AlphaFixe Capital
MONTHLY BOND LETTER

June 30, 2026

BOND MARKET TRENDS

The new Chair of the Federal Reserve, Kevin Warsh, presided over his first monetary policy meeting in June after being appointed by Donald Trump, who has repeatedly pressured the central bank to lower its policy interest rate. Nevertheless, at the conclusion of the meeting, committee members unanimously decided to keep the policy rate unchanged at 3.75%. Facing a renewed rise in inflation since the outbreak of the conflict in Iran, Kevin Warsh had little room for manoeuvre and was unable to meet Donald Trump's expectations. His task has become even more challenging as the U.S. economy has strengthened in recent months despite persistent uncertainty.

However, the memorandum of understanding reached between the United States and Iran in June triggered a sharp decline in oil prices, easing pressure on the Federal Reserve to combat inflation. In addition, the pace of job creation has moderated compared with early spring. On average, U.S. employers created 111,000 jobs per month during the second quarter, 52,000 fewer than the average recorded between February and May. Despite this slowdown, the unemployment rate has continued to decline, primarily because of a significant contraction in the labour force, which has fallen by 1.022 million people over the past year. If the economy continues to generate close to 100,000 jobs per month while the pool of available workers keeps shrinking, labour market conditions could continue to tighten and place upward pressure on wages. It is this underlying inflation, driven by wage growth, that the Federal Reserve will need to monitor closely and keep under control. Against this backdrop of persistent inflation, monetary policy is more likely to tighten by the end of the year or in 2027 than to ease.

In Canada, the picture is somewhat different. The Canadian economy emerged quickly from its technical recession, supported by a 0.5% monthly increase in real GDP in April. This growth was driven in part by the oil and gas extraction sector (+2.9%), which benefited from the closure of the Strait of Hormuz. However, the strength of the economy is not solely attributable to the energy sector. The construction industry (+0.7%) posted its first monthly gain in five months, while the manufacturing sector also contributed to growth (+0.6%). Service-producing industries also supported economic activity, particularly transportation and warehousing (+0.9%) and accommodation and food services (+1.0%). The start of the hockey playoffs likely provided an additional boost to the restaurant industry in April. Statistics Canada also estimates that GDP increased by 0.1% in May, which would bring annualized second-quarter growth to above 2.0%—an encouraging result following two consecutive quarters of contraction. That said, the Canadian economy will continue to face significant headwinds throughout 2026. The renegotiation of the CUSMA and Canada's declining population remain key sources of vulnerability that are likely to keep the Bank of Canada on the sidelines for the remainder of the year.

FTSE CANADA INDEX PERFORMANCE

Sectors	Weight	Jun-26	2026
Universe	**100%**	**0,51 %**	**2,24 %**
Short Term	43,1%	0,37 %	1,45 %
Mid Term	31,1%	0,73 %	2,32 %
Long Term	25,8%	0,48 %	3,41 %
Federal	43,2%	0,55 %	1,85 %
Provincial	30,2%	0,55 %	2,78 %
Corporate	24,8%	0,40 %	2,23 %
RRB	-	0,92 %	5,02 %

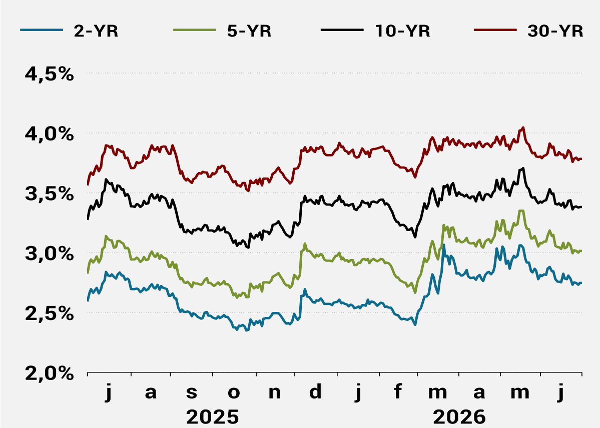
Source : FTSE Canada

BOND YIELD

Canada	Jun 30	Monthly Change	Change 2026
Policy Rate	2,25 %	0,00 %	0,00 %
3-Mth	2,28 %	-0,03 %	0,07 %
2-Year	2,75 %	-0,03 %	0,16 %
5-Year	3,02 %	-0,04 %	0,04 %
10-Year	3,38 %	-0,03 %	-0,05 %
30-Year	3,78 %	-0,02 %	-0,08 %
30-Year RRB	1,73 %	-0,02 %	-0,15 %
US	**Jun 30**	**Monthly Change**	**Change 2026**
Policy Rate	3,75 %	0,00 %	0,00 %
3-Mth	3,83 %	0,16 %	0,19 %
2-Year	4,15 %	0,16 %	0,68 %
5-Year	4,20 %	0,06 %	0,48 %
10-Year	4,44 %	0,00 %	0,28 %
30-Year	4,93 %	-0,05 %	0,09 %

Source : Datastream

CANADIAN RATE TRENDS



CREDIT MARKET

CREDIT BOND SPREADS

					Changes					
	Rating		Spread		5-Yr		10-Yr		30-Yr	
Issuers	DBRS	5-Yr	10-Yr	30-Yr	Mth	2026	Mth	2026	Mth	2026
Royal Bank Bail-in debt	AA	65	85	110	0	0	0	-5	0	-5
Royale Bank NVCC	A	100	130	160	0	0	0	0	0	0
Sun Life, sub debt	A	85	115	140	0	-5	0	-5	0	-10
Hydro One	A high	55	80	105	5	0	5	0	5	5
Enbridge Inc.	A low	80	110	145	0	0	0	-5	0	5
Altalink LP	A	55	80	105	5	0	5	0	5	5
GTAA	A high	45	70	95	5	-5	5	-5	5	0
Bell Canada	BBB	85	120	155	0	0	5	0	5	10
Rogers Communications	BBBL	85	120	155	0	-5	5	-5	5	5
Loblaw	A low	70	100	125	0	5	5	0	5	0
Canadian Tire	BBB	85	120	150	0	0	5	0	5	0
Quebec Province	AA low	21	48	78	-1	2	-2	-4	1	-2
Ontario Province	AA	16	41	71	0	-1	-1	-5	1	-2
CMHC	AAA	11	18	-	2	2	0	-4		

CREDIT MARKET TRENDS

- The value of new Canadian corporate bond issuance reached $34.3 billion in June, up $20.2 billion from the previous month and $15.7 billion compared with the same period last year. This marks the busiest month on record for the Canadian bond market, surpassing the previous record of $28.0 billion set in March 2022. Year-to-date, total corporate bond financing has reached $115.4 billion, representing a 72% increase compared with the first half of 2025. Primary market activity was also highly diversified, with 30 issuers completing a total of 44 bond offerings, including five new green bond issues. Among them was a $1.85 billion issuance by Projet REM, intended to finance the construction of the Réseau express métropolitain (REM).

- After holding the title of the largest corporate bond issuance in the history of the Canadian bond market for only one month with its $8.5 billion offering, Google was overtaken by Amazon in June. The company founded by Jeff Bezos raised a record $14 billion in the Canadian market through five separate tranches with maturities of 3, 5, 7, 10, and 30 years. The 30-year tranche alone totalled $4.75 billion. Rated AA in the index, Amazon maintains a strong financial profile. The company generates approximately US$750 billion in annual revenue, with EBITDA of nearly US$180 billion per year, while its cash holdings exceed its outstanding debt. However, its planned capital expenditures (capex) for 2026 are expected to reach approximately US$200 billion, reflecting the ongoing investment cycle in artificial intelligence.

  The real question for creditors is not whether the company will be able to meet its contractual obligations—that is beyond doubt. Rather, the key issue is whether Amazon will maintain the financial discipline to scale back its capital expenditures in the future should the return on its investments in artificial intelligence prove disappointing.

- Good news for Quebec taxpayers: the province's deficit for the 2025–2026 fiscal year has been revised downward. Excluding the transfer to the Generations Fund, which is used to repay provincial debt, the deficit has fallen from $7.7 billion at the time of the March 2026 budget presentation to $4.9 billion. It should be recalled that in March 2025, at the time of the initial budget tabling, the Minister of Finance had projected a deficit of $11.4 billion, also excluding the contribution to the Generations Fund. Tariff threats from the Trump administration in 2025 prompted the government to adopt a cautious stance in order to preserve fiscal flexibility to support the economy if needed.

  The minister attributes the improvement to the fact that the province did not need to draw on the $2 billion contingency provision, as well as to 4.7% nominal GDP growth in 2025. However, a significant portion of this increase is attributable to inflation, as real GDP grew by only 0.6% over the same period. Nevertheless, the Quebec economy is going through a difficult phase. Final domestic demand contracted by 1.3% in the first quarter of 2026. In addition, over the first five months of 2026, Quebec lost 73,800 jobs, compared with 24,500 job losses for Canada as a whole.