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The escalation of the Iran conflict rekindled volatility in energy markets in April, yet did little to hold back U.S. equity markets, driven by exceptional corporate earnings. This month served as a further reminder of how markets can hold their ground even in uncertain macroeconomic conditions.

U.S. EQUITY MARKETS HIT NEW HIGHS DESPITE MIDDLE EAST ESCALATION

Two major themes shaped financial markets in April: persistent geopolitical tensions in the Middle East, and the surprisingly strong performance of U.S. equity markets, buoyed by better-than-expected corporate earnings.

On the geopolitical front, the situation in Iran remains unstable. After a brief period of optimism early in the month—sparked by the announcement of a temporary ceasefire between the United States and Iran—hopes for a swift resolution quickly faded.

The breakdown of subsequent negotiations and the U.S. announcement of a blockade of the Strait of Hormuz revived concerns about the duration and scope of the conflict. Since the region is strategically critical for global oil supply, any escalation reignites volatility in energy markets.

Despite the rise in oil prices observed during the month, major economies have yet to show clear signs of a meaningful slowdown. Growth forecasts were nonetheless revised slightly downward, while inflation expectations were adjusted upward, reflecting the pressure of higher energy costs.

Central banks thus remain caught between the need to support economic growth and the imperative to prevent a lasting resurgence of inflation.

Strong corporate earnings revive risk appetite

Meanwhile, U.S. equity markets delivered a remarkable performance. Driven by solid financial results, particularly in the technology sector, major indexes reached new highs. Robust corporate earnings reassured investors about companies' ability to remain profitable despite higher interest rates and heightened geopolitical risks. This dynamic helped revive risk appetite, especially in the United States.

Beneath April's broadly positive results, performance varied across regions and sectors. In Canada, the S&P/TSX posted a gain of 3.8%, led by a notable 10.1% advance in the financial sector. On the downside, the materials sector declined 5.3%, while communications fell 6.6%, reflecting a more challenging environment for these industries.

U.S. markets significantly outperformed other regions. The S&P 500 rose 10.5%, the Dow Jones 7.1%, and the Nasdaq 15.3%. This surge reflected the return of technology stocks, fuelled by continued enthusiasm around artificial intelligence (AI) and earnings results that came in well above expectations.

Internationally, returns were more modest and varied by region. In the United Kingdom, the FTSE 100 gained 2.0%, while France's CAC 40 advanced

3.8%. Germany's DAX 30 stood out with a 7.1% gain, benefitting from renewed optimism toward the industrial sector. Japan had an exceptional month, with the Nikkei 225 surging 16.1% and extending the impressive recovery that began in mid-2025.

In fixed income, the FTSE Canada Universe Bond Index posted a modest gain of 0.12% in April, despite rising interest rates. This modest return, however, conceals contrasting dynamics within the market. Canadian government bonds delivered negative returns, weighed down by the rise in rates. Provincial, municipal, and corporate bonds, on the other hand, generated positive returns, benefitting from a significant tightening of credit spreads during the month.

Monetary policy: a hold on both sides of the border

The Bank of Canada held its policy rate unchanged at 2.25% on April 29, extending the status quo for the fourth consecutive time. The decision reflected an economic growth outlook that has changed little recently, despite an uncertain global environment.

Governor Tiff Macklem noted that, despite Canada's exposure to global geopolitical risks, the economy remains on a growth trajectory.

As a major net oil exporter, Canada benefits from higher national income when energy prices rise, although this situation strains household purchasing power. In terms of economic activity, Canada's real GDP grew 0.2% in February, following a 0.1% gain in January. Growth was driven primarily by goods-producing industries, while services posted more modest gains.

In the United States, the Federal Reserve also held its policy rate steady, with the federal funds target range remaining between 3.50% and 3.75%. The U.S. economy showed signs of recovery, with real GDP growing 2.0% in the first quarter of 2026. This improvement was driven

notably by a strong rebound in government spending and a solid contribution from business non-residential investment, largely fuelled by AI-related capital expenditure. Consumer spending, however, showed moderation, reflecting persistent cost-of-living pressures.



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KEY TAKEAWAYS

- The escalation of the Iran conflict reignited energy market volatility, pushing inflation expectations higher and keeping central banks in a wait-and-see posture.
- U.S. equity markets had an exceptional month: the S&P 500 gained 10.5%, the Nasdaq 15.3%, and the Dow Jones 7.1%. In Canada, the S&P/TSX rose 3.8%. Elsewhere, the DAX 30 advanced 7.1% and the Nikkei 225 surged 16.1%.
- The Bank of Canada held its policy rate at 2.25% for the fourth consecutive time. Real GDP grew 0.2% in February, following a 0.1% gain in January.
- In the United States, the Federal Reserve held its policy rate in the 3.50%–3.75% range. Real GDP grew 2.0% in the first quarter of 2026, supported by government spending and AI-related investment.

ECONOMIC DATA AND CURRENCIES

STATISTICS AS OF APRIL 30, 2026

CANADA			UNITED STATES			CURRENCIES		
Unemployment (March)	6.7%	-	Unemployment (March)	4.3%	↓	USD / CAD	0.74	↓
IPC (March)	2.4%	↑	IPC (March)	3.3%	↑	USD / EUR	1.17	↓
3-month T-Bills	2.30%	↓	3-month T-Bills	3.66%	↓	JPY / USD	156.59	↑
5-year bonds	3.19%	↑	5-year bonds	4.01%	↑	The arrow indicates the trend since the publication of the last monthly data or end of the month.		
10-year bonds	3.54%	↑	10-year bonds	4.37%	↑			
S&P/TSX	33,964	↑	Dow Jones - Industrial	49,652	↑			
			S&P 500	7,209	↑			

SOURCE: Bloomberg.

MARKET RETURNS

TOTAL RETURNS IN CANADIAN DOLLARS AS OF APRIL 30, 2026

	YTD	3 months	1 year	3 years	5 years
FTSE Canada 91 Day TBill Index	0.72%	0.54%	2.51%	3.90%	3.02%
BONDS					
FTSE Canada Universe Bond Index	0.35%	-0.23%	1.63%	3.20%	0.74%
FTSE Canada Short Term Overall Bond Index	0.33%	-0.11%	2.36%	4.20%	2.00%
Eterna Adapted Private Wealth Index ¹	0.33%	-0.18%	2.20%	3.92%	1.64%
FTSE Canada Mid Term Overall Bond Index	0.32%	-0.28%	1.93%	3.48%	1.06%
FTSE Canada Long Term Overall Bond Index	0.41%	-0.38%	0.08%	1.18%	-1.44%
NORTH AMERICAN STOCK MARKETS					
Canada - S&P/TSX Composite	7.90%	7.00%	40.10%	21.54%	15.51%
United States - Standard & Poor's 500	4.86%	4.42%	29.17%	21.87%	15.48%
United States - Dow Jones Industrial Average	2.99%	2.19%	22.39%	15.64%	12.31%
INTERNATIONAL STOCK MARKETS					
United Kingdom - FTSE-100	5.93%	1.95%	26.62%	16.85%	14.22%
France - CAC-40	-1.30%	-1.16%	8.76%	4.97%	6.93%
Germany - DAX	-1.60%	-2.01%	9.90%	17.66%	11.63%
Japan - Nikkei-225	16.95%	9.90%	47.72%	21.50%	9.73%
Hong Kong - Hang Seng	-0.86%	-5.97%	13.72%	9.25%	-0.29%
Australia - S&P/ASX 200	6.19%	0.87%	18.05%	8.93%	4.94%
CURRENCIES					
USD versus CAD	-1.03%	-0.23%	-1.57%	0.07%	2.02%

SOURCE: Bloomberg. NOTES: Returns over 3-year and 5-year periods are annualized.

¹The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.

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