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February featured two major events. First, the “SaaSocalypse” shook the subscription software sector, and then the United States Supreme Court’s invalidation of President Donald Trump’s tariffs, which forced Washington to rethink its approach to trade. These developments led to sector rotation, with some investors also turning to markets outside the United States.

“SAASPOCALYPSE” AND REJECTION OF TRADE TARIFFS PROMPT INVESTMENT STRATEGY RESHUFFLING

February was marked by what now goes by the name of the “SaaSocalypse.” This term, a combination of “SaaS” (for “software as a service”) and “apocalypse,” describes the challenges facing the business model of software companies in light of rapid advances in generative artificial intelligence (AI). This was triggered by the announcement of new capabilities for Claude Code and Cowork, tools developed by Anthropic, whose unveiling was followed by a nearly 10% drop in the S&P 500 Software Index during the first week of the month. Traditional pricing models, based on the number of users, are being called into question due to the potential increase in productivity, which would reduce the number of licenses required.

Despite this short-term volatility, we expect software to remain the central pillar of this technological revolution. Software is the reference system and primary source of truth for critical data, and AI cannot function without structured access to a company’s information.

In other words, an AI agent will only be effective if it is anchored in these software platforms, which ensure governance, security, and data access management. Software publishers who adapt to this technological change will become the control infrastructure essential to the execution of AI in business.

Tariffs ruling supports markets outside U.S.

On February 20, the U.S. Supreme Court struck down tariffs imposed by the Trump administration under the International Emergency Economic Powers Act (IEEPA), marking a major turning point for the North American trade landscape. The court ruled that this emergency powers law does not grant the president the authority to implement customs duties, as this prerogative belongs to Congress. Far from standing down, the White House immediately invoked Section 122 of the Trade Act of 1974, a provision allowing for the imposition of temporary measures to counter significant balance of payments deficits. As a result, a global surtax of 10% to 15% was announced. However, unlike previous measures, this one will only remain in effect for 150 days, unless Congress extends it through legislation.

For Canadian investors, the impact of this transition remains marginal. The U.S. government confirmed that goods in compliance with the Canada-United States-Mexico Agreement (CUSMA) rules of origin will be exempt from this new surcharge.

In light of recent events, it is not surprising to see a sector rotation among investments and a redirection toward stock markets outside the U.S.

The S&P 500 index fell 0.8% in February, while the Dow Jones rose only 0.2%.

In contrast, the Canadian market clearly stood out, with the S&P TSX index rising 7.6%. The materials sector was once again the best performer, jumping 21.6% during the month.

European markets also performed well overall, with the FTSE 100 (U.K.) up 6.7%, the DAX 30 (Germany) up 3.0% and the CAC 40 (France) up 5.6%. The Nikkei 225 (Japan), which has outperformed since the beginning of the year, finished the month with a 10.4% gain.

In fixed income, the FTSE Canada Universe Bond Index rose 1.6%, while interest rates fell across all maturities.

Mixed economic growth on both sides of the border

In Canada, data released at the end of February revealed a 0.6% annualized contraction in real gross domestic product (GDP) for the fourth quarter of 2025, a result well short of the standstill anticipated by the Bank of Canada. For 2025 as a whole, growth remained limited to 1.7%, its lowest since the pandemic.

However, this figure conceals a more nuanced picture. The decline in GDP was mainly attributable to massive destocking by businesses.

Conversely, domestic demand proved surprisingly robust, jumping 2.4%. This resilience is driven by two main factors:

- Household consumption, up 1.7% due to services and rents.
- Public investment, with a staggering 20.4% increase linked to the acquisition of weapons systems designed to meet NATO requirements.

On the employment front, January saw a net loss of 24,800 jobs. While this figure may seem alarming, it hides a shift in quality: while part-time jobs fell by nearly 70,000, the market created 44,900 full-time jobs. Finally, inflation in January slowed to 2.3% on an year-over-year basis, compared to 2.4% in December.

In the United States, real GDP grew by 1.4% in the fourth quarter, a notable slowdown after peaking at 4.4% and 3.8% in the second and third quarters of 2025, respectively. For the full year, U.S. growth stood at 2.2%. The U.S. economy continues to be buoyed by technological innovation. Investment in AI remains a key driver, with a spectacular 36.1% increase in IT spending in the last quarter.

The U.S. labour market started 2026 on a positive note with 130,000 jobs created in January, bringing the unemployment rate down from 4.4% to 4.3%. However, caution is warranted, as a major revision of historical data showed that job creation in 2025 was much weaker than initially estimated.

As for inflation in the United States, the headline CPI fell to 2.4% in January, while core inflation (excluding energy and food) stood at 2.5%. The data showed remarkable stability in the price of goods, which have remained unchanged for four months, while services again showed a slight upturn, rising 0.4% over the month.



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KEY TAKEAWAYS

- The announcement of Claude Code and Cowork's new capabilities was followed by a nearly 10% drop in the S&P 500 Software index.
- The U.S. Supreme Court invalidated the tariffs imposed under IEEPA; Washington responded by imposing a global surcharge of 10% to 15% for 150 days. Goods compliant with CUSMA rules of origin remain exempt.
- The S&P 500 fell 0.8% and the Dow Jones rose only 0.2%, while the S&P/TSX gained 7.6%.
- In Canada, GDP declined by 0.6% in the fourth quarter of 2025. In the United States, the economy grew by 1.4% during the same period.

ECONOMIC DATA AND CURRENCIES

STATISTICS AS OF FEBRUARY 28, 2026

CANADA		UNITED STATES		CURRENCIES	
Unemployment (January)	6.5% ↓	Unemployment (January)	4.3% ↓	USD / CAD	0.73 ↑
IPC (January)	2.3% ↓	IPC (January)	2.4% ↓	USD / EUR	1.18 ↑
3-month T-Bills	2.20% ↓	3-month T-Bills	3.66% ↑	JPY / USD	156.05 ↓
5-year bonds	2.66% ↓	5-year bonds	3.50% ↓	The arrow indicates the trend since the publication of the last monthly data or end of the month.	
10-year bonds	3.13% ↓	10-year bonds	3.94% ↓		
S&P/TSX	34,340 ↑	Dow Jones - Industrial	48,978 ↑		
		S&P 500	6,879 ↓		

SOURCE: Bloomberg.

MARKET RETURNS

TOTAL RETURNS IN CANADIAN DOLLARS AS OF FEBRUARY 28, 2026

	YTD	3 months	1 year	3 years	5 years
FTSE Canada 91 Day TBill Index	0.35%	0.54%	2.63%	4.03%	2.95%
BONDS					
FTSE Canada Universe Bond Index	2.25%	0.94%	2.58%	4.92%	0.83%
FTSE Canada Short Term Overall Bond Index	1.15%	0.90%	3.68%	5.06%	2.23%
Eterna Adapted Private Wealth Index ¹	1.68%	1.09%	3.73%	5.27%	1.91%
FTSE Canada Mid Term Overall Bond Index	2.48%	1.37%	3.80%	5.56%	1.40%
FTSE Canada Long Term Overall Bond Index	3.74%	0.52%	-0.26%	3.84%	-1.67%
NORTH AMERICAN STOCK MARKETS					
Canada - S&P/TSX Composite	8.63%	10.06%	38.79%	22.89%	17.10%
United States - Standard & Poor's 500	0.01%	-1.75%	10.43%	21.84%	15.79%
United States - Dow Jones Industrial Average	1.44%	0.51%	7.21%	16.65%	13.30%
INTERNATIONAL STOCK MARKETS					
United Kingdom - FTSE-100	9.57%	11.80%	29.22%	19.85%	15.89%
France - CAC-40	5.32%	4.93%	13.49%	9.60%	9.55%
Germany - DAX	3.35%	5.36%	20.28%	22.43%	13.98%
Japan - Nikkei-225	16.64%	14.32%	44.05%	23.15%	8.28%
Hong Kong - Hang Seng	2.71%	-0.02%	8.95%	10.57%	-0.46%
Australia - S&P/ASX 200	11.84%	13.13%	21.82%	10.16%	6.37%
CURRENCIES					
USD versus CAD	-0.61%	-2.41%	-5.68%	-0.02%	1.38%

SOURCE: Bloomberg. NOTES: Returns over 3-year and 5-year periods are annualized.

¹The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.

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