Financial Monitor

For the week ending February 6th, 2026

Chart of the Week: Canadian Unemployment

Canada's unemployment rate fell to 6.5% in January, down 0.3 percentage points from December. Canada also saw jobs decline by 24,800 jobs in January with the drop in the unemployment rate due to the participation rate falling to 65% in January, from 65.4% in December.

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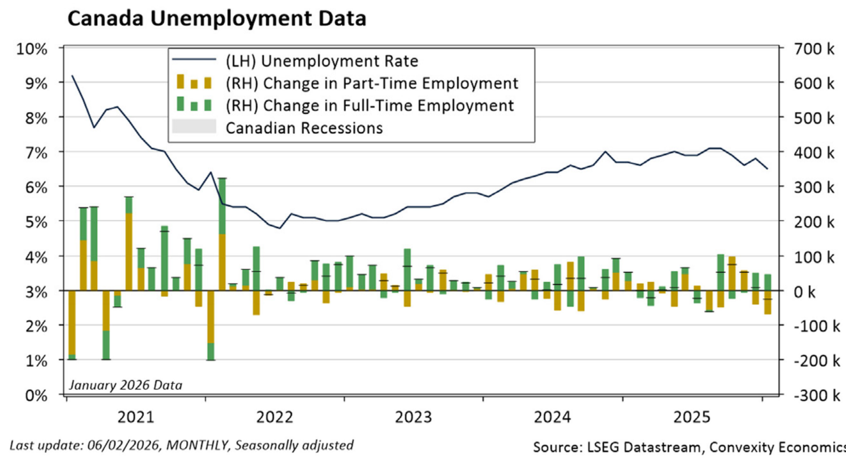

Headlines

- A quiet week for North American bond markets with most of the action in equity markets.
- Despite Friday's sharp rally, the tech-heavy indices finished down on the week as markets continued to rotate out the growth oriented mega-cap names.
- The Canadian Purchasing Managers Index declined 0.3 points to 46.4 in January.
- The U.S. Purchasing Managers Index rose 0.3 to 53.0 signalling improved operating conditions in January.

Equity Indexes	**Last**	**1W%**	**YTD %**
S&P 500	6,932.30	- 0.10	+ 1.27
S&P/TSX Composite	32,470.98	+ 1.71	+ 2.39
Dow Jones	50,115.67	+ 2.50	+ 4.27
NASDAQ	23,031.21	- 1.84	- 0.91
FTSE 1000 (UK)	10,369.75	+ 1.43	+ 4.41
CSI 300 (China)	4,643.60	- 1.33	+ 0.29
Sensex Index (India)	83,580.40	+ 1.59	- 1.92
Bonds Yields	**Last**	**1W**	**YTD**
Canada 10 Year Bond	3.404%	- 0.015	- 0.032
Canada 30 Year Bond	3.853%	- 0.017	- 0.010
US 10 Year Bond	4.210%	- 0.049	+ 0.047
US 30 Year Bond	4.863%	- 0.031	+ 0.022

Currency	**Last**	**1W**	**YTD**
US Dollar Index	97.60	0.63%	**-0.73%**
Currencies to the Loonie			
US Dollar	$0.732	- $0.002	+ $0.004
Euro	$0.619	-$0.000	- $0.001
British Pound	$0.538	+ $0.001	- $0.003
Chinese Yuan	$5.081	- $0.023	- $0.014
Bitcoin	$70,208	- 16.64%	- 19.94%
Commodities	**Last**	**1W %**	**YTD%**
Gold *(USD/Troy Ounce)*	$4,948.79	+ 1.74	+ 14.71
ICE Brent Crude*(USD/bbl)*	$67.92	- 3.93	+ 11.51
WTI Light *(USD/bbl)*	$63.49	- 3.42	+ 10.59

Data as of: February 06, 2026 1:20 PM PT

Source: LSEG Datastream, Convexity Economics

Market Commentary

	Daily Changes						
Equity Indexes	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**1 Week %**	**YTD%**
S&P 500	0.54%	-0.84%	-0.51%	-1.23%	1.97%	▼ 0.10%	▲ 1.27%
S&P/TSX Composite	0.82%	0.64%	0.56%	-1.77%	1.49%	▲ 1.71%	▲ 2.39%
Dow Jones	1.05%	-0.34%	0.53%	-1.20%	2.47%	▲ 2.50%	▲ 4.27%
NASDAQ	0.56%	-1.43%	-1.51%	-1.59%	2.18%	▼ 1.84%	▼ 0.91%
Russell 2000	1.02%	0.31%	-0.90%	-1.79%	3.60%	▲ 2.17%	▲ 7.59%
S&P 600 Small Cap Index	1.11%	-0.09%	0.87%	-0.70%	2.74%	▲ 3.95%	▲ 9.71%

Data as of: February 06, 2026 1:20 PM PT

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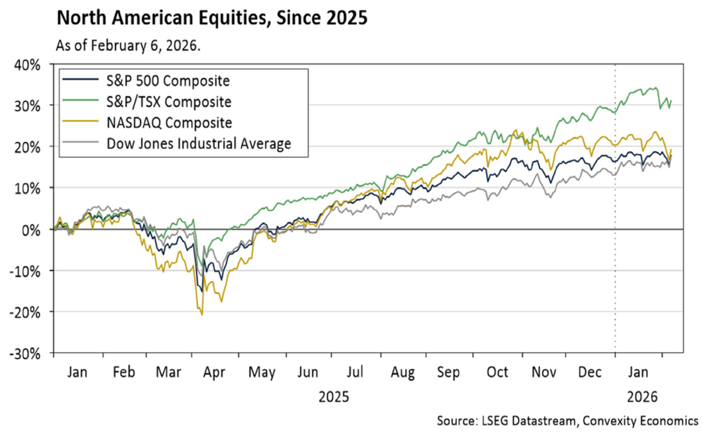
North American equity markets were mixed this week as outlined in the tables herewith.

The week began positively with markets rebounding somewhat after struggling last week to digest the implications of a Kevin Warsh Federal Reserve, but this positive sentiment was short-lived as mixed earnings reports from the technology sector and a shifting narrative about AI raised concerns, particularly in the technology sector, leading to sharp declines mid-week.

As AI remains a new technology, we are not surprised to see markets struggling to understand the implications it will have across society and the global economy, as well as figuring out who will be the relative winners and losers in the race from an investment perspective – this accordingly leads to volatility, which we believe is to be viewed as a feature of the markets and not related to any one development per se.



Regarding the technology sector, two main concerns arose this week:

First, while technology companies were initially being rewarded for high capital expenditures as they built AI capacity, the market's perspective has shifted toward heavy scrutiny of AI related capital expenditure, with markets penalizing companies they believe are being too aggressive (and potentially risky) with their investment plans.

The second main concern revolved around the potential for AI to make many software programs and companies obsolete – potentially destroying a key sector in the technology space, but also a potential source of demand for AI itself. As software as a service (SAAS) and the broader technology sector sold off, additional concerns arose that losses would impact private equity funds who invest heavily in SAAS, and who are already suffering from concerns about illiquidity and potential losses on their real estate portfolios.

By Friday however, the narrative shifted to the sell-off being overdone, and markets rose sharply on Friday to close the week. Despite Friday's sharp rally, the tech-heavy indices (NASDAQ & S&P500) finished down on the week as markets continued to rotate out the growth oriented mega-cap names, and into value-based, smaller-cap peers. Indeed, as U.S. economic momentum remains strong, and it increasingly pivots to a more domestically oriented economy, we expect small cap equities to continue outperforming their larger cap peers.

Central Bank Rates

Current Key Interest Rates			*Next Meeting*	*Last Decision*	*Last Meeting*
Canada		2.25%	Mar 18, 2026	—	Jan 28, 2026
United States*		3.75%	Mar 18, 2026	—	Jan 28, 2026
Mexico		7.00%	Mar 26, 2026	—	Feb 5, 2026
European Union		2.15%	Mar 19, 2026	—	Feb 5, 2026
India		5.25%	Apr 7, 2026	—	Feb 5, 2026
China		3.00%	Feb 19, 2026	—	Jan 19, 2026
Japan		0.75%	Mar 18, 2026	—	Jan 22, 2026

**Upper Limit*

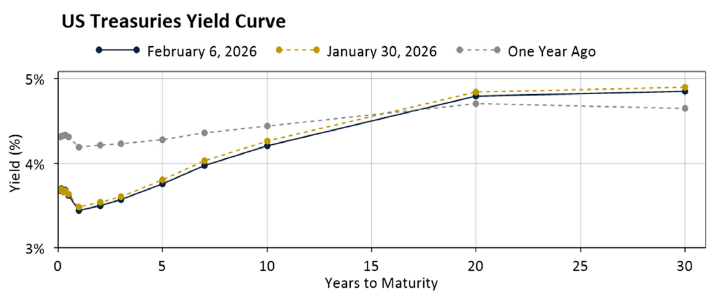
Data as of: February 6, 2026

Source: LSEG Datastream, Convexity Economics

Bond Yields

It was a quiet week for North American bond markets with most of the action in equity markets. Accordingly, there was little movement in bond yields this week, with only modest declines in yields across North American bond markets.

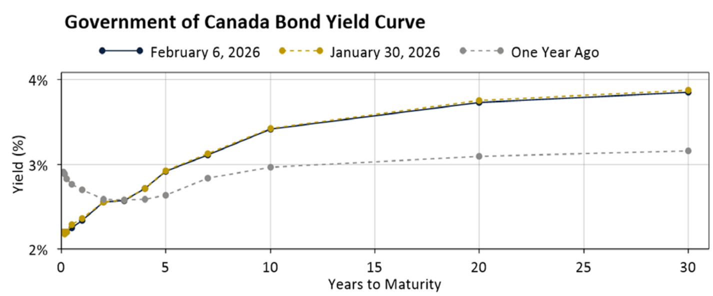
U.S. Treasury Yields



	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	3.68	3.70	3.68	3.62	3.44	3.50	3.57	2.75	3.76	3.97	4.20	4.79	4.85
Current	3.68	3.70	3.68	3.62	3.44	3.50	3.57	2.75	3.76	3.97	4.20	4.79	4.85

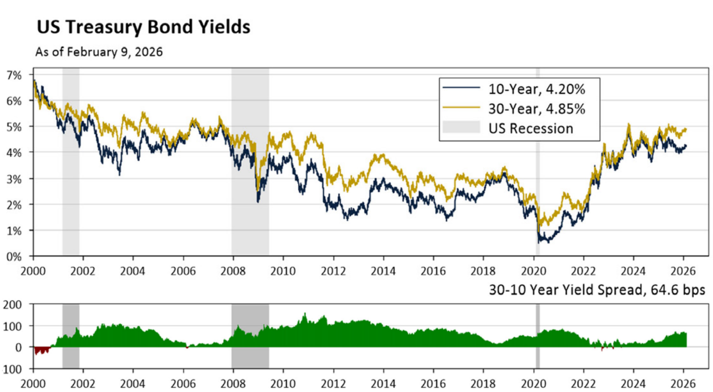
Source: LSEG Datastream, Convexity Economics

Government of Canada Bond Yields



	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	2.20	2.19	2.20	2.25	2.34	2.55	2.57	2.71	2.92	3.11	3.41	3.73	3.85
Current	2.20	2.19	2.20	2.25	2.34	2.55	2.57	2.71	2.92	3.11	3.41	3.73	3.85

Source: LSEG Datastream, Convexity Economics



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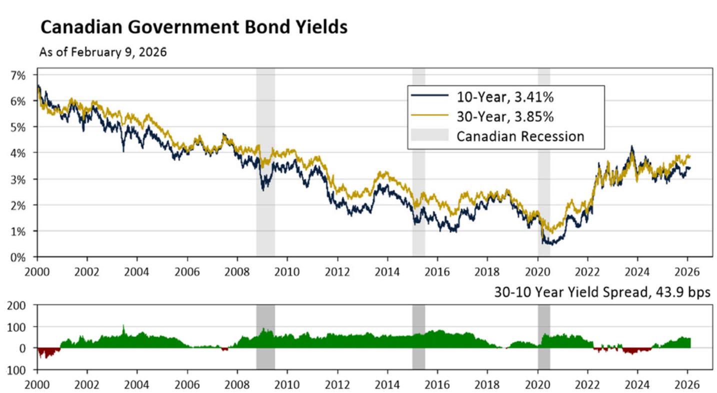

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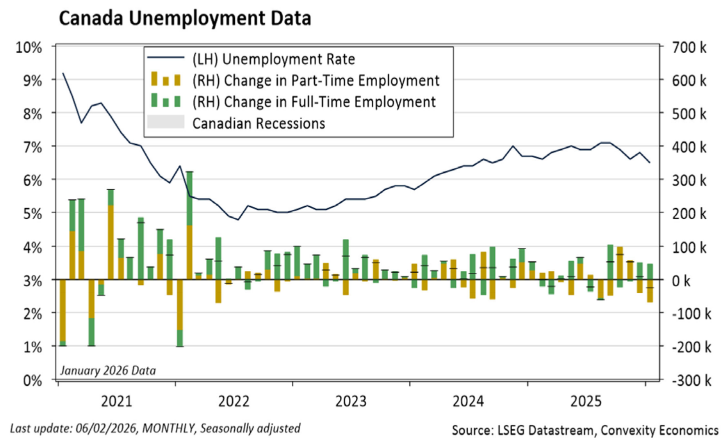
Canadian Unemployment Data



Canada's unemployment rate fell to 6.5% in January, down 0.3 percentage points from December. Canada also saw jobs decline by 24,800 jobs in January with the drop in the unemployment rate due to the participation rate falling to 65% in January, from 65.4% in December.

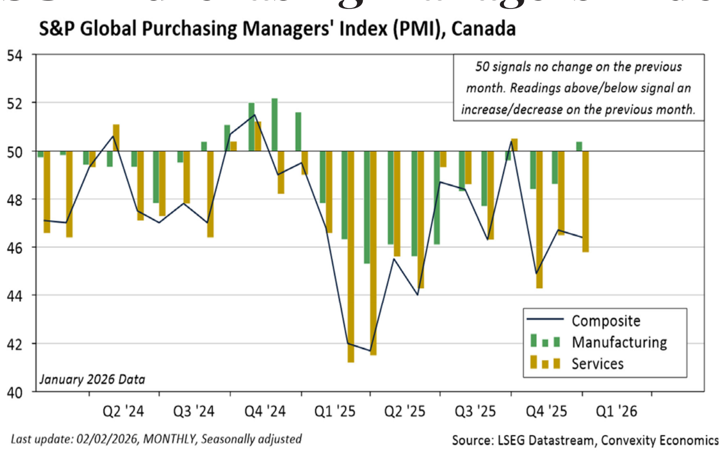
In short, while the economy lost jobs (bad for the unemployment rate), the labour force fell by and even greater amount (bad for economic output), perversely, sending a superficial positive economic signal that the unemployment rate declined – but to be clear, we do not view this as a positive labour market report or development for the Canadian economy.

Indeed, an ageing population is now a common theme in the Canadian labour market, and one that we expect will continue to put downward pressure on the unemployment rate and economic growth as it reduces the labour force. (Low birth rates combine with an ageing population, that absent immigration, results in a shrinking pool of available labour with several important implications for the labour market and the Canadian economy at large).

Despite the net loss in jobs, full-time employment added 44,900 jobs while part-time employment declined by 69,700 – a somewhat positive aspect of this month's report.

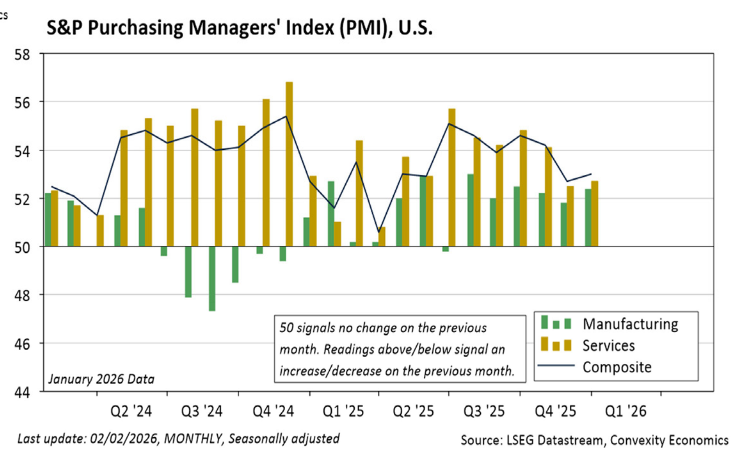
Manufacturing employment was hit hardest, seeing a decline of 28,000 jobs in January, likely due to the continuing pressure on the industry from U.S. tariffs. Regionally, Ontario saw jobs decline 67,000, a large reason for the national decline, with Alberta, Saskatchewan, and Newfoundland and Labrador seeing modest job gains, while the remaining regions were relatively unchanged.

S&P Purchasing Managers' Index (PMI)



Canada

The Canadian Purchasing Managers Index declined 0.3 points to 46.4 in January. The composite decline was due to a drop of 0.7 in services businesses, while manufacturing business reported improving conditions, increasing to 50.4. This was the first manufacturing PMI reading above 50 since January 2025, ending 11 consecutive months of declining output.



U.S.

The U.S. Purchasing Managers Index (PMI) rose 0.3 to 53.0 signalling improved operating conditions in January. The manufacturing index increased 0.6 to 52.4, while the services index increased a mere 0.2 to 52.7.

Despite the January improvements, tariffs continue to put upward pressure on costs in both services and manufacturing sectors, along with continued uncertainty weighing on survey respondents' outlook for growth.

Equity Indexes	Last	1W%	YTD %
S&P 500	6,932.30	- 0.10	+ 1.27
S&P/TSX Composite	32,470.98	+ 1.71	+ 2.39
Dow Jones	50,115.67	+ 2.50	+ 4.27
NASDAQ	23,031.21	- 1.84	- 0.91
FTSE 1000 (UK)	10,369.75	+ 1.43	+ 4.41
CSI 300 (China)	4,643.60	- 1.33	+ 0.29
Sensex Index (India)	83,580.40	+ 1.59	- 1.92
Bovespa Index (Brazil)	182,997	+ 0.90	+ 13.57
Merval Index (Argentina)	2,977,119	- 6.95	- 2.44
Russell 2000	2,670.34	+ 2.17	+ 7.59
S&P 600 Small Cap Index	1,610.32	+ 3.95	+ 9.71
VIX Volatility Index	17.76	+ 1.83	+ 18.80
Bonds Yields	**Last**	**1W**	**YTD**
Govt of Canada 5 Year	2.910%	- 0.018	- 0.066
Govt of Canada 10 Year	3.404%	- 0.015	- 0.032
Govt of Canada 30 Year	3.853%	- 0.017	- 0.010
US Treasury 5 Year	3.752%	- 0.053	+ 0.030
US Treasury 10 Year	4.210%	- 0.049	+ 0.047
US Treasury 30 Year	4.863%	- 0.031	+ 0.022
Currency	**Last**	**1W**	**YTD**
US Dolar Index	97.60	+ 0.63%	-0.73%
Bitcoin (USD)	$70,208	- 16.64%	- 19.94%
Currencies to the Loonie			
US Dollar	$0.732	- 0.002	+ 0.004
Euro	$0.619	- 0.000	- 0.001
British Pound	$0.538	+ 0.001	- 0.003
Japanese Yen	$114.430	+ 0.630	+ 0.490
Chinese Yuan	$5.081	+ 4.885	+ 4.885
Aussie Dollar	$1.043	+ 0.095	+ 0.127
GDP	**YoY %**	**Change**	**Quarter**
Canada	+ 2.60	+ 4.40	*Q3*
United States	+ 2.34	+ 0.26	*Q3*
Mexico	- 0.19	- 1.20	*Q3*
Euro Zone**	+ 1.32	- 0.01	*Q3*
China**	+ 4.46	- 0.38	*Q4*
Japan	+ 0.66	- 1.26	*Q3*
India	+ 8.23	+ 0.42	*Q3*
Inflation	**YoY %**	**Change**	**Month**
Canada	+ 2.34	+ 0.12	*Dec*
United States	+ 2.65	- 0.06	*Dec*
Mexico	+ 3.69	- 0.11	*Dec*
Euro Zone**	+ 1.95	- 0.19	*Dec*
China**	+ 0.70	+ 0.20	*Dec*
Japan**	+ 2.08	- 0.83	*Dec*
India	+ 1.33	+ 0.62	*Dec*

Canadian Sectors	Last	1W%	YTD %
Energy	344.36	+ 3.10	+ 14.63
Industrials	485.94	+ 3.69	+ 4.06
Consumer Staples	1,292.55	+ 8.35	+ 4.39
Financials	629.79	+ 2.40	+ 0.36
Communication Services	159.01	- 0.67	+ 1.37
Real Estate	324.85	+ 1.53	+ 2.68
Materials	833.17	+ 2.10	+ 11.14
Consumer Discretionary	388.07	+ 6.12	+ 1.43
Health Care	21.52	+ 4.82	- 1.74
Information Tech	265.77	- 3.33	- 18.63
Utilities	365.24	+ 1.81	+ 3.67
S&P/TSX Composite	32,470.98	+ 1.71	+ 2.39
US Sectors	**Last**	**1W%**	**YTD %**
Energy	820.14	+ 4.32	+ 19.32
Industrials	1,465.59	+ 4.68	+ 11.61
Consumer Staples	986.03	+ 6.04	+ 14.01
Financials	901.12	+ 1.50	- 1.15
Communication Services	457.28	- 4.36	+ 1.08
Real Estate	266.07	+ 1.54	+ 4.33
Materials	645.93	+ 3.50	+ 12.45
Consumer Discretionary	1,871.49	- 4.57	- 2.95
Health Care	1,837.00	+ 1.91	+ 1.72
Information Tech	5,511.87	- 1.36	- 3.03
Utilities	440.28	+ 0.17	+ 1.49
S&P 500	6,932.30	- 0.10	+ 1.27
Commodities	**Last**	**1W %**	**YTD %**
Baltic Dry index	1,936.00	- 9.87	+ 3.14
Bloomberg Industrial Metals Index	168.69	- 1.96	+ 3.25
Gold	$4,948.79	+ 1.74	+ 14.71
Silver	$77.15	- 8.82	+ 8.27
Copper	$5.91	+ 3.91	+ 4.46
Oil (ICE Brent Crude)	$67.92	- 3.88	+ 11.53
Oil (WTI Light)	$63.49	- 3.36	+ 10.63
Natural Gas	$3.40	- 22.71	- 7.98
Corn	$430.75	+ 0.58	- 2.27
Wheat	$530.75	- 1.39	+ 4.84
Cocoa	$4,239.00	- 0.47	- 30.29
Coffee	$286.70	- 9.24	- 13.96

Data as of: *February 06, 2026 1:20 PM PT*

Source: LSEG Datastream, Convexity Economics

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