

Market Pulse



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Stocks mixed in February, bonds positive

Stock markets were mixed in February. The S&P/TSX Composite Index had a strong month, driven by strong materials and energy stocks. The MSCI EAFE Index also gained ground, while U.S. stock indexes were generally weaker. Fixed income was generally stronger across the board.

Index returns as of February 28, 2026

	Close	February (%)	YTD (%)
S&P/TSX Composite Index	34,339.99	7.6	8.3
Dow Jones Industrial Average (USD)	48,977.92	0.2	1.9
NASDAQ Composite Index (USD)	22,668.21	-3.4	-2.5
S&P 500 Index (USD)	6,878.88	-0.9	0.5
MSCI EAFE Index (USD)	3,179.91	4.5	9.9

Source: Manulife Investment Management Capital Markets Strategy Team, as of 2/28/2026

Headline-driven volatility

Recent events reinforce our view that **headline-driven** market volatility will likely continue through March and beyond, especially as geopolitical tensions in the Middle East remain fluid and unpredictable. With multiple state and non-state actors involved, it can be challenging to stay on top of every development, particularly amid such a rapidly evolving news cycle.

With most global geopolitical shocks, we ask ourselves if the event is disruptive or destructive. Historically, the vast majority have fallen into the disruptive category, causing temporary volatility but only limited long-term damage to the economy or corporate earnings. Market drawdowns from such events tend to reverse once the uncertainty clears and investors refocus on fundamentals.

History shows that markets often recover quickly. Across a wide range of past geopolitical events, markets have typically experienced an initial decline, followed by a recovery that begins relatively quickly. On average, for example, the S&P 500 Index has bottomed roughly 19 days after the initial shock and has fully recovered to “break-even” levels around 40 days after the event. These patterns underscore a consistent behavioural response: investors initially reduce their risk, then re-enter the markets as clarity improves.

Short-term reactions skew negative, but historical data shows that one-year forward returns have often been positive, though past performance is not always indicative of future results. Over the first one to three months, markets have often exhibited heightened volatility and modestly negative performance as uncertainty peaks. However, historical data indicates that 12-month returns following geopolitical events have often been positive, except in cases where the event coincided with—or triggered—a true fundamental shift, such as an economic recession.

In other words, markets don't usually struggle *because of* geopolitical events themselves, but rather when geopolitics occasionally overlaps with macroeconomic deterioration, though this is not guaranteed.

This remains an exceptionally fluid global geopolitical environment, with dynamics often shifting by the hour. Many of the drivers behind recent market volatility are beyond any investor's control. What *is* within our control—and where we place most of our focus—is ensuring that portfolios are properly structured to navigate a wide range of potential economic and market outcomes.

Historically, geopolitical events have a short-term impact on markets

Geopolitical Event	Event Date	S&P 500 Returns (One Day)	S&P 500 Returns (Total Drawdown)	Days to Bottom	Days to Recovery	S&P 500 3-month forward return	S&P 500 1-year forward return
Israel / Hamas Conflict	10/7/2023	0.6%	-5.0%	14	5	9.0%	33.5%
Russian / Ukraine Conflict	2/24/2022	1.5%	-3.0%	9	14	-8.1%	-7.4%
U.S. Pulls Out of Afghanistan	8/30/2021	0.4%	-0.1%	1	3	0.8%	-12.0%
Iranian General Killed in Airstrike	1/3/2020	-0.7%	-0.7%	1	5	-23.1%	16.1%
Saudi Aramco Drone Strike	9/14/2019	-0.3%	-4.0%	19	41	5.4%	11.1%
North Korea Missile Crisis	7/28/2017	-0.1%	-1.5%	14	36	4.4%	14.0%
Bombing of Syria	4/7/2017	-0.1%	-1.2%	7	18	3.0%	10.6%
Boston Marathon Bombing	4/15/2013	-2.3%	-3.0%	4	15	8.4%	18.7%
London Subway Bombing	7/5/2005	0.9%	0.0%	1	4	-0.7%	5.5%
Madrid Bombing	3/11/2004	-1.5%	-2.9%	14	20	2.7%	8.4%
U.S. Terrorist Attacks	9/11/2001	-4.9%	-11.6%	11	31	4.0%	-16.8%
Iraq's Invasion of Kuwait	8/2/1990	-1.1%	-16.9%	71	189	-11.3%	10.2%
Reagan Shooting	3/30/1981	-0.3%	-0.3%	1	2	-2.3%	-16.4%
Yom Kippur War	10/6/1973	0.3%	-0.6%	5	6	-10.0%	-43.2%
Munich Olympics	9/5/1972	-0.3%	-4.3%	42	57	5.7%	-5.9%
Tet Offensive	1/30/1968	-0.5%	-6.0%	36	65	4.9%	10.4%
Six Day War	6/5/1967	-1.5%	-1.5%	1	2	6.5%	13.0%
Gulf of Tonkin Incident	8/2/1964	-0.2%	-2.2%	25	41	2.4%	2.5%
Kennedy Assassination	11/22/1963	-2.8%	-2.8%	1	1	11.5%	23.9%
Cuban Missile Crisis	10/16/1962	-0.3%	-6.6%	8	18	13.3%	27.8%
Suez Crisis	10/29/1956	0.3%	-1.5%	3	4	-3.6%	-12.3%
Hungarian Uprising	10/23/1956	-0.2%	-0.8%	3	4	-2.7%	-11.7%
N. Korea Invades S. Korea	6/25/1950	-5.4%	-12.9%	23	82	1.5%	12.6%
Pearl Harbor Attack	12/7/1941	-3.8%	-19.8%	143	307	-12.4%	0.2%
Average		-1%	-5%	19	40	0%	4%
Median		0%	-3%	9	17	3%	9%

Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy, as of February 28, 2026

What can higher oil prices mean for the U.S. economy and markets?

Oil is often at the epicentre of heightened geopolitical risk, especially when the rise in risk is coming from the Middle East. Economically speaking, higher oil prices are bad news nearly across the board (but the impact has diminished over the years). It can increase costs for consumers, especially at the lower end of the income spectrum, where a greater share of spending is on gas. That said, the economic dependence on oil has diminished significantly over the years due to technological innovation (think EVs). The other element is that it can cause inflationary pressures, which then

leads to higher central bank rates. The disinflation we've been seeing over the last several years has been helped by lower oil prices, so high oil/gas prices would likely stall further disinflationary pressures to some degree. Overall, the economic implications are relatively limited, but increased uncertainty around geopolitical risks can cause reduced sentiment. Oddly enough, U.S. consumer sentiment is already relatively negative, but market sentiment is about as positive as ever (based on valuations and equity cyclical market rotation). Ultimately, the market implications tend to be short-lived.

Monthly lookahead

March 6	U.S. February employment
March 11	U.S. February CPI
March 13	Canada February employment
March 16	Canada February CPI, housing starts
March 18	BoC rate announcement
March 31	Canada January GDP

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