

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



MAY 2026

GOOD DAY

INTRODUCTION

April confirmed a more uneven global environment, with markets navigating mixed signals across regions. In Canada, inflation remains contained, but growth, labour and housing still show signs of fragility. In the United States, economic activity is slowing while renewed inflation pressure complicates the Federal Reserve's path. Europe faces weaker growth, persistent energy risks and a more strategic trade environment. In the United Kingdom, inflation remains elevated as labour momentum softens. In China, exports continue to support activity despite fragile domestic demand. Meanwhile, wheat prices rose as weather risk and geopolitical uncertainty outweighed comfortable current inventories.

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CAD



ZOOM ON ▼ THE CANADIAN DOLLAR

MORE DETAILS

The USDCAD pair moved from approximately 1.3916 to 1.3582 over the month of April. Inflation remained broadly contained, with annual CPI reaching 2.4% in March despite a slight increase linked to energy prices. According to RBC Economics, the rise in oil prices is not expected to “reignite systemic inflation,” suggesting that the broader disinflation trend remains intact. However, underlying components, particularly services and housing, continue to show some persistence.

In this context, the Bank of Canada held its policy rate at 2.25% at its April decision, judging that the current level remains appropriate. The tone remains cautious and data-dependent, as policymakers continue to monitor the balance between inflation risks and slowing growth. Some economists suggest that the bias could remain slightly restrictive if inflation proves more persistent than expected.

Economic activity is showing signs of moderation. After a contraction in the fourth quarter of 2025, growth at the start of 2026 remains subdued, as domestic demand loses momentum and restrictive financial conditions continue to weigh on investment and consumption.

The labour market and housing sector reflect this softer backdrop. In March, the unemployment rate reached approximately 6.2%, as job creation slowed and vacancies declined. Younger workers appear particularly affected, pointing to a gradual adjustment in labour demand. Although some housing markets are seeing a seasonal pickup, elevated mortgage rates continue to limit affordability, while the Bank of Canada has warned of excess supply in certain segments, particularly small condominiums.

Finally, external trade remains volatile. The trade deficit widened in February, as both imports and exports increased. The outlook remains closely tied to Canada’s trade relationship with the United States, particularly ahead of the upcoming CUSMA review.



USD



ZOOM ON ▼ THE AMERICAN DOLLAR

MORE DETAILS

The DXY index moved from approximately 99.96 to 98.10 over the month of April. The U.S. economy is showing clearer signs of moderation, even if some indicators remain resilient. Fourth-quarter 2025 GDP growth was revised down to 0.5% annualized, from 0.7% previously, reflecting weaker business investment and a less favorable inventory contribution. Consumer spending, which represents more than two thirds of the economy, was also revised lower to 1.9%, confirming a gradual cooling in demand.

Inflation has returned as a central concern. In March, CPI rose 3.3% year-over-year, up from 2.4% in February, driven largely by higher energy prices. TD Economics noted that energy accounted for more than three quarters of the monthly increase, with gasoline prices jumping 21.2%. Core inflation remained more contained at 2.6% year-over-year, suggesting the shock is mainly energy-driven, but still difficult for the Federal Reserve to ignore.

In this context, the Fed held rates steady in April, keeping the target range at 3.5% to 3.75%. Policymakers remain cautious, balancing inflation still above target with signs of softer economic activity. Jerome Powell also emphasized the importance of preserving central bank independence, as political pressure around monetary policy continues to rise.

The labour market remains resilient, but less uniform. The economy added 178,000 jobs in March, while the unemployment rate stood around 4.3%. However, TD Economics noted that the participation rate fell to 61.9%, its lowest level since late 2021, while annual wage growth slowed to 3.5%, down from 3.8% previously.

Housing remains one of the main constraints. RBC Economics described the U.S. housing market as still in a “deep freeze,” with elevated mortgage rates continuing to limit affordability and transactions. At the same time, trade tensions, particularly around tariffs, are adding uncertainty for businesses exposed to global supply chains.



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

The EURUSD pair rose from 1.1553 to 1.1732 over the month of April. Inflation moved back into focus in the euro area. After reaching 1.9% in February, inflation was revised higher to 2.6% in March, reflecting renewed pressure from energy prices and supply-related uncertainty. Services inflation also remained sticky, keeping underlying price pressures above the European Central Bank's comfort zone. The return toward the 2% target therefore looks less straightforward than earlier in the year.

The ECB kept rates unchanged in April, maintaining a cautious stance as policymakers assessed the impact of higher energy costs and weaker economic momentum. The central bank faces a difficult balance: cutting too early could reinforce inflationary pressures, while keeping conditions restrictive for too long could weigh further on activity. In this environment, the ECB remains firmly data-dependent, with limited room for a clear policy signal.

Growth prospects have weakened. The IMF lowered its 2026 eurozone growth forecast to 1.1%, down from 1.4%, citing the impact of the Iran conflict, higher inflation and softer confidence. Economic sentiment also deteriorated in March, as businesses and consumers reacted to geopolitical uncertainty and renewed trade tensions. The region remains uneven, with some economies showing resilience while industrial activity remains fragile in others.

The labour market continues to provide some support, though momentum is softer. The euro area unemployment rate remains close to historical lows, around 6%, helping stabilize household income. However, this strength has not fully translated into stronger demand, as higher prices and weak confidence continue to weigh on consumption.

Trade has become a larger part of the European outlook. The EU is navigating a more fragmented global trading environment, with tensions involving the US and China, new steel measures, and growing use of defensive trade tools. Europe enters the next phase with inflation, energy and trade shaping market sentiment.



GBP



ZOOM ON ▼ THE POUND

MORE DETAILS

The GBPUSD pair moved from approximately 1.3226 to 1.3605 over the month of April. Inflation became more restrictive again for the UK economy. In March, CPI rose to 3.3%, up from 3.0% in February, reflecting renewed pressure from energy and transport costs in a more volatile geopolitical environment. This complicates the disinflation path, as the return toward the Bank of England's 2% target now appears less linear. Services inflation also remains an important risk, particularly given its link to wage dynamics and domestic demand.

In this context, the Bank of England held its policy rate at 3.75% in April. The Monetary Policy Committee voted 8 to 1 in favour of keeping rates unchanged, with Chief Economist Huw Pill preferring an increase to 4.0%. The decision reflects a difficult balance: inflation remains too high to justify easing, but the economy is not strong enough to absorb a sharper tightening cycle without additional pressure on households and businesses.

Growth remains modest. The Office for Budget Responsibility expects UK GDP to expand by 1.1% in 2026, while the average of independent forecasts compiled in April is lower, around 0.6%. This gap reflects an economy still constrained by weak household purchasing power, cautious business investment and financial conditions that remain restrictive. Recent activity data suggest some resilience, but not enough to change the broader picture of a slow and uneven recovery.

The labour market sends a more nuanced signal. The unemployment rate declined to 4.9%, but vacancies fell to 711,000 in the first quarter, their lowest level since 2021. Wage growth has also slowed, reducing some inflationary pressure but pointing to a less vigorous demand for labour.

Trade remains another constraint. UK data continue to show an economy relying heavily on services to offset weaker goods trade. In an environment of uneven global demand and volatile import costs, this structure limits the recovery's strength. The UK therefore remains caught between persistent inflation, weaker labour momentum and a growth outlook that is improving only gradually.



CNH



ZOOM ON ▼ THE RENMINBI

MORE DETAILS

The USDCNH pair moved from approximately 6.8885 to 6.8321 over the month of April. China's economy remained resilient at the start of the year, but the composition of growth continues to look uneven. GDP expanded by 5.0% year-over-year in Q1, supported by industrial production and external trade. That pace remains consistent with the government's 2026 growth target, but domestic demand still appears less convincing than headline growth suggests.

Inflation remains low, reinforcing the picture of subdued domestic demand. CPI slowed to 1.0% year-over-year in March, down from 1.3% in February, while core inflation remained contained. Producer prices have shown signs of improvement, helped by stronger commodity prices and firmer conditions in some industries, but price dynamics are still not strong enough to suggest a broad demand-led recovery.

Monetary policy remains supportive but measured. In April, the People's Bank of China kept its benchmark lending rates unchanged for an 11th consecutive month, with the one-year loan prime rate at 3.0% and the five-year rate at 3.5%. This reflects a preference for stability rather than aggressive easing, as policymakers try to support activity while limiting pressure on the currency and avoiding a renewed buildup of financial risks.

Trade remains one of the main pillars of activity, but momentum weakened in March. Exports rose only 2.5% year-over-year, a sharp slowdown from the 21.8% increase recorded in January and February, while imports surged 27.8%. This divergence suggests that China's trade engine remains active, but more exposed to external shocks, energy costs and shifts in global demand.

The labour market continues to require policy attention. Urban unemployment remains near the government's tolerance range, while youth employment and household confidence remain more fragile. China therefore enters the next phase with solid headline growth, but a recovery still driven more by production and trade than by broad-based domestic demand.



COMMODITY



ZOOM ON ▼
WHEAT

MORE DETAILS

Wheat prices have risen since the start of the year, moving from approximately 5.00 USD to 6.25 USD per bushel by late April. This increase does not reflect a market that is fundamentally tight today, but rather a repricing of risk for the next crop year. The USDA expects U.S. wheat planted area for 2026/2027 to decline by 3%, reaching its lowest level since records began in 1919.

Inventories remain significant. For 2025/2026, U.S. ending stocks are estimated at 938 million bushels, up 10% from a year earlier and at a six-year high. The average farm price is also projected at 5.00 USD per bushel, a six-year low. These figures limit excessive upside, but they mainly describe the current balance, while markets are already looking ahead to production risks for the next campaign.

Weather explains a large part of this risk premium. In early April, only 35% of U.S. winter wheat was rated good or excellent, compared with 48% a year earlier. At the same time, around 65% of U.S. winter wheat production was located in drought-affected areas, compared with 37% at the same point last year. Expected rainfall in the Great Plains could provide some relief, but part of the yield risk already appears priced into the market.

The international picture adds another layer of uncertainty. Canadian export momentum has slowed after a strong start to the crop year, even though shipments remain slightly ahead of last year's pace. Global production estimates are also being watched closely, with some forecasts pointing to a potential decline from the previous year.

Macroeconomic factors also supported wheat prices in April. Higher oil prices, a weaker U.S. dollar and tensions in the Middle East helped lift futures, while higher energy costs feed into transportation, fertilizer and production expenses. The wheat market therefore remains caught between comfortable current stocks and a larger risk premium for the next crop, preventing a clearly bearish reading for now.





Military spending continues to rise

Global military spending reached USD 2.887 trillion in 2025, up 2.9% in real terms, according to the Stockholm International Peace Research Institute. The increase was driven largely by Europe, where defence spending rose 14%, and Asia-Oceania, where expenditures increased 8.1%.

This trend reflects a more unstable geopolitical environment, shaped by the war in Ukraine, rising tensions in Asia and growing pressure on several countries to strengthen defence capabilities. For governments, security is becoming a larger budget priority.

Source: Stockholm International Peace Research Institute

Link: [HERE](#)

Shell expands its Canadian footprint

Shell announced the acquisition of ARC Resources for USD 16.4 billion, including debt, as part of a strategy to expand production. ARC is active in the Montney basin, one of Canada's most important natural gas-producing regions.

The transaction is expected to add roughly 370,000 barrels of oil equivalent per day to Shell's output. It strengthens the company's position in Canadian natural gas and reflects a broader push by major producers to secure long-term assets amid sustained global energy demand.

Source : Pew Research Center

Link: [HERE](#)

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TO HAVE ONE

