

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



MARCH 2026

GOOD DAY

INTRODUCTION

February reflected diverging dynamics across major economies. In Canada, wage gains and uneven sectoral performance shaped a still-fragile backdrop. In the United States, labour-market resilience contrasted with cooling consumption, keeping policy expectations finely balanced. Europe saw steadier growth as services offset manufacturing softness, while the United Kingdom faced weakening payrolls despite ongoing disinflation. In China, softer prices and subdued consumer demand underscored a fragile recovery even as external trade remained a key support. Meanwhile, ocean freight rates fell sharply as excess capacity and post-holiday weakness pressured global shipping markets.

Enjoy your reading.

CAD



ZOOM ON ▼ THE CANADIAN DOLLAR

MORE DETAILS

The USDCAD pair moved from 1.3596 to 1.3639 in February. Canada entered the month with inflation easing further toward the Bank of Canada's target. Headline CPI slowed to 2.3 percent in January, mainly due to a sharp year-over-year decline in gasoline prices of more than 16 percent, while food inflation accelerated to 7.3 percent as last year's GST/HST base effects continued to distort comparisons. Analysts noted that despite the reassuring headline figure, underlying price trends remained uneven across categories.

The Bank of Canada held its policy rate at 2.25 percent, maintaining a cautious tone as officials assessed ongoing uncertainty tied to U.S. trade policy and broader geopolitical developments. Governor Tiff Macklem reiterated that monetary policy "cannot compensate for the structural damage caused by tariffs," underscoring the need for a data-dependent approach as inflation continues to stabilize. Policymakers noted that wage growth, household spending, and investment intentions will remain central to determining whether current conditions justify extended policy restraint.

Growth momentum remained soft. November GDP was flat, following a contraction in October, as weakness in goods-producing industries offset modest gains in services. Analysts highlighted that tariff-exposed manufacturing sectors continued to face order-book uncertainty, while transportation bottlenecks limited output in several export-oriented industries. Preliminary estimates suggested that fourth-quarter GDP may have contracted on an annualized basis, reinforcing the fragile handoff into early 2026.

Labour market signals added nuance. Canada shed 25,000 jobs in January, yet the unemployment rate declined to 6.5 percent as fewer Canadians actively searched for work. Experts cautioned that shrinking participation may be masking pockets of labour market strain in trade-exposed regions. At the same time, modest gains in full-time employment suggest that hiring demand has not disappeared but remains highly uneven across industries.



USD



ZOOM ON ▼ THE AMERICAN DOLLAR

MORE DETAILS

The DXY index rose from 97.18 to 97.61 in February. U.S. inflation cooled further to start the year. January CPI rose 2.4 percent year over year, down from 2.7 percent in December, while core CPI held at 2.5 percent. The deceleration reflected softer housing momentum, declines in used vehicles, and a 1.5 percent monthly drop in energy prices, led by gasoline. Economists also noted that the Fed's preferred PCE gauge remained closer to 3 percent at year-end, reminding markets that underlying pressures have not fully resolved.

Policy stayed steady. The Federal Reserve kept the target range for the federal funds rate at 3.5 to 3.75 percent in January, describing activity as "solid" and inflation "somewhat elevated." Chair Jerome Powell underscored a data-dependent approach, saying policy is "well-positioned" after 2025's three cuts, which investors broadly interpreted as signaling a longer pause before any potential easing later in 2026.

Growth slowed but remained resilient. Q4 real GDP expanded 1.4 percent annualized after 4.4 percent in Q3, with the 43-day federal shutdown driving the steepest decline in federal outlays since the early 1970s. Even so, consumer spending rose 2.4 percent, and AI-linked business investment continued to provide a tailwind, indicating private-sector demand held up despite public-sector weakness.

Labour market signals stabilized. Employers added 130,000 jobs in January, above expectations, and the unemployment rate edged down to 4.3 percent. Health care, social assistance, and construction led gains, though annual revisions showed 2025 job creation was weaker than initially reported. The St. Louis Fed characterized recent dynamics as a shift away from last year's "low-hire, low-fire" pattern. Housing showed tentative improvement. Housing starts surprised to the upside near 1.48 million units annualized, and permits climbed to their strongest since early 2024. Analysts linked the pickup to mortgage rates gravitating near six percent, which has begun to re-unlock some demand even as affordability and input costs remain constraints.



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

The EURUSD pair moved from 1.1856 to 1.1814 during February. Eurozone inflation eased further at the start of the year. January HICP is estimated at 1.7 percent, with core at 2.2 percent, reflecting lower energy costs and a gradual deceleration in goods prices even as services remain relatively firm. The trend reinforced the view that disinflation is advancing, though wage dynamics keep underlying measures above target.

Policy stayed on hold. The ECB left key rates unchanged, with the deposit facility at 2.00 percent, extending what surveys describe as its longest pause since the negative-rate era. Officials stressed data dependence and a high bar for adjustments, citing resilient domestic conditions alongside external uncertainties. Markets broadly expect a cautious stance through much of 2026, contingent on wage growth and services inflation continuing to cool.

Growth proved steadier than feared. Q4 2025 GDP rose 0.3 percent quarter-over-quarter, matching the prior quarter and pointing to a modestly improving backdrop as services offset manufacturing softness. Country splits showed strength in Spain and the Netherlands, while Germany and Italy posted smaller gains and France slowed. Analysts noted that easing inflation and targeted fiscal support have helped stabilize domestic demand, even as trade headwinds persist.

Labour market conditions remained a relative bright spot. Employment rose more than expected across the bloc, particularly in knowledge-based and service-oriented sectors. Labour gaps persisted in several manufacturing segments, although firms reported gradual improvements in hiring pipelines.

External balances held up. The euro area registered a EUR 12.6 billion goods-trade surplus in December, capping 2025 with a EUR 164.6 billion annual surplus. Rising exports and an improving energy balance offset narrower surpluses in chemicals and machinery, illustrating how sectoral shifts and supply-chain normalization helped cushion tariff-related frictions.



GBP



ZOOM ON ▼ THE POUND

MORE DETAILS

The GBPUSD pair moved from 1.3694 to 1.3492 during February. U.K. inflation cooled further to start the year. January CPI eased to 3.0 percent, down from 3.4 percent, while core CPI slipped to 3.1 percent. Lower gas prices and softer food inflation led the decline, with services pressures also edging down. The ONS noted it was the lowest headline rate since March 2025, reinforcing expectations that inflation should move close to 2 percent by spring if current trends persist.

Policy remained on hold. The Bank of England kept Bank Rate at 3.75 percent in February, but the 5-4 split underscored growing internal support for easing. The MPC judged that persistence risks have diminished alongside moderating wage growth and a softer services pulse, though members want further evidence before cutting. Markets interpreted the statement as consistent with a potential spring move, contingent on wage and services prints continuing to cool.

Growth was subdued but positive. Q4 2025 GDP increased 0.1 percent quarterly, matching Q3 and missing consensus. Manufacturing contributed modestly as supply frictions normalized, but services stalled and construction posted its sharpest quarterly drop in more than four years. Business investment declined nearly 3 percent amid budget-related uncertainty, highlighting soft private-sector momentum even as full-year growth reached 1.3 percent.

Labour market signals softened. The unemployment rate rose to 5.2 percent in the three months to December, its highest since 2021, while payroll employment continued to drift lower, led by retail and hospitality. Vacancies remain below pre-pandemic norms, and wage growth is easing, consistent with the MPC's view that slack is building and domestic price pressures are gradually abating.

External balances improved at year-end. The trade deficit narrowed to £4.34 billion in December, the smallest gap since August, as imports fell faster than exports; shipments to the U.S. rose modestly, helping offset weakness elsewhere. For Q4 overall, the total goods-and-services deficit tightened, with a firm services surplus offsetting a smaller goods shortfall.



CNH



ZOOM ON ▼ THE RENMINBI

MORE DETAILS

The USDCNY pair moved from 6.9536 to 6.8582 in February. Inflation softened early in the year. January CPI rose 0.2 percent year over year, down from 0.8 percent in December, as food prices fell sharply, while non-food inflation also eased. Core CPI slipped to 0.8 percent, the weakest pace in six months, reflecting subdued household demand. Analysts highlighted that the timing of the Lunar New Year distorted seasonal comparisons, but underlying spending indicators still pointed to persistent disinflation across goods and services.

Policy remained steady. The People's Bank of China held the 1-year Loan Prime Rate at 3.0 percent and the 5-year at 3.5 percent for a ninth month, reflecting a cautious approach as officials balanced growth support with exchange-rate stability. Policymakers continued relying on targeted liquidity tools rather than broad rate cuts, citing concerns around bank margins, weak credit appetite, and ongoing stress in the property sector. The PBOC also signaled scope for future reserve-requirement adjustments if domestic demand weakens further.

Growth momentum cooled late in 2025. Fourth-quarter GDP expanded 4.5 percent from a year earlier, slowing from 4.8 percent in the previous quarter and the weakest pace in nearly three years. December data showed household spending losing traction, with retail sales rising only 0.9 percent, while industrial output remained firmer at 5.2 percent. Full-year GDP growth reached 5.0 percent, matching Beijing's target but highlighting the economy's continued reliance on manufacturing strength amid soft domestic confidence and a prolonged property downturn.

Labour market conditions were broadly stable. China's surveyed urban unemployment rate held at 5.1 percent in December, unchanged for a third month, with youth unemployment easing to 16.5 percent. Still, hiring remained uneven across key sectors. External trade stayed a key support recording a near-record trade surplus of \$1.2 trillion in 2025, fueled by strong export gains to non-U.S. markets. December exports rose 6.6 percent, while imports climbed 5.7 percent, indicating early signs of stabilization in domestic demand.



COMMODITY



ZOOM ON ▼ OCEAN FREIGHT

MORE DETAILS

Ocean freight markets softened through February as container spot rates extended a multi-week slide. Drewry's World Container Index fell to \$1,929 per 40ft container, its sixth straight weekly decline and roughly 31 percent below the same week last year, as Asia to Europe and transpacific lanes faced renewed pressure from easing demand and returning capacity.

Seasonality was a key driver. Pre Lunar New Year volumes peaked earlier than expected, and the usual rate firming ahead of factory closures did not materialize. Instead, spot prices retreated as carriers met softer demand with more available tonnage. On Asia to Europe routes, Shanghai to Rotterdam slipped to about \$2,100 per FEU and Shanghai to Genoa to around \$2,895, both down 1 to 2 percent week over week. On the transpacific, Shanghai to New York was -\$2,782 per FEU, 46 percent lower than a year earlier.

Carriers tightened capacity to stem declines. Networks saw 31 blank sailings on US East and West Coast services and 8 blank sailings on Asia to Europe and Mediterranean loops as carriers tried to stabilize earnings. A selective return to Suez and Red Sea routings shortened transit times compared with Cape of Good Hope diversions, restoring capacity and adding downward pressure on rates. Other benchmarks confirmed the trend. The Freightos Baltic Index showed week over week declines across major Asia outbound lanes, including Asia to US West Coast and Asia to Northern Europe, reflecting muted post-holiday demand and a global vessel fleet that continues to expand faster than cargo volumes.

Operational conditions were mixed. Congestion persisted at major Asian hubs such as Shanghai and Ningbo, where pre-holiday bunching lifted yard utilization and caused delays of two to five days. Even so, bargaining power shifted toward shippers as spot levels moved toward multi-month lows. Drewry and Freightos indicate that downward rate pressure is likely to persist into March as soft demand, continued blank sailings and returning capacity weigh on spot levels, while IndexBox/Xeneta highlights additional headwinds from fleet growth and ongoing Red Sea routing variability that can disrupt transit time reliability.





Tariffs: Trade Holds, Confidence Wavers

Global trade has shown surprising resilience, yet tariff uncertainty continues to erode business confidence. According to the International Chamber of Commerce, the proliferation of trade measures and the volatility of customs policies are complicating investment planning and supply chain decisions.

This disconnect between volumes and confidence could become a turning point. As long as final demand remains stable, activity holds up. But if uncertainty lingers, the risk is a gradual freeze in capital spending, with a delayed yet tangible impact on global growth.

Source: International Chamber of Commerce

Link: [HERE](#)

Cocoa: West Africa's Sales Crisis

The world's two largest cocoa producers, Côte d'Ivoire and Ghana, are facing a sales crisis that is disrupting their export sectors. Their forward-selling system, based on fixed-price contracts signed up to a year in advance, has collided with a sharp drop in global prices, now around \$3,100 per ton.

International traders have slowed purchases because guaranteed producer prices were set too high, leading to mounting inventories and millions of farmers awaiting payment. To revive the market, Abidjan has launched a program to purchase unsold cocoa and plans to lower its guaranteed prices, while Accra has already implemented significant cuts.

Source : Reuters

Link: [HERE](#)

DISCLAIMER

This document is provided for information purposes only. The information is presented in summary form and perhaps incomplete. It is forbidden to distribute, publish, reproduce this document and / or its contents without our written permission in each instance. We assume no responsibility for losses incurred by the company, its owners, or any other party and that would result from the circulation, publication, reproduction, or misuse of this document. We reserve the right (but are under no obligation to) revise all the calculations included or referred to in this document and, if we believe it necessary to make changes that would be justified by the facts, trends or conditions existing at the date of the presentation, but which were known to us subsequently.

Although FINMETRIX has deployed commercially reasonable efforts to ensure the accuracy of the information contained in this document, FINMETRIX does not in any way guarantee the accuracy, timeliness, or completeness. This document is not intended to give recommendations, advice, legal or tax advice and should not be used for this purpose, as it may become obsolete in whole or in part, at any time. It is incumbent upon the user to verify the information in it before using it. Any financial operation would involve risks and considerations. Before acting on the information or carry out an operation, you should carefully study the conditions, assess risk and determine whether it meets the needs and specific objectives of the client, its experience, its financial and operational resources as well as all other circumstances of its own.

FINMETRIX
FINANCIAL RISK MANAGEMENT

” THE BEST
STRATEGY IS
TO HAVE ONE

