

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



FEBRUARY 2026

GOOD DAY

INTRODUCTION

January opened 2026 with markets balancing stabilization and renewed geopolitical sensitivity. In Canada, inflation edged back up in December, while the Bank of Canada maintained a cautious hold as growth signals remained mixed. In the United States, the Federal Reserve remains reluctant to promise rapid easing, keeping policy uncertainty in focus. Europe saw inflation moving closer to target, yet growth remains uneven amid trade tensions and tighter fiscal constraints. The United Kingdom continued along a gradual disinflation path, but structural headwinds still limit momentum. In China, subdued demand and a prolonged housing correction continue to weigh on confidence, even as exports stay resilient. Meanwhile, natural gas prices surged on winter tightness.

Enjoy your reading.

CAD



ZOOM ON ▼ THE CANADIAN DOLLAR

MORE DETAILS

The USDCAD pair moved from 1.3734 to 1.3542 in January. Inflation edged up to 2.4% in December, partly distorted by last year's GST break but also reminding households that price pressures have not disappeared evenly. Bank of Canada Governor Tiff Macklem reiterated that policy must remain "guided by the data," signaling that progress toward price stability remains incomplete.

The Bank has kept its policy rate unchanged at 2.25%, reinforcing a cautious wait-and-see posture. Several economists now argue that the easing cycle may be paused for an extended period, potentially into 2027, even if the outlook remains uncertain. Services inflation continues to show persistence, and wage dynamics remain irregular, complicating any clear path toward further cuts. Doug Porter, Chief Economist at BMO, noted that the central bank "can afford to be patient, but not to lower its guard."

Economic signals remain mixed. Canada's economy stalled in November, and official data suggests activity may have contracted in the fourth quarter of 2025. At the same time, some analysts expect a recovery in early 2026 after a turbulent year, with domestic demand stabilizing gradually. Vanguard economist Ayesha Dewan has argued that Canada can still "build economic momentum" despite elevated uncertainty linked to U.S. trade tensions.

Labour-market conditions reinforce this cautious balance. The economy added only 8,200 jobs in December, while unemployment rose to 6.8%, suggesting hiring demand is cooling. Surveys show many hiring managers remain cautious heading into 2026. Housing remains another structural vulnerability: 2025 sales fell to exceptionally low levels, making it "one for the history books," as one industry expert put it.

Finally, Ottawa is pursuing trade diversification, including a new strategic partnership with China focused on energy, agri-food, and EV-linked supply chains. In this environment, Canada enters 2026 with inflation still uneven, growth fragile, and policy stability increasingly tied to global trade dynamics.



USD



ZOOM ON ▼ THE AMERICAN DOLLAR

MORE DETAILS

The DXY index moved from 98.46 to 97.20 in January. December inflation remained sticky, reinforcing the Federal Reserve's cautious stance. Chair Jerome Powell reiterated that further rate cuts are "not guaranteed," signaling that progress on price stability does not yet justify a rapid easing cycle.

Markets are now focused less on whether rates will fall, and more on how long restrictive policy may persist. The Fed held its benchmark rate steady in January after several reductions in 2025, but internal divisions remain visible. Mary Daly, President of the San Francisco Fed, warned that "fighting inflation requires patience," suggesting policymakers are reluctant to declare victory too soon. Core pressures in housing and services continue to shape the debate, even as headline inflation gradually cools.

Economic activity remains supported by household demand, though signs of moderation are emerging. Consumer confidence has eased, and job growth has softened compared with last year's pace. Still, spending has remained resilient through year-end, helping the economy avoid a sharper slowdown. Many economists continue to anticipate a soft-landing scenario, but the margin for error narrows as borrowing costs stay elevated.

Fiscal policy is another growing variable. The U.S. trade deficit and rising debt-servicing costs remain structural concerns, and political dynamics are again influencing market sentiment. Trade analyst Ken Roberts argues that "the deficit is a structural symptom, not a problem tariffs can solve," emphasizing that tariff-based strategies may introduce volatility without addressing deeper imbalances. Supply chains and corporate planning remain exposed to sudden policy shifts.

Financial markets reflect this tension. Treasury yields have moved unevenly as investors reassess the timing of further easing, while equities remain firm but sensitive to inflation surprises. The United States enters early 2026 with solid momentum, but also with policy uncertainty that continues to shape currency dynamics, borrowing conditions, and global risk appetite.



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

The EURUSD pair moved from 1.1723 to 1.1850 in January. Inflation across the euro area remains close to the European Central Bank's target, but underlying pressures have not disappeared entirely. ECB President Christine Lagarde reiterated that policy will remain "data-dependent," stressing that progress on disinflation does not remove uncertainty from the outlook.

The ECB has kept rates unchanged, maintaining a restrictive stance while monitoring services inflation and wage dynamics. Chief Economist Philip Lane warned that "services inflation and wage developments require careful attention," signaling that policymakers are not ready to shift toward rapid easing. The central bank continues to balance two objectives: preserving price stability while avoiding unnecessary strain on a recovery that remains fragile.

Economic activity is advancing at a modest pace. Labor markets remain relatively resilient, with unemployment still near historic lows, helping sustain domestic demand. However, momentum differs sharply across member states, and the eurozone's expansion remains uneven. Lucia Quaglia, Professor of European Political Economy at the University of Bologna, noted that "the recovery is real, but fragile, and highly dependent on fiscal coordination," highlighting the limits of growth in a context of tight public budgets.

Trade tensions remain a central theme. Ongoing debate over electric vehicles and Chinese industrial exports has revived concerns about strategic vulnerability in key sectors. European Commission Vice-President Valdis Dombrovskis has argued that Europe must "strengthen its economic resilience without retreating from global markets," illustrating the difficult balance between openness and industrial protection.

Governments face the challenge of supporting households while financing energy transition and defense priorities under stricter deficit rules. In this environment, the eurozone enters 2026 with inflation more controlled, but growth still dependent on coordination and external trade conditions.



GBP



ZOOM ON ▼
THE POUND

MORE DETAILS

The GBPUSD pair moved from 1.3473 to 1.3809 in January. UK price pressures have eased more quickly than expected in recent months, opening the door to a potential shift in policy. Bank of England Governor Andrew Bailey noted that inflation is “clearly on a downward trajectory,” while stressing that the Committee “will not cut prematurely,” signaling that caution still dominates the outlook.

The Bank has begun to prepare markets for a gradual easing cycle, but policymakers remain focused on services inflation and wage persistence. Monetary Policy Committee member Catherine Mann warned that “services inflation remains too persistent for comfort,” underlining the risk of loosening too soon. The central bank faces a delicate balance: supporting demand without undermining hard-won progress on disinflation.

Economic activity remains subdued. Output growth has been uneven, and productivity constraints continue to limit the pace of recovery. Surveys suggest business confidence is stabilizing, but investment remains restrained. Labor-market conditions are also cooling, with vacancies declining from last year’s peak. Economist Yael Selfin observed that “the labor market is loosening, but not collapsing,” suggesting the slowdown remains manageable, though it reduces the buffer against shocks.

Housing continues to add another layer of sensitivity. Demand softened through late 2025, but analysts expect a gradual pickup as rate expectations stabilize and the post-budget outlook becomes clearer. Housing researcher Tim Bannister noted that “buyers are re-entering the market cautiously, encouraged by the prospect of lower mortgage rates,” though affordability pressures remain elevated.

Fiscal policy remains a parallel source of uncertainty. The government’s latest budget introduced targeted tax measures aimed at restoring stability after years of volatility. Chancellor Rachel Reeves argued that the steps are needed to “maintain credibility and restore balance.”



CNH



ZOOM ON ▼ THE RENMINBI

MORE DETAILS

The USDCNH pair moved from 6.9697 to 6.9589 in January. Inflation remains subdued, and price pressures have struggled to regain traction after a prolonged period of deflationary signals. Consumer inflation in December stayed near zero, reinforcing concerns that household spending remains cautious despite targeted policy support.

The People's Bank of China has kept key lending rates unchanged, signaling a preference for stability over aggressive stimulus. Deputy Governor Liu Guoqiang noted that inflation is “gradually stabilizing,” but stressed that domestic demand remains too weak to justify broad easing. Policymakers continue to rely on calibrated measures, aiming to support growth while avoiding excessive currency volatility or renewed financial imbalances.

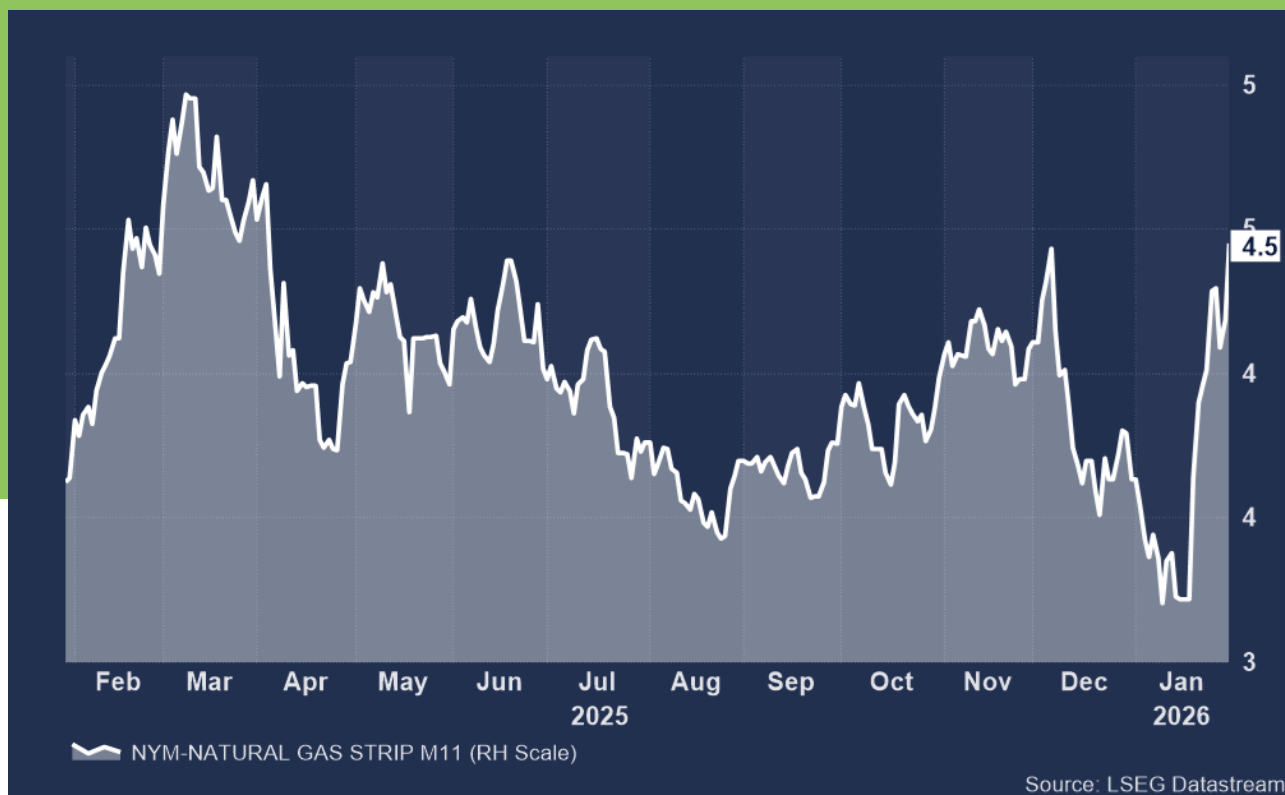
Economic momentum remains uneven. Industrial output continues to anchor activity, supported by manufacturing exports in electric vehicles, electronics, and advanced equipment. However, private investment is still soft, and household confidence has yet to recover fully. Iris Pang, Chief Economist for Greater China at ING, observed that the recovery still relies heavily on “production and exports,” leaving growth exposed to shifts in global trade.

The property sector remains a major drag. New home prices have continued to decline, and the housing correction shows limited signs of bottoming out. Larry Hu, Chief China Economist at Macquarie, warned that “the housing correction is far from finished,” pointing to lasting effects on consumer sentiment and local-government finances. Authorities have introduced selective support, but remain cautious about deploying large-scale stimulus that could revive leverage risks.

China is also navigating a more complex external environment, with trade frictions persisting alongside efforts to upgrade supply chains. Deputy Commerce Minister Guo Tingting stressed that “production stability is the foundation of China’s long-term resilience,” underscoring Beijing’s focus on industrial competitiveness even as domestic demand remains constrained.



COMMODITY



ZOOM ON ▼ NATURAL GAS

MORE DETAILS

Natural gas prices moved from 3.68 USD to 4.50 USD per MMBtu in January, extending a sharp winter rally as markets reassessed supply conditions heading into the heart of the heating season. The January 2026 NYMEX contract surged into expiry, reflecting both seasonal demand and renewed sensitivity to storage balances after a volatile 2025.

Part of the move has been driven by tighter-than-expected inventories. Industry groups have warned that winter supply dynamics remain structurally vulnerable even without extreme weather shocks. The Natural Gas Supply Association noted in its Winter Outlook that the market remains highly dependent on storage flexibility, with limited room for sustained disruptions. In this environment, prices can respond quickly to shifts in demand expectations or pipeline constraints.

Argus Media, a leading provider of energy and commodity market intelligence, has emphasized that U.S. gas prices may increasingly “detach from weather,” as LNG export capacity, industrial demand, and infrastructure bottlenecks play a larger role in determining equilibrium. This reflects a broader transition: natural gas is no longer only a domestic seasonal commodity, but an internationally linked energy input shaped by export flows and global pricing signals.

The U.S. Energy Information Administration continues to project relatively firm pricing through early 2026, supported by strong LNG shipments and steady power-sector consumption. Several sell-side desks have described gas as a standout performer entering the year, with volatility amplified by the market’s thin margin between surplus and shortage.

Looking ahead, most forecasts point toward a mid-single-digit price range as a plausible 2026 equilibrium. However, the January surge is a reminder that natural gas remains highly sensitive to storage levels, infrastructure capacity, and global energy flows. In early 2026, stability will depend less on weather alone than on how supply systems adapt to a more interconnected gas market.





Red Sea Shipping Gradually Reopens

Container shipping is cautiously returning to the Red Sea as carriers begin negotiating 2026 freight contracts. After months of rerouted trade flows and higher insurance costs, operators are testing a partial normalization, encouraged by improved security conditions and commercial pressure to shorten routes.

Even so, the reopening remains fragile. Firms remain attentive to geopolitical risk premiums, and contract pricing is expected to reflect persistent uncertainty. The episode highlights how quickly shipping disruptions can reshape logistics costs, with knock-on effects for global trade pricing and supply reliability.

Source: Global Trade

Link: [HERE](#)

Tanker Rates Jump on Rising Iran Tensions

Oil tanker rates have surged as new U.S. pressure on Iran raises fears of tighter enforcement and possible disruptions across key export corridors. Markets are reacting not only to supply risks, but also to growing uncertainty over routes, insurance, and fleet availability.

Freight volatility is becoming a transmission channel for geopolitical shocks. Even without a change in oil demand, rising transport costs can feed directly into energy pricing and inflation dynamics, reinforcing how fragile the balance remains across global commodity flows.

Source : Transport Topics

Link: [HERE](#)

FINMETRIX
FINANCIAL RISK MANAGEMENT

” THE BEST
STRATEGY IS
TO HAVE ONE



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