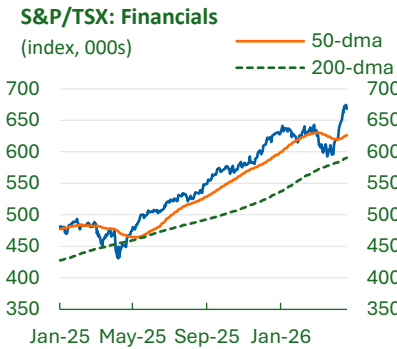
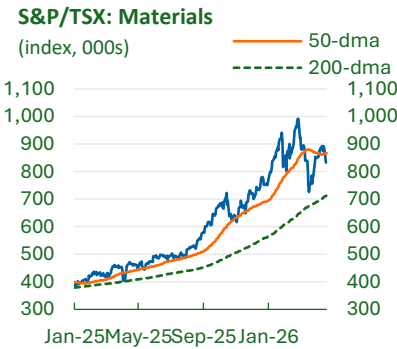


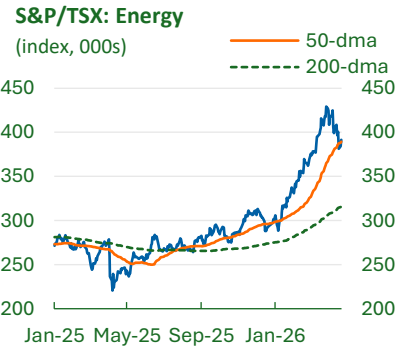
Source: Investing.com, Watt Strategic Economic Advisors



Source: Investing.com, Watt Strategic



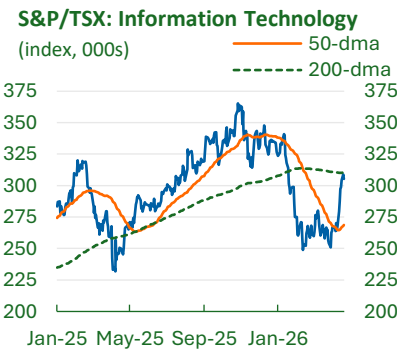
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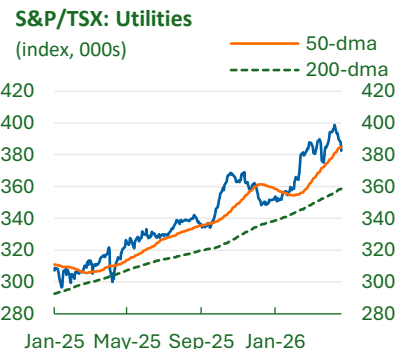
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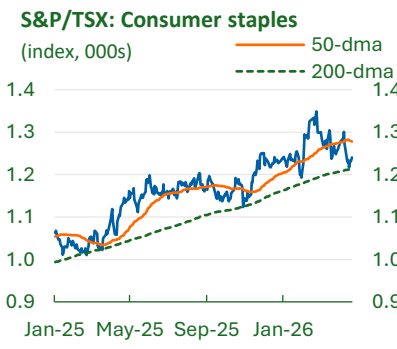
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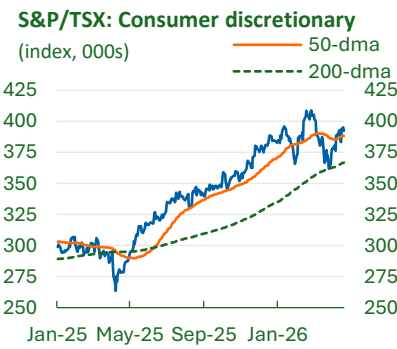
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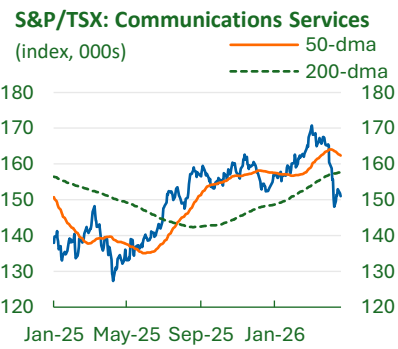
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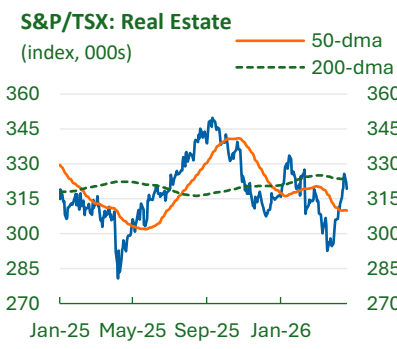
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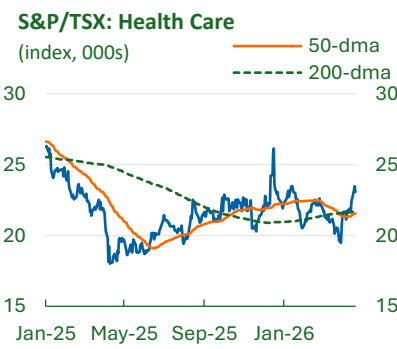
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If you had gone underground in late February, you might think that things had been pretty quiet on the S&P TSX as it is basically back to pre-war levels. A wild ride it was.

When the US and Israel started to bomb Iran in late February global markets, including the S&P TSX sold off sharply on the spike in geopolitical tensions and the closure of the Strait of Hormuz that magnified downside risks to the global economic outlook. That was the story for March. Come April, global market sentiment started to reverse course and head higher. Around the end of March, there were increasing signs of moves toward a ceasefire, highlighted by a surge in global markets on 31 March. It has generally been upward since then. This includes at the S&P TSX which has rallied by 5.9% since late March lows.

That rally brought the S&P TSX to just below its early March highs, before uncertainty over the state of the ceasefire caused a modest self-off. Note that the sell-off had dragged the S&P TSX below its 50-dma, but a test of the 200-dma never materialized. The April rally lifted the index back over its 50-dma. Overall, the S&P TSX fell by 5.5% from pre-war levels and has increased by 5.9% from its late March lows. Hence, we are basically back where we started, though the context is much, much different.

Amid news that the US President has extended a ceasefire that was due to expire is helping lift markets today.

### **Some shifts in S&P TSX index drivers**

There have been some intriguing developments among the sectors of the TSX. For example, relative to pre-war levels, the energy subsector was the only sector to post a gain. A sharp rally in oil prices, and uncertainty over global oil supplies provided a strong boost. On the other side, cyclical sectors declines, with materials off by 21.4%, consumer discretionary down 9.7%, and industrials down 8.3%.

However, since the focus shifted to a easing of tensions in the Middle East and conditions for a lasting ceasefire, there were sector reversals across the board. Energy is down 8.4%. Health care and financials have posted the largest rebounds. Financials were aided by the evolution of the outlook for interest rates. Early in the war, the spike in oil prices helped spark global inflation fears and the probability of rate hikes from central banks increased sharply. The probabilities assigned to rate hike scenarios has since declined, and there is now more widespread discussion that central banks might have to cut rates due to the real economic effects of global supply chain disruptions. The balance of risks has been shifting from inflation toward lasting real economic damage on the global oil industry, and the global fertilizer industry.

One of the most dramatic shifts has occurred in the Information Technology sector. Downward pressure on the IT sector was a pre-war development, starting in early 2026, with this trend exacerbated during March. These moves led the IT sector to break below its 50-dma, its 200-dma, and also resulted in the 50-dma falling below its 200-dma (a Death Cross). The sharp rally during April has lifted the IT sector back above its 50-dma, and the index is currently sitting right on top of its 200-dma. A significant reversal of sentiment, that has a broad array of supportive developments. Certainly, the easing of tensions in the Middle East helped, though solid earnings, and some government related initiative.

That said, the good news has not lifted all boats. In particular, the Communications Services sector has barely bounced off its lows. A price war among telecoms will do that — bad news for investors, but great news for consumers.

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