

# AlphaFixe

MONTHLY Capital

## BOND LETTER

March 31, 2026

### BOND MARKET TRENDS

Financial markets fluctuated significantly in response to geopolitical developments throughout the month of March. The conflict in the Middle East led to the closure of the Strait of Hormuz, through which nearly 20% of global oil consumption transits, driving the price of oil up by 51% during the month.

This narrow maritime passage is also used for the trade of fertilizers and liquefied natural gas (LNG), raising inflationary concerns for farmers as well as for European and Asian countries that rely on LNG as an energy source. However, Iranian threats to attack vessels in the strait are not the only factor behind the rise in oil prices. The conflict has also damaged part of the oil and gas production capacity, thereby limiting the volumes that could transit through the strait even after it reopens. According to The Economist, it could take more than four months to restore pre-war energy supply levels.

These developments have reignited concerns about a resurgence of inflationary pressures, leading to an increase in bond yields, particularly at the short end of the curve, which is more sensitive to monetary policy. Major central banks in advanced economies all met in March to announce their monetary policy decisions, and their messaging appeared broadly aligned. They emphasized that they are closely monitoring developments in the Middle East and their impact on prices and economic growth, while noting that it is still too early to draw conclusions or adjust policy.

Faced with persistently high inflation, the Bank of England adopted a more hawkish tone. While an economic slowdown could result from the conflict, inflation remains their primary concern.

It is still too early to fully assess the impact of this conflict, as it will depend in part on its duration. However, central bankers remain mindful of the inflation episode of 2022–2023, which they initially and mistakenly viewed as transitory. That said, caution is warranted when drawing comparisons with that period. The surge in inflation following the pandemic was the result of a combination of factors that led to a rapid and broad-based increase in prices.

The pandemic caused significant disruptions in global supply chains, severely constraining supply at a time when governments were supporting demand through large-scale fiscal programs. At the same time, labor markets were characterized by acute labor shortages, giving workers unprecedented bargaining power. Today, weaker labor market conditions and excess supply in the economy have reduced that bargaining power, lowering the likelihood of a broad-based wage-driven inflation spiral.

The main risk at present is that central banks may tighten monetary policy prematurely to avoid being criticized again for reacting too slowly. Such a move could trigger an unnecessary economic slowdown in countries currently experiencing excess supply. In this stagflationary context, a patient approach appears more appropriate—especially given the frequent policy reversals that markets have come to associate with Trump, often influenced by polling and financial market performance.

### FTSE CANADA INDEX PERFORMANCE

Sectors	Weight	Mar-26	2026
<b>Universe</b>	<b>100%</b>	<b>-1,97 %</b>	<b>0,23 %</b>
Short Term	43,4%	-0,89 %	0,26 %
Mid Term	30,5%	-2,03 %	0,40 %
Long Term	26,1%	-3,64 %	-0,03 %
Federal	43,3%	-1,70 %	0,35 %
Provincial	30,7%	-2,54 %	0,12 %
Corporate	24,1%	-1,70 %	0,14 %
RRB	-	-2,19 %	1,28 %

Source : FTSE Canada

### BOND YIELD

Canada	Mar 31	Monthly Change	Change 2026
Policy Rate	2,25 %	0,00 %	0,00 %
3-Mth	2,33 %	0,13 %	0,13 %
2-Year	2,83 %	0,43 %	0,24 %
5-Year	3,09 %	0,43 %	0,12 %
10-Year	3,47 %	0,35 %	0,04 %
30-Year	3,90 %	0,27 %	0,03 %
30-Year RRB	1,85 %	0,24 %	-0,03 %
US	Mar 31	Monthly Change	Change 2026
Policy Rate	3,75 %	0,00 %	0,00 %
3-Mth	3,69 %	0,03 %	0,06 %
2-Year	3,79 %	0,41 %	0,32 %
5-Year	3,95 %	0,43 %	0,22 %
10-Year	4,32 %	0,36 %	0,16 %
30-Year	4,91 %	0,28 %	0,07 %

Source : Datastream

### CANADIAN RATE TRENDS



Source : LSEG Datastream / AlphaFixe Capital

## CREDIT BOND SPREADS

Issuers	Rating DBRS	Spread			Changes					
		5-Yr			10-Yr		30-Yr			
		5-Yr	10-Yr	30-Yr	Mth	2026	Mth	2026	Mth	2026
Royal Bank Bail-in debt	AA	80	105	130	0	15	0	15	5	15
Royale Bank NVCC	A	115	145	175	5	15	5	15	10	15
Sun Life, sub debt	A	105	135	160	10	15	10	15	10	10
Hydro One	A high	65	85	110	0	10	0	5	0	10
Enbridge Inc.	A low	90	125	155	0	10	5	10	5	15
Altalink LP	A	65	85	110	0	10	0	5	0	10
GTAA	A high	55	80	100	0	5	0	5	0	5
Bell Canada	BBB	100	130	160	10	15	10	10	10	15
Rogers Communications	BBBL	105	135	165	10	15	10	10	10	15
Loblaw	BBB high	80	110	135	5	15	5	10	5	10
Canadian Tire	BBB	100	130	160	5	15	5	10	5	10
Quebec Province	AA low	26	59	88	4,5	7	6,5	7	2,5	8
Ontario Province	AA	20	52	80	1,5	3	7,5	6	4,5	7
CMHC	AAA	11	25	-	-2,5	2	2,5	3		

## CREDIT MARKET TRENDS

- The total volume of new Canadian corporate bond issuance reached \$14.9 billion in March, down \$2.6 billion from the previous month but \$5.6 billion higher than in March 2025. Since the beginning of the year, total bond financing has amounted to \$48.6 billion, representing a 54.9% increase compared to the first quarter of 2025. The primary corporate bond market was partially paralyzed in mid-March due to prevailing uncertainty following the conflict in the Middle East. After twelve days of inactivity, the new issuance calendar resumed toward the end of the month following a reversal by President Trump, who opened the door to ceasefire negotiations less than two days after threatening to bomb Iran's power infrastructure if the Strait of Hormuz remained closed to global oil tankers.
- Goeasy, the Canadian financial services company that provides credit solutions to consumers with limited access to traditional banking, announced that it is taking steps to "secure its future" by recording a \$178 million charge in the fourth quarter of its 2025 fiscal year, along with an additional \$55 million write-off in interest and fees. Management also expects a net increase of approximately \$86 million in provisions for credit losses. This write-off primarily affects the LendCare division, which provides financing for automobiles and recreational vehicles. The announcement led to a 55% drop in the company's share price, while the price of its bond maturing on May 15, 2030 declined by \$10 in March, closing the month at \$80.75. Additionally, two class action lawsuits have been filed against goeasy by investors, alleging the publication of misleading information.

*Rated BB- by credit rating agencies, this \$175 million bond was issued in August 2025, at a time when investor appetite for risk assets was strong. However, the company serves a clientele seeking a second or third chance at credit, and the Canadian economic environment is facing several headwinds that are weakening the financial strength of these borrowers.*

- The eighth—and possibly final—budget presented by Minister Girard aims to reduce the deficit for the 2026–2027 fiscal year. The Quebec government's shortfall is expected to decline from \$9.9 billion for the fiscal year ending March 31 to \$8.6 billion for the following year (2026–2027). This figure includes a \$2.3 billion contribution to the Generations Fund and a \$2 billion contingency reserve. A return to a balanced budget is projected for 2030. Revenues are expected to grow by 3.7% in the upcoming fiscal year, reaching \$166.5 billion. Spending growth is limited to 1.5%, with larger allocations directed toward healthcare (+4.1%), education (+2.4%), and higher education (+3.6%). Meanwhile, the budgets of other ministries are expected to contract by 2.1%.

*To achieve a balanced budget by 2030, spending growth will need to be capped at an average of 2% over five years—0.3 percentage points below the average observed between 2011 and 2015, a period often described as one of fiscal austerity. Uncertainty surrounding the renegotiation of USMCA in 2026, the conflict in Iran, and demographic challenges are all factors likely to weigh on economic growth and public finances, complicating the path back to balance.*