BMO Private Wealth

January 2026

Hassan Fox Wealth Management

# Market Commentary

## Portfolio Strategy

January marked a constructive start to 2026, with markets building on the momentum established late last year, though leadership began to broaden meaningfully beneath the surface. Equity markets generally advanced despite ongoing crosscurrents from economic data and central-bank messaging. While technology and AI-related names remained influential, investors increasingly allocated capital to companies in other sectors, reflecting a shift toward earnings durability, valuation, and predictable growth characteristics.

In the United States, equity markets were modestly higher, but with a noticeable change in leadership. The S&P 500 advanced as gains in energy, materials, and health care offset more muted performance from mega-cap technology. Pharmaceutical stocks outperformed as investors gravitated toward companies with strong cash flows, pricing power, and less sensitivity to economic cycles, particularly amid ongoing uncertainty around growth and inflation. Meanwhile, resource related names benefited from stronger commodity prices and renewed optimism around global demand stabilization.

Fixed-income markets in the United States reflected a more measured tone. Following December's rate cut, the Federal Reserve adopted a data-dependent stance, emphasizing patience as it assesses the cumulative impact of policy easing. U.S. Treasury yields were range-bound, with modest steepening at the long end of the interest rate curve as markets balanced slower growth expectations against resilient economic activity.

In Canada, equity markets performed well, supported by the same leadership rotation evident south of the border. The S&P/TSX Composite benefitted from strength in energy, mining, and materials. Elevated commodity prices and a stable Canadian dollar supported resource equities, reinforcing Canada's relative advantage in a market environment favouring real assets and cash-generative businesses.

Canadian fixed-income markets were relatively steady. With the Bank of Canada (BoC) holding the overnight rate at 2.25%, yields moved modestly as investors awaited clearer signals on the next phase of policy. While inflation has eased meaningfully from its peak, the BoC continues to emphasize caution, reinforcing expectations that any further easing will be gradual and deliberate. Fixed income continued to play its role as a portfolio stabilizer, though returns were more subdued than late-2025.

During the month of January, we made changes to some of our equity holdings. We exited our positions in SunLife Financial, Costco Wholesale and Waste Management while using the proceeds to add oil & gas company Whitecap Resources, as well as healthcare companies Merck & Co and Gilead Sciences. For our asset allocation we continue to hold a position in gold, market weight equities, underweight fixed income.

## AI in the Software Sector

In December we wrote a piece on AI in the Real Economy where we commented in AI's impact on the consumer. AI has also, not so quietly, been impacting many well-established software companies. AI's rise has been a double-edged sword for publicly traded SaaS (Software as a Service) firms.

While AI hype and earnings potential have boosted valuations in some segments, investor fears around AI displacing core software functions have triggered significant selloffs in software indices. A notable example from late January 2026 saw broad software stock declines after the launch of new AI tools that investors feared could automate functions traditionally performed by SaaS platforms, wiping out hundreds of billions in market capitalization in a single trading session. The result has been heightened volatility in SaaS share prices as the market works to determine the long-term impact to legacy SaaS business models. Fortunately, our disciplined investment process has steered us away from this sector many months ago.

## Tax Planning Information

2026 TFSA Contribution Limit - $7,000

2026 FHSA Contribution Limit - $8,000

2025 RRSP Contribution Deadline – Monday March 2nd, 2026

2026 Individual Tax Filing Deadline – Thursday April 30th, 2026

Additionally, with tax season fast approaching, many clients may be looking for their tax documents. Online access will allow you to retrieve and download these documents quickly, once available, by navigating to the following location:
Gateway → My Accounts → eDocuments → Tax Documents → Choose Tax Year .

As always, should you have any questions please do not hesitate to contact us.

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