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## The Andras Group Newsletter



### MARKETS ADAPT, EVEN THROUGH UNCERTAINTY

They say, 'if you don't like the weather, just wait five minutes.' We've gone from cold and rainy to sunshine in a single afternoon! And these past few weeks, the market has felt a lot like this. But just as we know spring is eventually going to stick, we know these market swings are part of a larger transition toward steadier ground.

Markets are navigating a period of uncertainty, but they continue to show resilience. One of the most important anchors right now is the **bond market**. It has remained relatively calm, something that matters more than most headlines. Stable bonds support equity valuations and keep the possibility of rate cuts on the table, both of which provide a constructive backdrop.

Geopolitics remains in focus, particularly the situation involving the U.S., Israel, and Iran. Disruptions tied to the Strait of Hormuz have pushed **energy and fertilizer prices** higher. While some of that may ease, it's likely oil and gas settle at structurally higher levels given the damage to key infrastructure. That creates near-term pressure but also reinforces a longer-term reality: **energy security** matters, and regions with reliable supply, like North America, are in a position of strength.



Bond Market Stability

Energy Security & Oil Prices

Geopolitical Risk

Canada's Strategic Positioning

Market Rotation

Resilient Earnings

There is also a broader adjustment underway. Shifts in trade, energy sourcing, and global alliances can feel disruptive in the moment, but they often lead to more diversified and resilient systems over time. Markets tend to adapt faster than expected.

In technology, the conversation around AI is evolving. The long-term opportunity remains significant, but near-term expectations are being reset as infrastructure catches up. Parts of the software sector have come under pressure, not because the story is broken, but because it needed to be recalibrated. This is the nature of innovation cycles, what we often refer to as creative destruction. Capital flows away from weaker models and toward stronger ones, ultimately strengthening the landscape.

In the U.S., inflation has ticked higher, from 2.4% to 3.3%, while consumer confidence has softened. That's worth watching, particularly if it begins to impact spending. At the same time, some moderation in growth could help ease inflation pressures and provide policymakers with more flexibility.



In Canada, we're seeing a more deliberate shift toward reducing reliance on the U.S. Investment is accelerating across infrastructure, energy, and critical minerals. These are not short-term adjustments, they are long-term positioning moves that strengthen Canada's ability to compete globally. Canadian markets are beginning to reflect this, with pipelines, utilities, financials, and resource sectors showing strength.

When you step back, the picture becomes clearer. There is uncertainty, but also adaptation, investment, and underlying stability. And that combination tends to create opportunity for those who stay patient and focused.

Markets are doing what they often do, climbing a wall of worry. Volatility remains, but beneath the surface conditions are improving. Valuations have reset, multiples have come down, and leadership is beginning to broaden. Instead of everything moving together, sectors are rotating, creating opportunities to take gains on strength and redeploy into weakness.



**Diversification** continues to matter. Markets are shifting back toward stock selection based on merit, not just momentum. Positioning also supports this: institutional investors are more defensive, systematic strategies are neutral, and retail sentiment remains cautious. That's typically a constructive setup; markets don't need perfect news to move higher.

At the core, it still comes down to earnings, and earnings remain resilient. Labour markets have cooled, but not materially weakened. Spending is slowing, but still holding up. As long as that foundation remains intact, recession risk remains contained, particularly if geopolitical tensions don't escalate further.

The conflict in the Middle East remains the key variable. Duration matters, as does the price of oil. A prolonged disruption could push inflation higher and complicate the outlook. However, if stability emerges and energy flows normalize, markets are likely to respond quickly, as they often do once uncertainty begins to clear. In the meantime, **markets are adapting**. News is being absorbed more efficiently, and price swings are becoming less extreme. That's often an early sign that investors are beginning to look through the noise rather than react to it.

We continue to monitor **a few key variables**:

- Developments around the Strait of Hormuz and global energy flows
- The effectiveness of economic pressure on Iran
- Potential involvement from other global powers, particularly China
- U.S. political and fiscal decisions in the months ahead
- The alignment of Canadian policy with long-term economic objectives

Through it all, the principle remains unchanged:

**You can't wait for certainty, by the time it arrives, the opportunity is usually gone.**

Markets adapt. They always have. And for those willing to stay patient, disciplined, and forward-looking, periods like this tend to reward that approach over time.

As always, if you have any questions or simply want to connect, we're just a phone call or email away.

Best always,

**The Andras Group**

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## The Andras Group

The Andras Group, a Toronto-based group of Research Capital, originated in 1921 when Kenneth B. Andras joined what was to become the predecessor firm Andras, Hatch & Hetherington. The Andras Group consists of four Portfolio Managers Ken Andras, John Andras, Will Andras and Patrick Thompson; and Investment Advisor Assistant to the Group Sarah McDonald. The members of the group work independently and as a team and currently have well over \$500 million in assets under administration. Learn more at [www.andrasgroup.ca](http://www.andrasgroup.ca).



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