

Weekly Market Pulse



Week ending January 23, 2026

Market developments

Equities: Global equities traded with a risk-off tone this week as geopolitical tensions and policy uncertainty overshadowed otherwise supportive macro drivers. A major sell-off on January 20, triggered by renewed U.S. tariff threats against multiple European nations, sent U.S. indices sharply lower, with the S&P 500, Dow and Nasdaq all posting meaningful declines and tech leadership retreating notably. Safe-haven demand spiked in response, while Europe also felt pressure as major indices slipped under the weight of escalating trade concerns. Despite the volatility, underlying structural equity themes remained intact, with Asia continuing to attract significant inflows and Japan benefiting from yen weakness.

Fixed Income: Fixed-income markets experienced heightened turbulence as sovereign yields rose globally amid geopolitical stress and signs of strained demand in key government bond auctions. U.S. Treasury yields climbed, with the 10-year moving toward ~4.28% to 4.29%, reflecting a flight to safety into precious metals rather than Treasuries and concerns over central-bank independence following political pressure on the Federal Reserve. In parallel, global bond markets faced additional shock from an aggressive sell-off in Japanese government bonds after a weak debt auction pushed long-end yields to multi-year highs, fueling fears of broader sovereign-debt fragility.

Commodities: Commodities were deeply bifurcated this week, with safe-haven metals surging while energy markets continued to soften under the weight of persistent oversupply. Gold and silver reached new all-time highs as investors sought protection from tariff-driven volatility and geopolitical escalation, reinforcing an already strong structural bid under precious metals. In energy, oil markets remained under pressure, with global agencies warning of a massive 2026 surplus.

Performance (price return)

| SECURITY | PRICE | WEEK | 1 MONTH | 3 MONTH | YTD |
|--|-----------|--------|---------|---------|--------|
| Equities (\$Local) | | | | | |
| S&P/TSX Composite | | | | | |
| S&P 500 | 33,144.98 | 0.32% | 3.39% | 9.80% | 4.52% |
| NASDAQ | 6,915.61 | -0.35% | 0.08% | 2.63% | 1.02% |
| DAX | 23,501.24 | -0.06% | -0.26% | 2.44% | 1.12% |
| NIKKEI 225 | 24,900.71 | -1.57% | 2.30% | 2.86% | 1.68% |
| Shanghai Composite | 53,846.87 | -0.17% | 6.81% | 10.70% | 6.97% |
| Fixed Income (Performance in %) | | | | | |
| Canada Aggregate Bond | | | | | |
| US Aggregate Bond | 242.11 | -0.05% | 0.51% | -0.48% | 0.49% |
| Europe Aggregate Bond | 2348.90 | -0.01% | 0.23% | -0.01% | 0.00% |
| US High Yield Bond | 247.73 | -0.08% | 0.52% | -0.35% | 0.38% |
| Commodities (\$USD) | | | | | |
| Oil | | | | | |
| Gold | 61.26 | 3.06% | 4.93% | -0.86% | 6.69% |
| Copper | 4981.77 | 8.39% | 11.09% | 20.73% | 15.34% |
| Currencies (\$USD) | | | | | |
| | 594.55 | 1.96% | 8.57% | 16.34% | 4.64% |

| | | | | | |
|-----------------|--------|--------|--------|--------|--------|
| US Dollar Index | | | | | |
| Loonie | 97.50 | -1.91% | -0.46% | -1.46% | -0.84% |
| Euro | 1.3697 | 1.58% | -0.07% | 2.15% | 0.20% |
| Yen | 0.8454 | 1.99% | 0.28% | 1.81% | 0.71% |

Source: Bloomberg, as of January 23, 2026

Central Bank Interest Rates

| Central Bank | Current Rate | March 2026 Expected Rate* |
|-----------------------|--------------|---------------------------|
| Bank of Canada | 2.25% | 2.23% |
| U.S. Federal Reserve | 3.75% | 3.60% |
| European Central Bank | 2.00% | 1.93% |
| Bank of England | 3.75% | 3.68% |
| Bank of Japan | 0.75% | 0.77% |

Source: Bloomberg, as of January 23, 2026

*Expected rates are based on bond futures pricing

Macro developments

Canada – Inflation Ticks Higher in Canada, Retail Sales Show Mixed Momentum

Headline inflation in Canada rose to 2.4 percent in December 2025, exceeding expectations and diverging from the Bank of Canada's near-term outlook. The increase was driven mainly by base effects from last year's temporary GST and HST break, which lifted prices for restaurant food, alcohol and hobby goods. Shelter inflation eased and transportation prices fell, helping core median inflation drop to a one-year low of 2.5 percent.

Early estimates suggest retail sales fell 0.5 percent in December, which would mark the sharpest drop in three months. November sales had rebounded 1.3 percent, led by strong gains at food and beverage stores, liquor retailers and clothing shops as earlier disruptions eased. Most subsectors posted monthly increases, although sporting and hobby retailers saw a slight decline, while annual growth reached 3.1 percent.

U.S. – Business Activity Edges Higher

The S&P Global U.S. Flash Composite PMI ticked up to 52.8 in January 2026, showing steady but subdued growth compared with late 2025. Manufacturing outpaced services, though order books softened and exports fell. Inflation pressures stayed elevated due to tariffs, particularly in manufacturing, while service-sector price growth moderated. Business confidence remained positive but dipped slightly amid political uncertainty and cost concerns.

International – Japan Sees Broad-Based Expansion, China's Growth Accelerates on Policy Support, Eurozone Activity Stabilizes

Japan's Composite PMI rose to 52.8 in January 2026, its strongest reading since August 2024 and the 11th straight month of expansion. Services activity accelerated and manufacturing recorded its first output increase in seven months. New orders and foreign demand strengthened, backlogs surged and employment grew at the fastest pace since 2019. Despite high costs and demographic headwinds, sentiment stayed broadly stable.

China's GDP grew 1.2% quarter over quarter in Q4 2025, its fastest pace in three quarters and above expectations. The expansion reflected ongoing policy support aimed at managing industrial overcapacity and boosting domestic demand. Authorities signalled plans for stronger fiscal measures and efforts to increase household consumption. The central bank maintained ample liquidity and guided borrowing costs lower without deploying heavy stimulus.

The HCOB Flash Eurozone Composite PMI held steady at 51.5 in January 2026, indicating a pause in the region's modest growth trend. Services slowed but remained in expansion, while manufacturing returned to slight growth. New orders rose for a sixth month, although export weakness weighed on gains. Firms trimmed employment slightly, mostly in Germany, while rising input costs pushed selling prices higher. Business sentiment climbed to a 20-month high on improved optimism among manufacturers.

Quick look ahead

| DATE | COUNTRY/REGION | EVENT | | SURVEY | PRIOR |
|-----------|--------------------|----------------------------------|------|--------|-------|
| 28-Jan-26 | Canada | Bank of Canada Rate Decision | | 2.25 | 2.25 |
| 28-Jan-26 | United States | FOMC Rate Decision (Upper Bound) | | 3.75 | 3.75 |
| 28-Jan-26 | United States | FOMC Rate Decision (Lower Bound) | | 3.50 | 3.5 |
| 29-Jan-26 | Japan | Jobless Rate | Dec | 2.60 | 2.6 |
| 30-Jan-26 | Eurozone Aggregate | GDP SA QoQ | 4Q A | 0.20 | 0.3 |
| 30-Jan-26 | Eurozone Aggregate | GDP SA YoY | 4Q A | 1.25 | 1.4 |
| 30-Jan-26 | Eurozone Aggregate | Unemployment Rate | Dec | 6.30 | 6.3 |
| 30-Jan-26 | United States | PPI Final Demand MoM | Dec | 0.25 | 0.2 |
| 30-Jan-26 | United States | PPI Ex Food and Energy MoM | Dec | 0.25 | |
| 30-Jan-26 | United States | PPI Final Demand YoY | Dec | | 3 |
| 30-Jan-26 | United States | PPI Ex Food and Energy YoY | Dec | | 3 |
| 30-Jan-26 | Canada | GDP MoM | Nov | 0.10 | -0.3 |
| 30-Jan-26 | Canada | GDP YoY | Nov | 0.70 | 0.4 |

A = Advance

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