Autorité des marchés financiers

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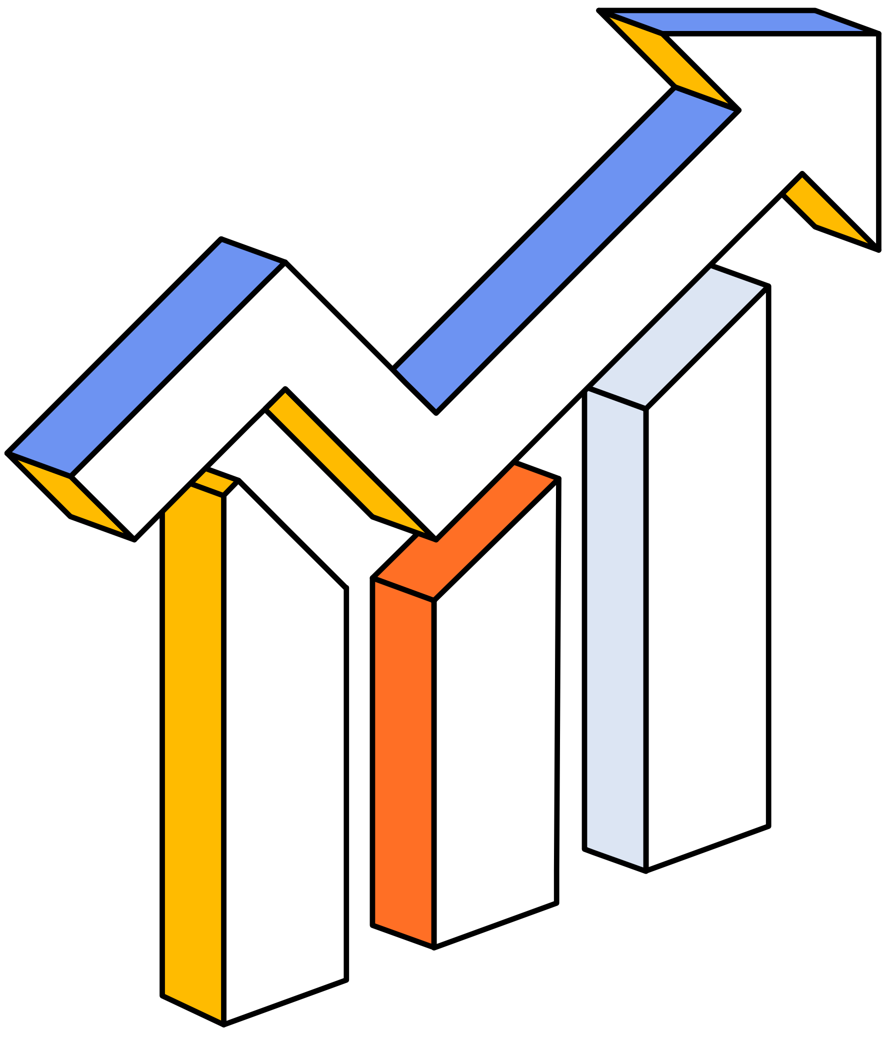
Office of the Chief Economist

June 2026



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Highlights

- With the global economy already struggling under the weight of U.S. tariffs, the U.S.-Iran war is adding to the uncertainty clouding the economic outlook.

- Soaring energy prices are pushing up worldwide inflation rates and could shave some points off global economic growth. Oil prices are expected to remain at relatively high levels well after the time the conflict is resolved.

- The Canadian economy, facing several headwinds, has been treading water since the beginning of the year. The trade dispute with the United States continues to weigh on Canadian exports, while the war in the Middle East is fuelling inflationary pressures.

- In Québec, GDP growth has been modest. The manufacturing sector has been hit particularly hard by the trade war. The Québec economy, as in other non-oil-producing provinces, is also feeling the negative effects of the U.S.-Iran war.

- In brief, the economic situation in Canada and Québec is still fragile. However, the economy is expected to get back on track for the remainder of the year owing, in part, to expansionary public policies and an accommodative monetary policy.

- Global stock markets have proven resilient since the start of the year despite an environment characterized by geopolitical tensions, trade uncertainty and concerns about high valuations in the Information Technology sector.

- Bond market yields have been fluctuating sharply since January, reflecting tension between the risk of an economic slowdown and the resurgence of inflationary pressures linked to the energy shock.

- In the months ahead, markets will remain sensitive to geopolitical developments, energy price fluctuations, shifts in monetary policy expectations and in expectations regarding the promises of AI.

N.B.: Text, data, and graphics as of June 8, 2026.

World

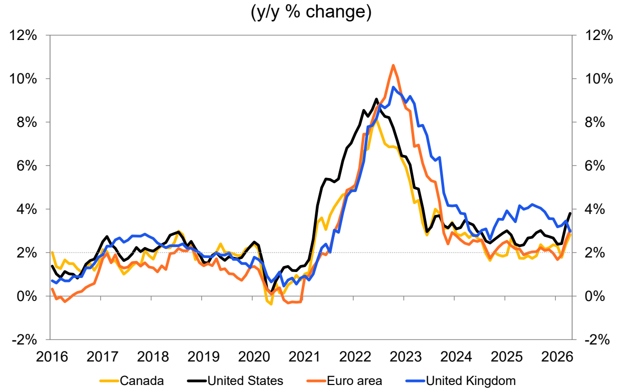
With the global economy already struggling under the weight of U.S. tariff policy, the U.S.-Iran war is adding to the uncertainty clouding the economic outlook.

It has been more than three months since the conflict began and no progress has yet been made in diplomatic negotiations between the United States and Iran, the ceasefire in effect since the beginning of April remains fragile and maritime traffic in the Persian Gulf is still stalled and is now up against an Iranian blockade and U.S. counter-blockade.

The closure of the Strait of Hormuz, through which approximately 20% of the world's oil and natural gas production passes, is causing severe supply disruptions and driving prices sharply higher. The conflict has also destroyed energy and transportation infrastructure in Iran and the neighbouring Arab countries.

Soaring energy prices are pushing up worldwide inflation rates and could shave points off global economic growth.

Consumer Price Index – World
(y/y % change)

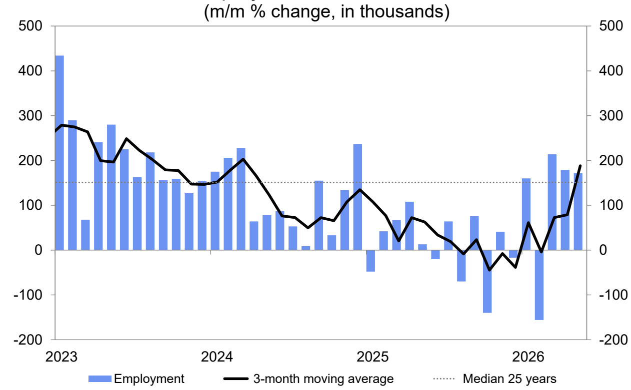


Sources: LSEG and AMF

Despite the uncertainty, the U.S. economy is proving resilient. After growing 2.1% in 2025, the economy, buoyed by strong consumer spending and massive investments in artificial intelligence, posted 2.0% growth in the first quarter.

After a rollercoaster year, the labour market appears to want to rebound, adding an average of approximately 190,000 jobs per month in March, April and May The jobless rate held steady at 4.3% in May.

Employment – United States
(m/m % change, in thousands)



Sources: U.S. Bureau of Labor Statistics and AMF

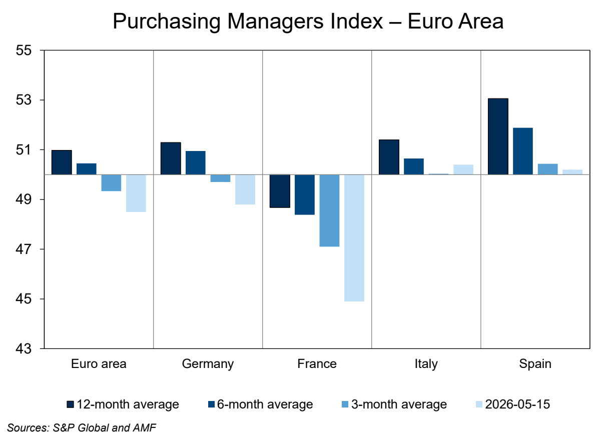
With inflation climbing to 3.8% in April, the U.S. is not immune to the surge in oil prices. The cost of living will no doubt be a major issue during the fall midterm elections, when Republicans' control of Congress will be at play.

After cutting its key policy rate three times in 2025, the Federal Reserve has not changed it since the beginning of the year, preferring to take a wait-and-see approach. The new Federal Reserve chair, Kevin Warsh, will not have an easy job delivering on the Fed's dual mandate of price stability and maximum employment, which means a policy rate increase is not out of the question.

On the trade front, the U.S. Supreme Court ruled in February that the president cannot invoke an economic emergency to impose sweeping global tariffs. These tariffs were replaced by temporary 10% tariffs set to expire in July. However, the Trump administration is currently investigating the trade practices of approximately 60 countries, including Canada, which could lead to the imposition of new tariffs.

The recovery of the European economy is expected to be difficult, as Europe, a net importer of oil and natural gas, is reeling from another energy shock after the one triggered by the Russian invasion of Ukraine. The euro area economy grew 1.5% in 2025 and saw even more modest 0.6% growth in the first quarter.

While the German economy is regaining some momentum owing, in part, to government investment, France's economy is idling. Moreover, Euro area purchasing managers' indexes are pointing to a contraction in economic activity.



Europe is also being pummelled by U.S. tariffs. To address this, the European Union has accelerated trading partner diversification by entering into free trade agreements with Australia, India, Mercosur and Mexico.

Inflation in the euro area rose from 1.7% in January to 3.2% in May. Faced with weak growth and rising inflation, the European Central Bank has left its key policy rate unchanged for a year but has hinted that it is contemplating a policy rate increase. The bank has downgraded its growth forecast for 2026 to 0.9%.

Finally, China's economy, driven by exports, has remained fairly resilient, posting growth of 5% in 2025 and the first quarter of 2026. However, with approximately half of China's oil imports coming from the Persian Gulf, it is beginning to feel the effects of the conflict in the Middle East. According to more recent data, there are signs that consumption, industrial production and investment are slowing.

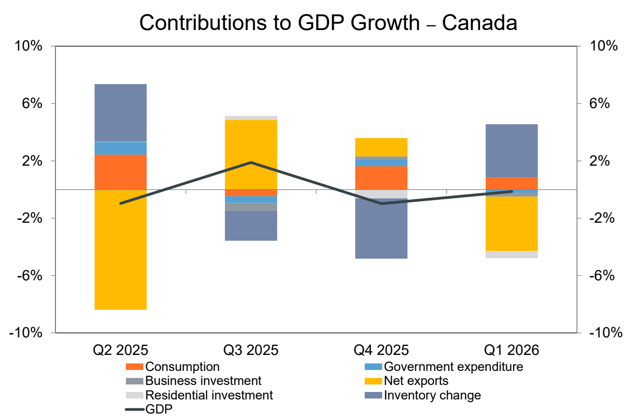
The Chinese government has lowered its annual growth target for 2026 to a range of 4.5% to 5.0%, its lowest level in decades. The economic slowdown stands in sharp contrast to President Xi Jinping's strong showing on the international stage when he held back-to-back meetings with the U.S. president and the Russian president, both of whom had come to seek China's help with their respective wars.

Canada / Québec

The Canadian economy, facing several headwinds, has been treading water since the beginning of the year. The trade dispute with the United States continues to weigh on Canadian exports and to dampen business investment intentions, and the war in the Middle East is fuelling inflationary pressures. Canada is also grappling with slowing population growth, which is limiting potential economic growth.

The Canadian economy contracted an annualized 0.1% in the first quarter on the heels of a 1% decline in the fourth quarter of 2025. The increase in imports weighed heavily on growth. Business investment, residential investment and government expenditure also weakened, shaving about one percentage point off GDP growth.

Conversely, households continued to drive the economy, although some of the growth in consumption is being reflected in a lower savings rate. Per capita GDP nevertheless inched up slightly owing to the small decline in Canada's population.

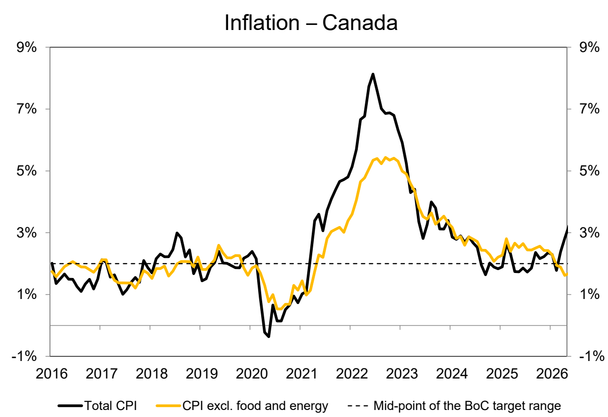


Sources: Statistics Canada and AMF

Canadian non-energy exports are still struggling to achieve sustained growth amid the ongoing trade war. The joint review of the Canada–United States–Mexico Agreement (CUSMA), scheduled to take place in the coming months, is generating considerable uncertainty. Over the last few quarters, Canada has made some progress in reducing its reliance on the United States, but the U.S. is still its largest trading partner by far.

The impacts of the war in Iran are more mixed. Oil is Canada's leading export commodity, accounting for nearly 15% of all exports combined. Since the start of the war, oil prices have risen sharply, bolstering Canada's trade balance.

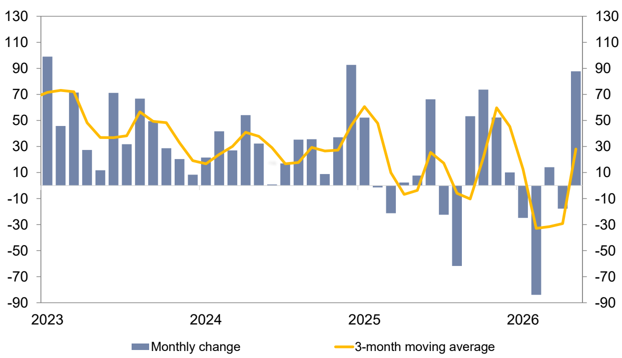
However, this increase is also fuelling inflation, which accelerated to 2.8% in April. For now, rising energy prices do not appear to be feeding into core inflation. Indeed, core inflation, which excludes energy prices, stood at 1.8%. That said, a protracted conflict in the Middle East would likely intensify price increases.



Sources: Statistics Canada and AMF

The labour market has also experienced significant challenges since the beginning of the year. A net total of 24,500 jobs have been shed so far in 2026. Excluding the pandemic, it marked the first time since 2009 that a decline of this magnitude had occurred over the first five months of a year. The unemployment rate was 6.6% in May, despite a decrease in the active population, while job vacancies have declined. Job losses have been especially acute in the manufacturing sector, which is bearing the full brunt of the effects of the trade war.

Employment – Canada
(monthly change, in thousands)



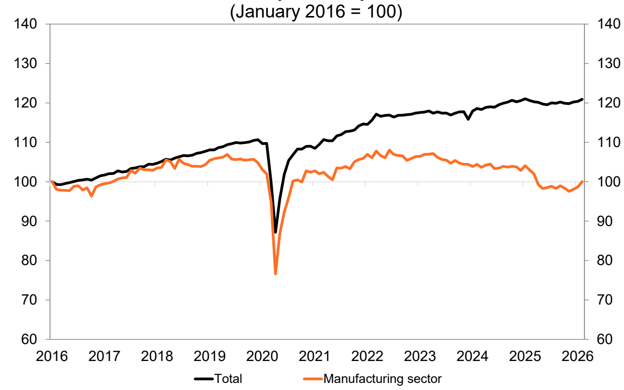
Sources: LSEG and AMF

The residential real estate market remains generally soft. Sales fell an average of 7% year over year, and the composite benchmark price for homes dropped 5%. Despite everything, the picture has brightened slightly in the last few months. However, slightly higher mortgage rates since the start of the conflict in Iran and population contraction are limiting the potential for significant improvement in the real estate market.

As for the economy as a whole, the situation in Québec is looking even less rosy than in the rest of Canada. GDP growth, while positive, was modest in the first two months of the year.

The manufacturing sector, which is particularly important to Québec, is feeling the effects of the trade war, while Québec, like other non-oil-producing provinces, is also being negatively impacted by the war in Iran.

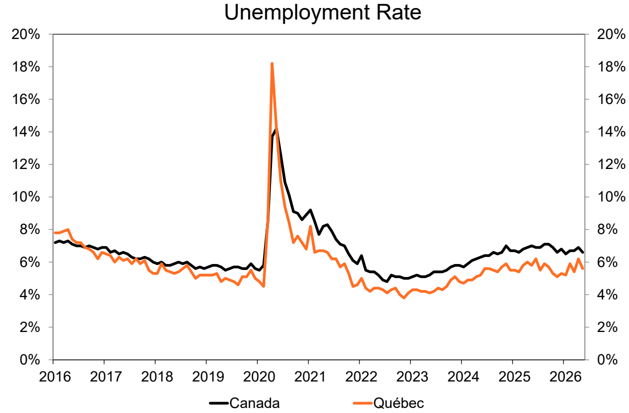
Real GDP by industry – Québec
(January 2016 = 100)



Sources: Institut de la statistique du Québec and AMF

A total of 73,800 jobs have been shed in Québec since the start of the year, more than the total losses for the Canadian economy. After peaking at 6.2% in April, the unemployment rate fell back to 5.6% in May.

Unemployment Rate



Sources: Statistics Canada and AMF

However, Québec contrasts favourably with the rest of Canada when it comes to the strength of its residential real estate market. While sales have begun to decline, home prices are still up approximately 5% year over year. The province is benefiting from greater affordability and a higher household savings rate.

The gap with other provinces is narrowing, however. While activity in Québec is cooling, there are signs that it is picking up elsewhere.

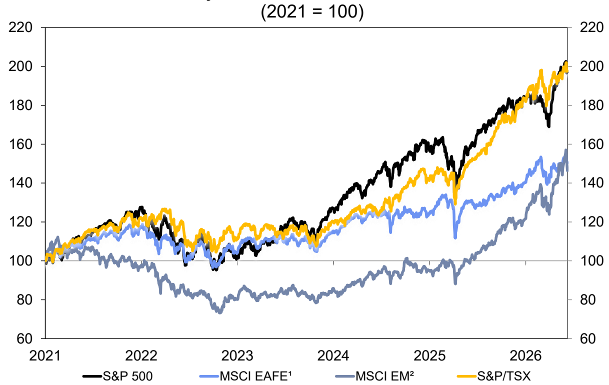
In brief, the economic situation in Canada and Québec is still fragile. However, the economy is expected to get back on track for the remainder of the year owing, in part, to expansionary public policies and an accommodative monetary policy. The Bank of Canada will likely be faced with a balancing act between modest growth and rising inflation.

Financial markets

Global stock markets have proven resilient since the start of the year despite an environment characterized by geopolitical tensions, trade uncertainty and concerns about high valuations in the Information Technology sector.

Following significant gains in 2025, investors have had to contend with a more volatile environment dominated by developments in the U.S.-Iran conflict and its impacts on the energy market. The closure of the Strait of Hormuz and the risk of a prolonged disruption of energy supplies reignited inflation fears and sent bond yields soaring.

Major Stock Market Indexes
(2021 = 100)



¹ Europe, Australasia and Far East ² Emerging markets
Sources: LSEG and AMF

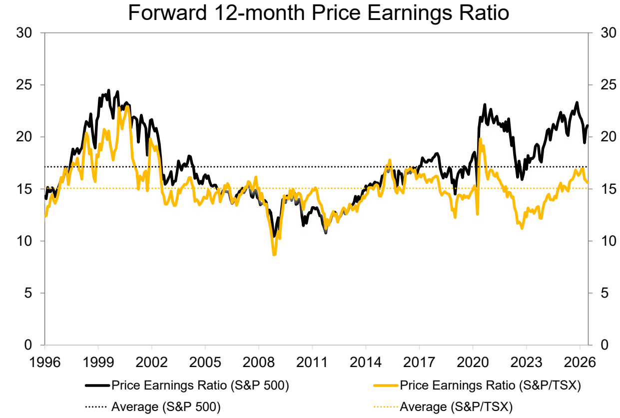
After beginning the year on an upward trend, the global stock indexes underwent a sharp correction at the outset of the conflict in the Middle East. However, the markets regained much of their lost ground when ceasefires were announced, rekindling hopes of a resolution to the conflict.

In the United States, the S&P 500 has risen approximately 8% and the Nasdaq has gained 12% since the beginning of the year, reflecting investor appetite for AI, semiconductors and digital infrastructure.

The "Magnificent Seven" continue to drive U.S. market performance, with their capitalization representing approximately one third of the total weight of the S&P 500. Because of this, the leading U.S. index remains especially sensitive to the performance of these titans of the Information Technology sector.

Earnings growth, though still positive, is slowing while valuation multiples continue to be high, with the S&P 500 trading above its long-term historical average at around 21 times forward earnings. The high valuations in the Information Technology sector, in particular, are a source of vulnerability.

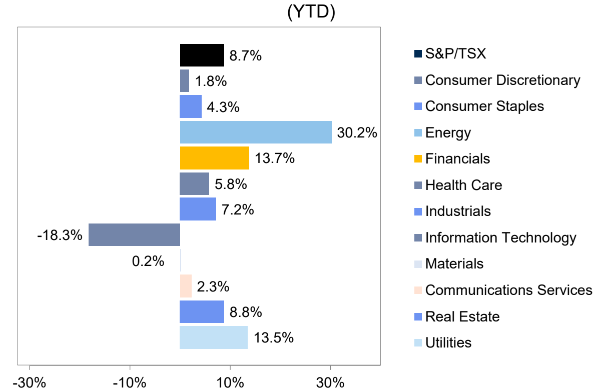
Forward 12-month Price Earnings Ratio



Sources: LSEG and AMF

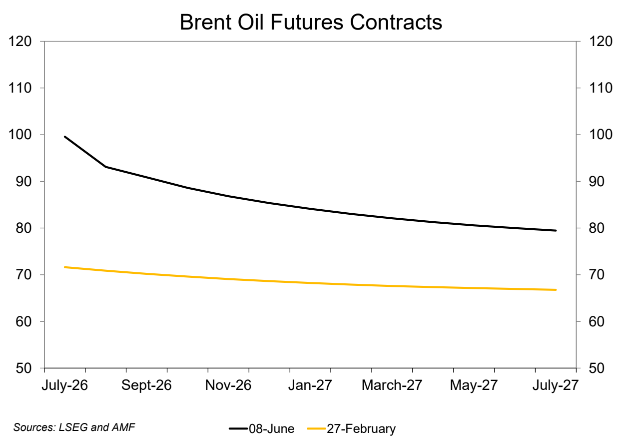
In Canada, the S&P/TSX has likewise performed exceptionally well since the start of the year, rising 9%. Gains in Energy (+30%) and Financials (+14%), most notably, have offset weaker returns in other market segments.

Performance of the Main S&P/TSX Subindexes
(YTD)



Sources: LSEG and AMF

The U.S.-Iran conflict has resulted in exceptional oil volatility. The Brent price briefly rose to close to US$119 per barrel and then fell back but to a price that was still well above the level observed at the start of the year. Analysts expect oil prices to remain high even if the conflict is resolved in the near term, as it will take time to address disruptions caused by the conflict up and down the supply chain. This situation is buoying Canadian energy companies but is amplifying inflationary pressures on households and businesses.



Finally, Québec-based companies on the TSX posted slightly more modest growth than the S&P/TSX as a whole (+4%), reflecting the fact that they are not exposed to the Energy sector and are less exposed to Financials.

Bond market yields have been fluctuating sharply since January, reflecting tension between the risk of an economic slowdown and the resurgence of inflationary pressures linked to the energy shock. After having initially factored in a scenario of faster monetary easing, investors have been gradually revising their expectations in the face of surging inflation. Investors are now expecting the major central banks to take a more cautious stance, with a prolonged high energy cost environment potentially delaying rate cuts or requiring rate hikes later this year.

In recent months, bond yields have surged in several advanced economies, reflecting both inflationary concerns and worries about the trajectory of public finances. In the United States, the 30-year bond yield briefly neared 5.20%, a peak not seen since 2007, while the 10-year bond yield reached 4.68%, its highest level in a year and a half. In the United Kingdom, bonds were also subject to strong pressures, with the 30-year bond yield reaching levels not seen since 1998 amid economic and political uncertainty.

Finally, the U.S. private credit market is showing signs of stress, with many investors attempting to withdraw their funds, requiring redemptions to be suspended in some cases. The stresses in this market, which has grown rapidly since 2009, are due to a variety of factors, including concentration in an information technology sector exposed to the ascendance of AI. In Canada, this market, though modestly sized, has also experienced difficulties, particularly in the real estate sector.

In the months ahead, markets will remain sensitive to geopolitical developments, energy price fluctuations and shifts in monetary policy expectations and in expectations regarding the promises of AI.

Market Performance

Stock Markets		Level	% change				Last 12 months	
		2026-06-08	1 month	3 months	6 months	1 year	Min.	Max.
MSCI All Country World Index		1,329	0.66	9.00	9.92	24.50	1,058	1,362
MSCI EAFE[1]		1,900	1.88	4.28	8.79	18.09	1,573	1,929
MSCI Emerging Markets		108,713	1.87	15.64	25.71	48.75	72,260	112,643
S&P 500		7,448	0.67	10.51	8.79	24.02	5,968	7,610
S&P/TSX		34,664	1.72	4.78	11.21	31.42	26,376	35,217
Morningstar National Bank Québec Index		633	1.23	3.12	7.63	25.00	506	640

Bond Markets		Level					Last 12 months	
		2026-06-08	-1 month	-3 months	-6 months	-1 year	Min.	Max.
Québec	10-year	3.93	3.93	3.90	3.93	3.98	3.59	4.18
Canada	10-year	3.47	3.47	3.40	3.42	3.35	3.04	3.70
United States	10-year	4.54	4.36	4.14	4.17	4.48	3.94	4.67
Canada	BBB - 10-year Gov. spread	112.16	115.83	116.37	123.16	134.21	103.28	136.21
United States	BBB - 10-year Gov. spread	100.67	104.42	109.16	103.17	115.70	97.22	118.86

[1]Europe, Australasia and Far East

Sources: Bloomberg and AMF