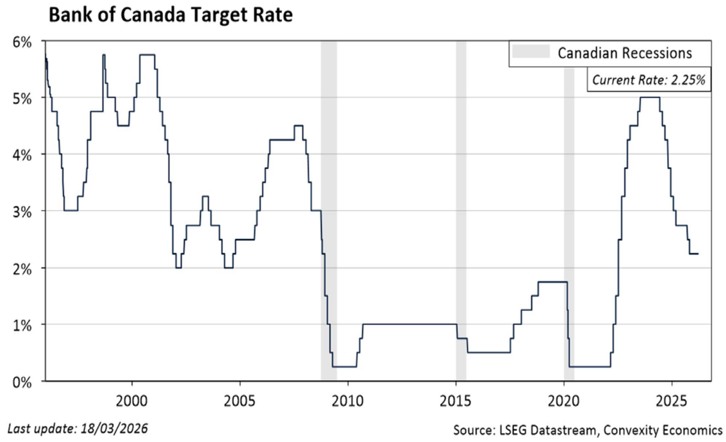
Source: LSEG Datastream, Convexity Economics



Source: LSEG Datastream, Convexity Economics

Bank of Canada Meeting March 18th, 2026

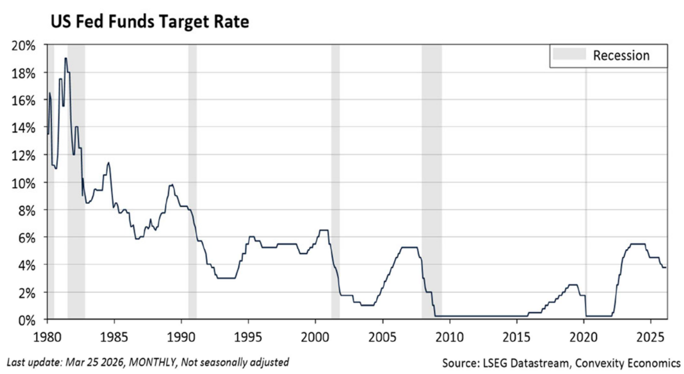
The Bank of Canada held the target for the overnight rate at 2.25% on March 18th. The Bank cited the uncertainty of the conflict in the Middle East, specifically, that the breadth and duration of the conflict are unknown, and therefore the impacts that stem form the conflict remain highly uncertain. In the near-term the conflict has caused increased energy prices and near-term inflation, while the Canadian economy is still facing headwinds from US trade policy.



The Bank concluded that with recent data suggesting risks to economic growth are more tilted to the downside, while inflation risks have increased due to the conflict in the Middle East. The Bank opted to hold rates and evaluate the effects from the conflict, as well as the continued US trade policies, to see of the economy adjusts.

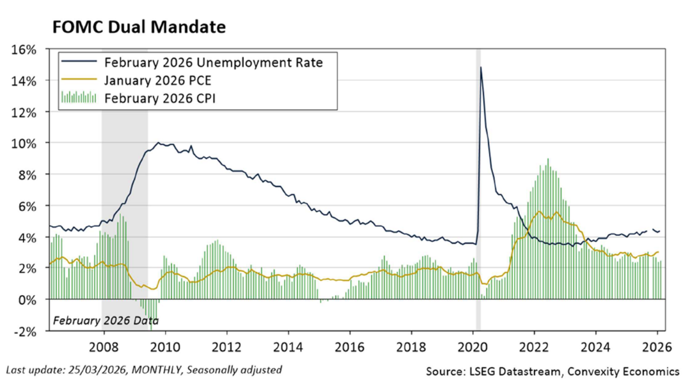
Federal Open Market Committe (FOMC) Meeting March 17th-88th, 2026

The Federal Open Market Committee (FOMC) held the target range for the policy range at 3.50%–3.75% on March 18th, in line with market expectations.



Similar to the Bank of Canada's statements, the FOMC cited heightened uncertainty surrounding the effects of the conflict in the Middle east on the US economy.

The lone dissent in the decision was once again Stephen Miran, who voted in favour of lowering the target range for the federal funds rate by 25 basis points. A theme that has been present since Stephen Miran joined the committee, and a signal that the US administration still views the current policy rate as overly restrictive.



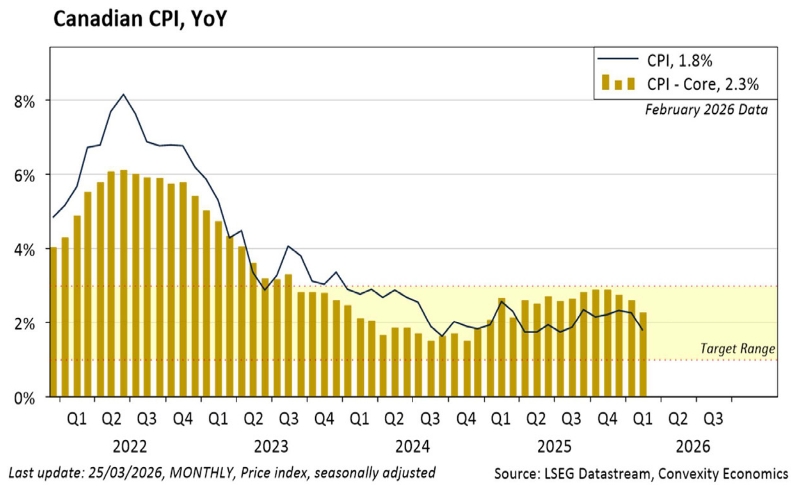
The FOMC emphasized that future decisions will remain dependent on incoming economic data and evolving geopolitical conditions.

Canadian Consumer Price Index (CPI)

The Canadian Consumer Price Index (CPI) decelerated to 1.8% in February, down from 2.3% in January on a year over year basis. Core CPI (excluding food & energy) slowed as well, increasing 2.28% year-over-year in February compared to 2.61% in January.

Food inflation moderated in February but remains elevated. Grocery prices rose 4.1% month-over-month, following a 4.8% increase in January, and continue to outpace overall inflation, remaining a significant pressure point for Canadian households.

Since the outbreak of the conflict in the Middle East, global oil and natural gas prices have risen sharply. These increases are expected to put upward pressure on global inflation in the coming months. The impact of higher energy prices will not appear in Canadian inflation data until the March CPI release.



Canadian Consumer Price Index

February 2026

YoY% Change	Category	MoM% Change
+1.8	CPI	+0.1
+2.3	Core CPI	+0.2
-9.3	Energy*	+2.4
+5.4	Food	+0.2
+1.5	Shelter	-0.1
-14.2	Gasoline stations*	+3.6
+0.6	Goods	+0.5
+2.7	Services*	+0.6
+3.4	Alcoholic Beverages and tobacco	+0.2
+0.6	Clothing and footwear	+0.2
+1.2	Health and Personal Care	-0.6
+3.2	Household Operations, Furnishings and Equipment	+0.1
-0.7	Education and Recreations	+0.3
-1.1	Transportation	+0.6

Updated: March 25, 2026

**Not Seasonally Adjusted*

Source: LSEG Datastream, Convexity Economics

Canadian Housing Market Update

The National Bank-Teranet Housing Price Index declined 4.4% year-over-year at the national level, a steeper decline than January's 4.0% year-over-year decline. The 0.5% month-over-month decline marks the third consecutive month of declines, with 8 of the 11 areas in the composite index recording declines. Calgary recorded no change while Quebec City (+1.0%) and Edmonton (+1.2%) recorded increases.

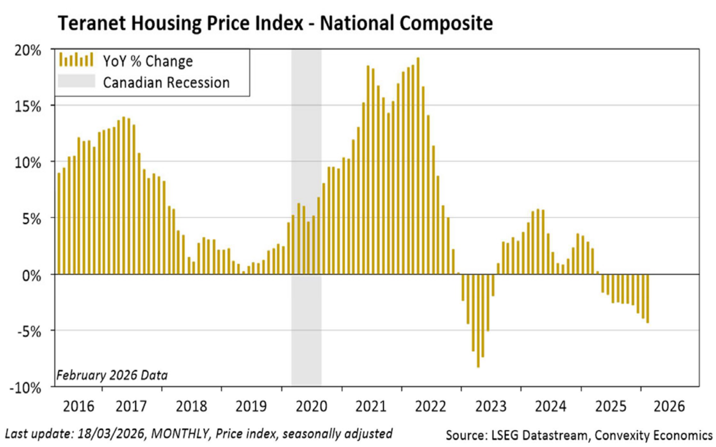
Teranet Housing Indexes

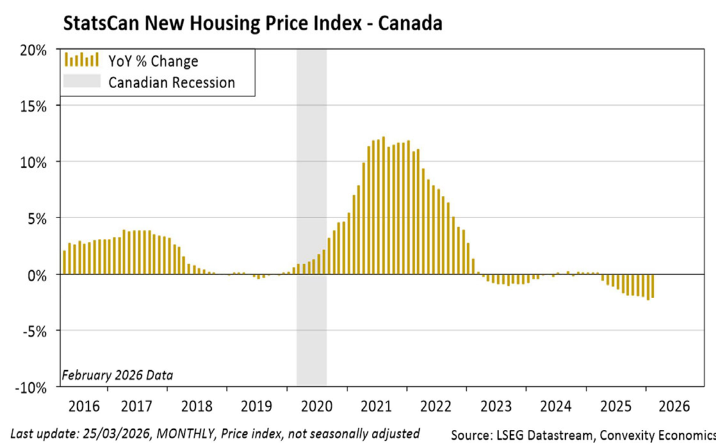
February 2026

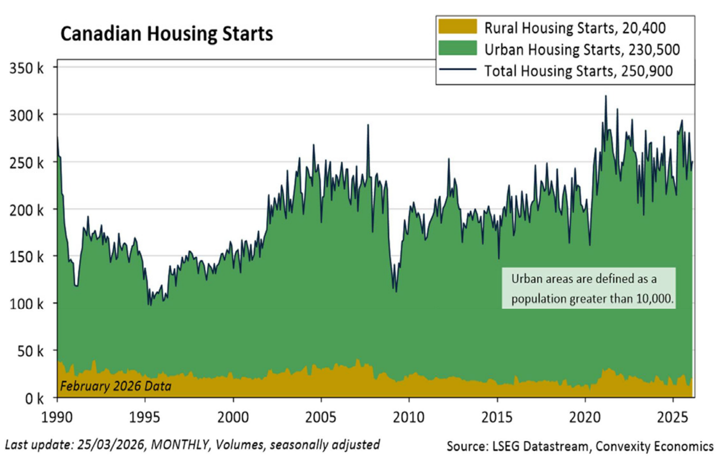
YoY% Change	Category	MoM% Change
-4.4	National Composite	-0.5
1.1	Calgary	0.0
4.1	Edmonton	1.2
-2.8	Halifax	-0.8
-9.0	Hamilton	-2.1
3.4	Montreal	-1.0
-0.8	Ottawa-Gatineau	-0.6
12.0	Quebec City	1.0
-8.6	Toronto	-0.7
-5.8	Vancouver	-0.2
-1.0	Victoria	-0.6
2.3	Winnipeg	-0.9

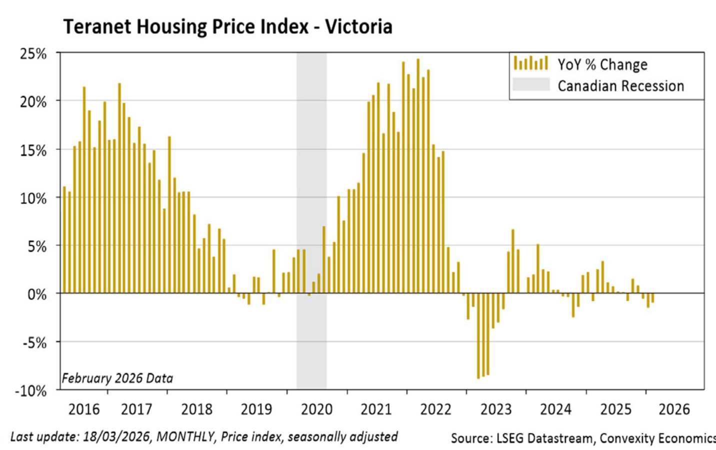
Updated: March 18, 2026

Source: LSEG Datastream, Convexity Economics

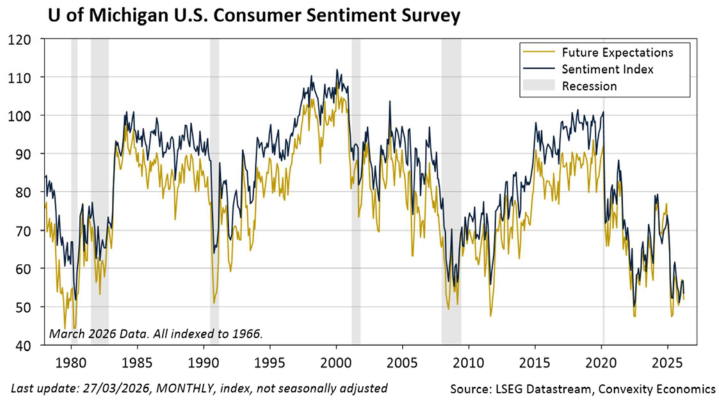








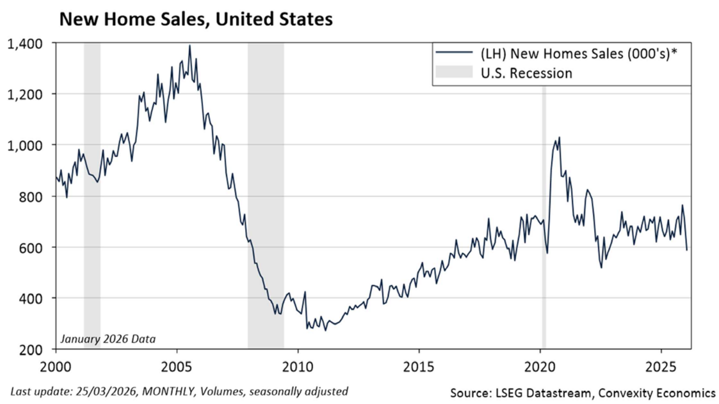
University of Michigan Consumer Sentiment, United States



The University of Michigan Consumer Sentiment Index fell 5.8% in March to 53.3, the lowest level since December 2025. The survey showed that the consumers who have been protected from higher prices, through higher incomes and wealth in the stock market, are now starting to feel the effects of escalating gas prices and increased market volatility from the Middle East conflict. Near-term economic outlook fell 14%, compared to a more subdued response to long-term expectations, suggesting consumers are not expecting recent developments to persist.

About two thirds of the responses were received after the start of the conflict in Iran, with these respondents reporting higher for both the short-run and long-run inflation expectations. Short-run inflation expectations were 4.3% of those answering after February 28th, compared to 3.3% for those who answered before. Long -run inflation expectations were 3.3%, compared to 3.1% from those who answered prior to February 28th.

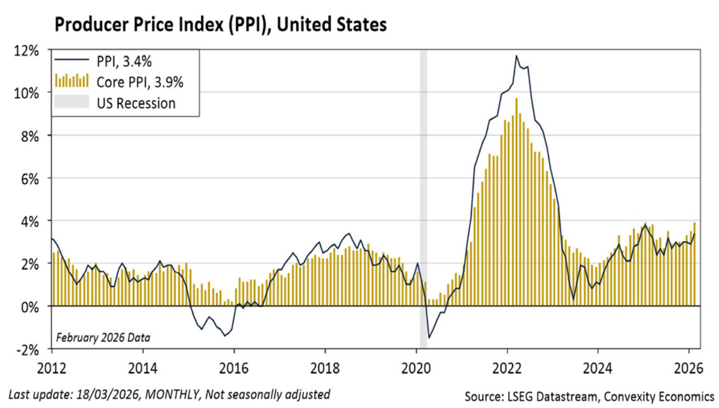
New Home Sales, United States



US new home sales for January 2026 were an annualized rate of 587,000 units, 17.6% lower than December 2025, and 11.3% lower year-over-year. Supply was estimated to have increased 21.3% month-over-month.

The median sale price for new houses sold was $400,500 in January 2026, 4.5% lower than December 2025.

Producer Prices , United States



The US Producer Price Index (PPI) the largest year-over-year increase in 12-months, increasing 3.4% year-over-year, driven by recent surge in services costs. Services demand increased 0.5% month-over-month which accounts for more than half the February increase in overall producer prices.

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S&P 500	6,368.85	- 2.12	- 6.96
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Sensex Index (India)	73,583.22	- 1.27	- 13.66
Bovespa Index (Brazil)	181,212	+ 2.83	+ 12.47
Merval Index (Argentina)	2,793,736	+ 2.51	- 8.45
Russell 2000	2,449.11	+ 0.44	- 1.32
S&P 600 Small Cap Index	1,483.36	+ 1.14	+ 1.06
VIX Volatility Index	31.08	+ 16.06	+ 107.89

Bonds Yields	Last	1W	YTD
Govt of Canada 5 Year	3.216%	- 0.059	+ 0.240
Govt of Canada 10 Year	3.585%	+ 0.031	+ 0.149
Govt of Canada 30 Year	3.952%	+ 0.002	+ 0.089
US Treasury 5 Year	4.060%	+ 0.050	+ 0.338
US Treasury 10 Year	4.430%	+ 0.040	+ 0.267
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Currencies	Last	1W	YTD
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US Dollar	$0.720	- 0.009	- 0.009
Euro	$0.625	- 0.005	+ 0.005
British Pound	$0.542	- 0.004	+ 0.002
Japanese Yen	$115.140	- 1.110	+ 1.200
Chinese Yuan	$4.976	- 0.041	- 0.119
Aussie Dollar	$1.047	+ 0.083	+ 0.132

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**	+ 1.20	- 0.20	*Q4*
China**	+ 4.50	- 0.30	*Q4*
Japan	+ 1.30	+ 3.90	*Q4*
India	+ 7.80	- 0.60	*Q4*

Inflation	YoY %	Change	Month
Canada	+ 1.77	- 0.50	*Feb*
United States	+ 2.43	+ 0.04	*Feb*
Mexico	+ 4.02	+ 0.23	*Feb*
Euro Zone**	+ 1.95	- 0.19	*Dec*
China**	+ 2.01	+ 2.31	*Feb*
Japan**	+ 1.26	- 0.27	*Feb*
India	+ 3.21	+ 0.47	*Feb*

Canadian Sectors	Last	1W%	YTD %
Energy	429.22	+ 3.90	+ 42.87
Industrials	455.35	+ 0.33	- 2.49
Consumer Staples	1,253.66	+ 1.16	+ 1.25
Financials	595.83	+ 0.51	- 5.05
Communication Services	165.34	- 0.21	+ 5.41
Real Estate	294.65	+ 0.69	- 6.87
Materials	781.80	+ 7.67	+ 4.28
Consumer Discretionary	361.94	- 1.25	- 5.40
Health Care	19.66	- 2.33	- 10.23
Information Tech	254.30	- 1.39	- 22.14
Utilities	384.49	+ 2.18	+ 9.14
S&P/TSX Composite	31,960.65	+ 2.05	+ 0.78

US Sectors	Last	1W%	YTD %
Energy	962.27	+ 6.22	+ 40.00
Industrials	1,348.45	- 1.21	+ 2.69
Consumer Staples	920.11	+ 1.24	+ 6.39
Financials	796.34	- 2.07	- 12.64
Communication Services	400.99	- 7.17	- 11.36
Real Estate	255.19	- 0.74	+ 0.06
Materials	614.25	+ 4.18	+ 6.94
Consumer Discretionary	1,691.83	- 1.91	- 12.27
Health Care	1,671.80	- 1.01	- 7.43
Information Tech	5,023.34	- 3.46	- 11.62
Utilities	463.77	+ 2.94	+ 6.91
S&P 500	6,368.85	- 2.12	- 6.96

Commodities	Last	1W %	YTD %
Baltic Dry index	2,014.00	- 2.04	+ 7.30
Bloomberg Industrial Metals Index	164.84	+ 2.06	+ 0.89
Gold	$4,510.92	+ 0.52	+ 4.56
Silver	$69.98	+ 3.27	- 1.80
Copper	$5.47	+ 3.35	- 3.33
Oil (ICE Brent Crude)	$113.22	+ 3.53	+ 85.91
Oil (WTI Light)	$99.71	+ 10.79	+ 73.74
Natural Gas	$3.10	+ 0.16	- 16.24
Corn	$461.75	- 0.91	+ 4.76
Wheat	$605.75	+ 1.72	+ 19.65
Cocoa	$3,226.00	- 2.60	- 46.95
Coffee	$295.25	- 2.70	- 11.39

Data as of: March 27, 2026 1:09 PM PT

Source: LSEG Datastream, Convexity Economics

Disclaimers

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