

## MARKET SUMMARY

First Quarter 2026

### S&P/TSX Composite TR

Q1	YTD	1 year
↑ 3.9%	↑ 3.9%	↑ 34.8%

### S&P 500 TR (US\$)

Q1	YTD	1 year
↓ 4.3%	↓ 4.3%	↑ 17.8%

### MSCI EAFE GR (C\$)

Q1	YTD	1 year
↑ 0.7%	↑ 0.7%	↑ 18.2%

### Canada Broad Bond Market TR\*

Q1	YTD	1 year
↓ 0.8%	↓ 0.8%	↓ 2.7%

## FIRST QUARTER HIGHLIGHTS

- S&P/TSX Composite hits a new all-time high of 34,541.27 on March 2<sup>nd</sup>
- S&P 500 hit an 8-month low of 6,343.72 on March 30<sup>th</sup>
- Canadian dollar hit a 16-month high of \$0.739 on January 30<sup>th</sup>
- WTI Oil hit a 4-year high of \$104.69 USD per barrel on March 30<sup>th</sup>
- Bank of Canada maintained the overnight rate at 2.25%

## SUMMARY

The first quarter of 2026 delivered a dramatic swing in markets, beginning with a record run in Canadian equities before a sharp reversal in commodities and an abrupt shift in risk sentiment. The capture of Nicolas Maduro drew headlines, private credit rang alarm bells of imprudence and AI scared SaaS (Software-as-a-Service) providers in their boots but the real story was the volatility in resource markets: gold and silver sold off, then rebounded, while oil moved from a five-year low to a four-year high after the U.S. and Israel attacked Iran.

On February 28, the U.S. and Israel attacked Iran, triggering the biggest sell-off in global stocks and bonds since 2022. The conflict sparked an energy shock that lifted Brent crude almost 60% in March, the largest one-month increase on record, as tanker traffic through the Strait of Hormuz was halted and regional energy infrastructure was damaged. Fuel prices rose sharply worldwide, and markets rallied late in the quarter on reports that the U.S. and Iran were seeking to de-escalate. We, however, remain positioned to defend against inflation as one of our core investment themes; it's difficult to see a path to remedying the disruptions in any short period of time and this is yet another inflationary source to add to the list.

Quarterly returns were mixed. The S&P/TSX Composite gained 3.9%, the MSCI EAFE Index rose 0.7% and the S&P 500 fell 4.3%. Bonds retreated in March as markets began to price in the risk that central banks may have to tighten policy to contain inflation from higher energy costs with the Canadian and US bond markets declining 0.8% and 0.03% respectively. Energy and materials were especially volatile, while defensive areas helped cushion some of the downsides in other markets.

Canadian growth was modest in January and likely improved slightly in February, but the labour market weakened in the first quarter and unemployment settled in at 6.7%. Inflation remained subdued at 1.8% in February, leading the Bank of Canada to hold rates at 2.25% while warning that energy volatility raised inflation risks. In the U.S., growth was revised lower, job creation softened, inflation stayed sticky, and consumer sentiment diverged after the war began, while central banks in the eurozone, the UK, Australia, Japan, and China all cited energy and inflation risks in their March decisions.

Despite the volatility, the core lesson remains unchanged: long-term success depends on economic fundamentals and on owning companies that can generate revenue, cash flow, and profits through different market environments. Investors who stay focused on quality businesses and disciplined asset allocation are often better positioned to navigate periods of uncertainty. Over time, patience and a long-term perspective can help turn short-term disruption into opportunity.

## STRATEGIC NOTES

Volatility—the ups and downs of the stock market—is something every investor must accept if they want to grow their money over the long term. While it can feel scary when your portfolio loses value, these swings are a normal part of how the market works. Without volatility, stocks wouldn't offer better returns than safer investments like savings accounts or government bonds. If you want the chance to earn higher returns, you must be willing to ride out the bumps along the way. Volatility is the cost of the ticket to invest.

History shows that investors who stay patient through market downturns are rewarded over time. The stock market has risen significantly over the past 100 years, but it has never been a smooth journey. There have been many times when stocks dropped 10%, 20%, or even more, yet the market has historically recovered and reached new highs. Investors who panic and sell during the bad times lock in losses and miss the recovery that follows. The key is remembering that downturns historically have been temporary, but the long-term growth trend continues.

The power of compounding returns shows why staying invested through volatility matters so much. Here are some stats to keep in mind. Since 1950, the US stock market has experienced an annual average peak-to-trough drawdown of -16%, yet the average annual return is +9.4%. It is normal for an all-stock portfolio to drop 15% during the year and then gain 25% from that bottom, and over many years, the average annual return adds up to significant wealth. Trying to avoid volatility by jumping in and out of the market usually backfires because you end up missing the best days, which often happen right after the worst days. Studies show that missing just a few of the market's best days can seriously hurt long-term returns, and these great days are impossible to predict.

Volatility also creates opportunities to improve your returns if you stay calm and disciplined. When the market drops, good companies go on sale, giving our portfolio managers the chance to buy quality stocks at lower prices. You can also use downturns to rebalance your portfolio—selling investments that have done well and buying more of those that have dropped—which naturally follows the "buy low, sell high" principle. These strategies only work because markets go up and down; a perfectly calm market wouldn't offer these chances to boost your performance and the active managers we use employ all these strategies for you.

In the end, accepting volatility means changing how you think about market swings. Instead of seeing them as problems, recognize them as a normal part of investing that creates opportunities. The most successful investors aren't the ones who avoid volatility—they're the ones who stay focused on their long-term plan despite short-term turbulence. By diversifying your investments, keeping a long-term perspective, and understanding that temporary unrealized losses are just the cost of earning higher returns, you can turn volatility from something to fear into something you simply accept as the cost of the ticket to building wealth through investing.

Markets often look two or three quarters ahead, and with consumer, market, and economic sentiment already at very low levels after a series of negative events, there is room for solutions and more positive outcomes to be priced in over the next few quarters, which could provide a tailwind for markets over time; at Eastport, we help you navigate volatility and stay disciplined so you can make the most of these opportunities.

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