



ETERNA
FINANCIAL GROUP

MONTHLY

FINANCIAL LETTER

MAY 2026

Hopes for a U.S.-Iran deal boosted investor confidence in May, alongside falling oil prices. Stock markets greatly benefitted from this, particularly the semiconductor sector. Meanwhile, figures showed a contraction in the Canadian economy during the first quarter.

MARKETS REBOUND, DRIVEN BY GEOPOLITICS AND TECH STRENGTH

May was marked by a renewed sense of optimism in the financial markets, fuelled by several favourable geopolitical and macroeconomic developments. Chief among these was the improved outlook surrounding a potential agreement between the United States and Iran. Although negotiations have suffered numerous setbacks in recent months, investors interpreted the recent progress as an encouraging sign of potentially easing tensions in the Middle East.

This more positive outlook swiftly found its way into the commodity markets. Oil prices fell significantly, with WTI crude dropping below the \$90 per barrel mark. This decline helped ease anticipated inflationary pressures and led to a drop in bond yields.

Geopolitical backdrop restores investor confidence

Against this backdrop, stocks continued the rally that began following the correction seen in March. Investors now appear to be betting on a scenario in which geopolitical tensions stabilize, energy prices normalize, and spending on artificial intelligence (AI) continues to drive corporate earnings growth. In the United States, this momentum has resulted in an exceptional streak of

weekly gains for the stock market, reflecting strong risk appetite. The technology sector stood out during the month, albeit unevenly. While some software companies continued to post disappointing results, extending a trend that began in late 2025, semiconductor and memory chip companies delivered spectacular performance. These segments are directly benefitting from the rise of AI, data centres, and automation, accounting for their leading role in the recent market rally.

North American markets, in particular, posted significant gains, while international markets showed more mixed performance across regions.

In Canada, the S&P/TSX stock index posted a return of 2.5%. In the United States, markets had a particularly strong month. The S&P 500 rose 5.3%, driven mainly by the continued strength of large technology companies, while the Nasdaq surged 8.4%, buoyed by enthusiasm surrounding AI and semiconductors. The Dow Jones posted the weakest growth among the major U.S. indices, with a gain of 2.8%, due to its heavier weighting in industrial and financial stocks. International markets showed more mixed results. In the United Kingdom, the FTSE 100 rose a modest 0.3%, while

in France, the CAC 40 posted a gain of 0.8%. Germany stood out with a 3.3% rise in the DAX 30. In Asia, Japan's Nikkei 225 index delivered the best performance of the month, its 11.9% surge making it the best-performing stock index since the start of the year.

Finally, bond markets also posted positive returns. The FTSE Canada Universe Bond Index rose 1.36%, mainly due to falling interest rates.

Canadian figures show a slowing but resilient economy

In Canada, economic data released in May painted a nuanced picture, indicating a slowdown in economic activity without, however, pointing to widespread deterioration. The labour market continued to show signs of weakness, with a slight decline in the number of jobs in April. The unemployment rate continued to rise, reaching 6.9%, which appears to be more related to a slowdown in hiring than to a sharp increase in layoffs.

On the inflation front, consumer prices accelerated in April, but less than markets feared. Headline inflation stood at 2.8% year-over-year, while core inflation, excluding energy and food, continued to ease.

Although soaring energy prices were the main driver of the recent increase, they do not yet appear to have spread significantly to other parts of the economy. In this context, the Bank of Canada therefore has room to maintain a cautious monetary policy stance.

Finally, gross domestic product data confirmed a slight decline in economic activity in the first quarter, leading to what is described as a “technical recession.” However, this situation should be interpreted with caution. The contraction in GDP is largely attributable to one-off factors, including the sharp rise in imports and the slowdown in residential

investment. Furthermore, several indicators, such as real GDP per capita growth and the expansion observed in most sectors, suggest that the Canadian economy remains resilient.



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KEY TAKEAWAYS

- Progress in U.S.-Iran negotiations fuelled renewed optimism in May. The resulting geopolitical détente led to a notable decline in oil prices.
- North American equity markets posted solid gains; a strong rebound in Japan’s Nikkei 225 propelled the index ahead of other major markets since the start of the year.
- Semiconductor and memory chip stocks drove market gains. Software companies continued to post disappointing results.
- The Canadian economy fell into a technical recession, but indicators suggest that the decline in GDP is largely attributable to one-off factors.

ECONOMIC DATA AND CURRENCIES

STATISTICS AS OF MAY 31, 2026

CANADA			UNITED STATES			CURRENCIES		
Unemployment (March)	6.9 %	↑	Unemployment (March)	4.3 %	-	USD / CAD	0.73	↑
IPC (March)	2.8 %	↑	IPC (March)	3.8 %	↑	USD / EUR	1.17	↑
3-month T-Bills	2.31 %	-	3-month T-Bills	3.67 %	↑	JPY / USD	159.27	↓
5-year bonds	3.05 %	↓	5-year bonds	4.14 %	↓	The arrow indicates the trend since the publication of the last monthly data or end of the month.		
10-year bonds	3.41 %	↓	10-year bonds	4.44 %	↑			
S&P/TSX	34,769	↑	Dow Jones - Industrial	51,032	↑			
			S&P 500	7,580	↑			

SOURCE: Bloomberg.

MARKET RETURNS

TOTAL RETURNS IN CANADIAN DOLLARS AS OF MAY 31, 2026

	YTD	3 months	1 year	3 years	5 years
FTSE Canada 91 Day TBill Index	0.91%	0.56%	2.48%	3.85%	3.05%
BONDS					
FTSE Canada Universe Bond Index	1.72%	-0.51%	2.99%	4.25%	0.89%
FTSE Canada Short Term Overall Bond Index	1.07%	-0.08%	3.02%	4.77%	2.13%
Eterna Adapted Private Wealth Index ¹	1.28%	-0.40%	3.23%	4.74%	1.78%
FTSE Canada Mid Term Overall Bond Index	1.58%	-0.88%	3.53%	4.67%	1.20%
FTSE Canada Long Term Overall Bond Index	2.91%	-0.80%	2.30%	2.83%	-1.23%
NORTH AMERICAN STOCK MARKETS					
Canada - S&P/TSX Composite	10.61%	1.83%	36.06%	24.64%	15.30%
United States - Standard & Poor's 500	11.90%	11.89%	30.18%	24.20%	17.21%
United States - Dow Jones Industrial Average	7.47%	5.94%	23.09%	18.41%	13.15%
INTERNATIONAL STOCK MARKETS					
United Kingdom - FTSE-100	7.29%	-2.08%	22.94%	19.79%	14.05%
France - CAC-40	0.44%	-4.63%	8.89%	8.66%	6.74%
Germany - DAX	2.62%	-0.71%	7.91%	21.28%	12.18%
Japan - Nikkei-225	30.47%	11.86%	58.40%	24.11%	12.56%
Hong Kong - Hang Seng	-1.86%	-4.45%	8.51%	11.86%	-0.44%
Australia - S&P/ASX 200	8.58%	-2.91%	16.18%	11.57%	5.31%
CURRENCIES					
USD versus CAD	0.50%	1.12%	0.39%	0.53%	2.71%

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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