

Market Pulse



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Stocks rebound in April

Stock markets rebounded strongly in April after weakening in March. The S&P/TSX Composite Index gained 3.7% during the month, helped by strength in the industrial and technology sectors and by strong corporate earnings.

U.S. stocks showed strong performance, with the S&P 500 Index rising 10.4%, led by large-cap tech and AI-oriented names, as strong first-quarter earnings helped offset elevated geopolitical risk. The MSCI EAFE Index also rebounded to gain 7.0% in April.

Geopolitical disruptions related to the ongoing Middle East conflict heightened shipping risks around the vital **Strait of Hormuz** and pushed oil prices above recent ranges, leading to a sharp rise in energy costs and reviving broader inflation fears globally.

Government bond yields rose across developed markets, as investors priced in rising (and stickier) inflation and **higher-for-longer** central bank interest rates. Accordingly, market discussions indicated a reduced likelihood of 2026 rate cuts by the U.S. Federal Reserve (Fed).

The final week of the month was a busy one for global central bank decisions. The general theme was that many central banks are seeking to preserve greater flexibility to be able to respond as needed to any economic shocks stemming from the Middle East conflict. This generally implies an incrementally more hawkish policy tilt. The notable exception is the Bank of England, which jumped ahead of its peers by raising its rate at its previous meeting but is now moderating back toward the emerging consensus among other central banks.

FOMC decision: no rate change

To no one's surprise, in its last meeting before Kevin Warsh is appointed as the new Fed Chair, the U.S. Federal Open Market Committee (FOMC) elected to leave its benchmark interest rate unchanged at 3.50%-3.75%. While we don't consider the FOMC to be in an outright hawkish stance yet, its overall policy stance has definitely moved away from the relatively more dovish view it expressed just six weeks ago.

It's difficult to see the Fed easing policy until some semblance of stability returns to the supply chains that go through the Strait of Hormuz.

BoC on hold, but a prolonged conflict could lead to rate hikes

The Bank of Canada (BoC) left its benchmark rate unchanged at 2.25% for a third consecutive meeting. This latest meeting marked the BoC's second policy decision, and its first updated economic forecast, since the Middle East conflict began in late February.

If the Strait of Hormuz remains shut down for an extended period, it's possible the BoC may consider raising interest rates multiple times, depending on economic conditions. Indeed, BoC Governor Macklem's numerous references to monetary policy being "nimble" reinforce this way of thinking.

For now, it's too early for us to change our view that the BoC will likely remain on hold. The conflict overseas could rapidly evolve, perhaps leading to a swift and sharp drop in oil prices. Meanwhile, there remain significant downside risks to Canadian growth due to the upcoming renewal of the US-Mexico-Canada Agreement (USMCA) on free trade.

The value of diversification

Market performance in 2025, and so far in 2026, underscores the importance of maintaining a well-diversified portfolio with exposure to a variety of global markets, as each region offers unique risks and opportunities.

We favour an actively managed strategy that emphasizes security selection, rather than relying solely on broad index exposure. We believe this approach offers the potential to identify opportunities and manage risks more effectively.

Index returns as of April 30, 2026

	Close	April (%)	YTD (%)
S&P/TSX Composite Index	33,964.33	3.7	7.1
Dow Jones Industrial Average (USD)	49,652.14	7.1	3.3
NASDAQ Composite Index (USD)	24,892.31	15.3	7.1
S&P 500 Index (USD)	7,209.01	10.4	5.3
MSCI EAFE Index (USD)	3,038.64	7.0	5.0

Source: Manulife Investment Management Capital Markets Strategy Team, as of 4/30/2026

Monthly lookahead

May 8	Canada April employment, U.S. April employment
May 12	U.S. April CPI
May 13	U.S. April producer prices, Canada BoC summary of deliberations
May 14	U.S. April retail sales, Canada March wholesale trade
May 15	Canada April housing starts, March international securities transactions
May 19	Canada April CPI
May 20	U.S. FOMC minutes
May 22	U.S. May University of Michigan Consumer Sentiment, Canada March retail sales
May 29	Canada March and Q1 GDP

Important disclosure

The S&P/TSX Composite Index is the benchmark Canadian index that tracks the performance of companies listed on the Toronto Stock Exchange (TSX).

The MSCI Europe, Australasia, and Far East (EAFE) Index tracks the performance of publicly traded large- and mid-cap stocks of companies in those regions.

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