

Market Pulse



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Stocks and bonds weaken in March

Financial markets turned lower in March, as military action in the Middle East prompted broad declines in stock and bond markets. The S&P/TSX Composite Index slid 4.6% during the month, nearly erasing its early-year gains, despite the cushion of energy stocks, which had a strong month as oil prices surged.

The S&P 500 Index fell 5.1% for its biggest monthly drop since 2022, while the MSCI EAFE Index declined by 10.7%. Bond prices in Canada and the U.S. were also broadly lower as concerns of rising inflation pushed yields higher.

Markets retreat, but it's not 2022

Financial markets over the last month may have some investors hearkening back to 2022, when both stocks and bonds sold off significantly. While there are some similar themes to 2022, it's important to remember that, despite the similarities, it's the differences that really matter.

Similar to 2022, geopolitical tensions are pushing oil prices higher and injecting fresh uncertainty into the outlook. We also find ourselves again in a challenging macro mix: growth is slowing, yet inflation remains sticky.

However, context matters, and there are also notable differences today compared to 2022.

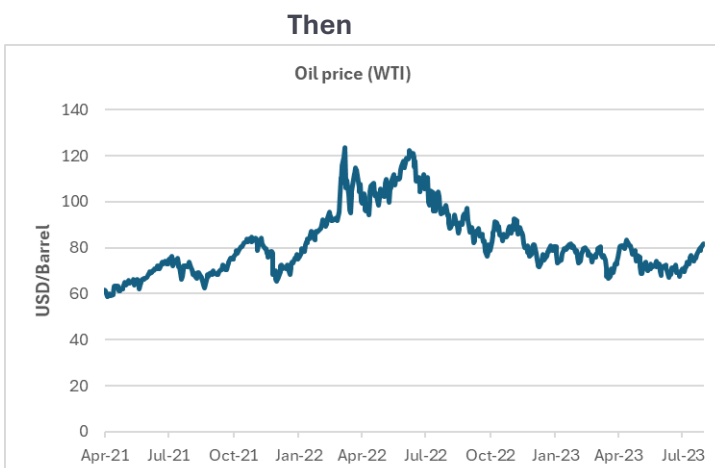
Back in 2022, the federal funds rate was almost at zero (0.25%), inflation was running extremely hot at 8.50%, and many argued that, from a monetary policy perspective, the U.S. Federal Reserve (Fed) was behind the curve. Crucially, consumer essentials such as oil and food prices were rising, putting even more upward pressure on the inflation picture.

Ultimately, the Fed responded aggressively with 7 rate hikes in 2022 alone, taking policy rates to 4.5%, which eventually hit 5.5% in 2023. The U.S. 10-year yield jumped from 1.5% to 3.9% by year-end.

Different year, different situation

But the picture is very different today. The federal funds rate is currently 3.75%, with a bias toward cuts rather than hikes. As for inflation, it's around 2.4% in the U.S., down from its peak above 8% in 2022. Meanwhile, the U.S. 10-year Treasury yield is around 4.3%, which we believe reflects repricing, not panic.

Are oil price shocks always a cause for concern?



Source: Macrobond, Manulife Investments, as of 6/30/2023



Source: Macrobond, Manulife Investments, as of 3/24/2026

The big swing factor right now

Oil. Oil. Oil.

How much higher it goes — and how long it stays elevated is likely to drive the next chapter of the story. It will influence inflation, shape the Fed's next move, and ultimately steer market sentiment for the rest of the year.

Until we get clarity there, volatility will stick around. But this isn't 2022 — the rate environment, inflation backdrop, and policy setting look very different this time around.

Index returns as of March 31, 2026

	Close	March (%)	YTD (%)
S&P/TSX Composite Index	32,768.04	-4.6	3.3
Dow Jones Industrial Average (USD)	46,341.51	-5.4	-3.6
NASDAQ Composite Index (USD)	21,590.63	-4.8	-7.1
S&P 500 Index (USD)	6,528.52	-5.1	-4.6
MSCI EAFE Index (USD)	2,838.61	-10.7	-1.9

Source: Manulife Investment Management Capital Markets Strategy Team, as of 3/31/2026

Monthly lookahead

April 3	U.S. March employment
April 8	FOMC minutes (March 18)
April 9	U.S. February personal income and spending, U.S. Q4 GDP (final estimate)
April 10	Canada March employment, U.S. March CPI
April 15	Canada February wholesale trade, manufacturing shipments
April 17	Canada March housing starts, February international securities transactions
April 20	Canada March CPI, BoC Q1 business outlook survey
April 24	Canada February retail sales, U.S. University of Michigan consumer sentiment
April 29	BoC and Fed policy rate decisions
April 30	Canada February GDP, U.S. Q1 GDP (first estimate)

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