



PENDER MARKET INSIGHTS

With Greg Taylor, CFA

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Many consider the month of January as a good leading indicator of how the year will play out. Well, if this year is going to follow that pattern, we had better all buckle up, as it could be quite the ride.

January finished with a whimper as markets fell on the last trading day to close slightly positive on the month, but that comes nowhere close to telling the whole story. It was one of those months during which weeks felt like years.

Following such a strong year as we saw in 2025, many came into 2026 expecting some sort of reset. A nice year end rally had many stocks overbought and investors were nervous that sellers would hit the market to start the year. That wasn't the case.

The year started with a bang as markets launched out of the gate. Only to be quickly followed by an actual bang as the Americans launched an attack on Venezuela. The staggering success of that mission, which resulted in the US effectively taking over the government, stunned the world and emboldened President Trump.

With a 'win' under his belt, the President quickly turned his attention to other matters. First, further pushing his pressure on the FOMC by hitting Chair Powell with legal action. Then relaunching his attempts to take control of Greenland from a NATO ally. When the EU and other nations pushed back, we suddenly entered what seemed like 'Tariff War 2.0'. Markets responded accordingly with a quick drop, but following the script we all learned last year, TACO Trump turned, a deal was reached, and markets celebrated.

The World Economic Forum at Davos should have been a stage to see calmer heads prevail and tensions de-escalate. Yet it seemed the opposite as PM Carney's speech pushing back resulted in the full wrath of the President turning towards Canada, bringing with it tariffs and concerns about the upcoming USMCA negotiations.

Yet somehow the TSX ended the month with a decent performance. The volatile actions coming from Washington seemed to ignite the 'sell America' trade. Global investors, who had been selling down US exposure seemed to pick up the pace, deploying some of those proceeds into Canada.

We believe the real winner of the 'sell America' trade has been commodities. This builds on the gains of last year as the combination of dollar weakness, central bank buying and uncertainty powered gold and silver to record levels. This led the related companies higher and even more interest in the S&P/TSX.

Of course, when things go parabolic you have to expect some sort of check back, which we got to finish the month. Yet this could be looked at as an opportunity until the trends in the background reverse.

This year was always expected to be volatile given the state of global affairs but it's safe to say January exceeded those expectations. So now what?

We finally got clarity on who should be the next FOMC Chair, but so much uncertainty remains. Bond markets are not calm; yield spreads remain tight. Japan is on the verge of a fiscal crisis and who knows which country will be the next target of a tariff tantrum (probably Canada after we win a few gold medals)?

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Yet one signal coming out of Davos that should not be ignored was a comment from President Trump predicting gains in the stock market. While there is only so much he can do to deliver that, if he is back using the stock market as his scoreboard it's hard not to get too bearish. That is not to say there will not be volatility but IF that's the case, the strategy of buying dips remains on the table.

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