



Chart of the Week: Gold's Correlation to Real Rates

The spot price of gold has historically been strongly negatively correlated with real yields – as real interest rate increase, gold prices tend to fall, and vice-versa.

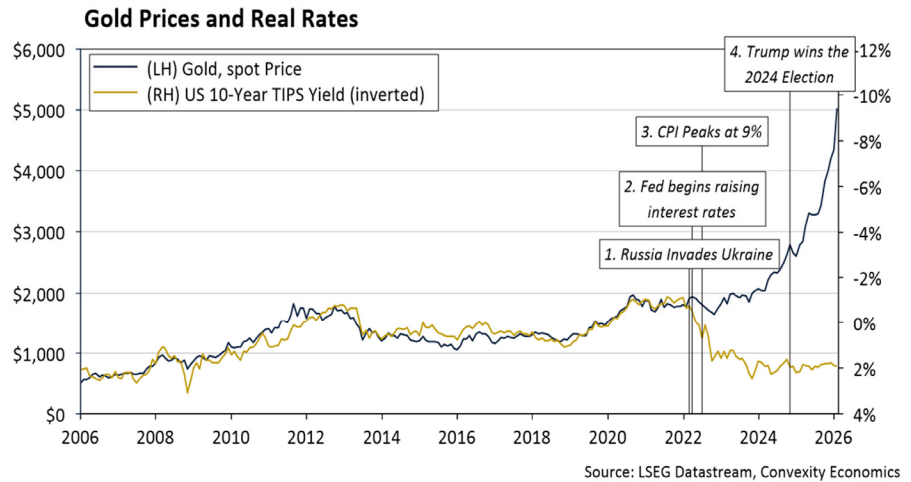
Intuitively, this makes sense because the real interest rate is the opportunity cost of holding gold, in terms of foregone return as gold pays no yield and comes with storage costs. As shown in the chart, this tight relationship has held true, with only modest deviations for sixteen years from 2006, including through the Global Financial Crisis – and longer.

In 2022/2023, we observe a significant break in this established trend – after a brief dip in response to U.S. Federal Reserve policy tightening, gold began a steady ascent despite significant increases in the real interest rate (the real interest rate is the nominal interest rate less the inflation rate).

Normally, we would expect large real rate increases to hurt the price of gold, but over the last 4 years, the divergence in the trend has accelerated, particularly after President Trump won the U.S. election in 2024.

We acknowledge real interest rates are but one of the fundamental drivers of the price of gold, so this divergence suggests other strong factors overwhelming the negative impact of rising real rates on the price of gold.

Several shocks occurred around the same time, making it challenging to understand what is driving the sustained reversal of this established relationship.



Equity Indexes	Last	1W%	YTD %
S&P 500	6,836.17	- 1.39	- 0.14
S&P/TSX Composite	33,073.71	+ 1.86	+ 4.29
Dow Jones	49,500.93	- 1.23	+ 2.99
NASDAQ	22,546.67	- 2.10	- 2.99
FTSE 1000 (UK)	10,446.35	+ 0.74	+ 5.19
CSI 300 (China)	4,660.41	+ 0.36	+ 0.66
Sensex Index (India)	82,626.76	- 1.14	- 3.04
Bonds Yields	Last	1W	YTD
Canada 10 Year Bond	3.291%	- 0.119	- 0.145
Canada 30 Year Bond	3.747%	- 0.103	- 0.116
US 10 Year Bond	4.104%	- 0.100	- 0.059
US 30 Year Bond	4.731%	- 0.119	- 0.110

Currency	Last	1W	YTD
US Dollar Index	96.88	-0.77%	-1.46%
Currencies to the Loonie			
US Dollar	\$0.734	+ \$0.003	+ \$0.006
Euro	\$0.619	\$0.000	- \$0.002
British Pound	\$0.538	+ \$0.001	- \$0.003
Chinese Yuan	\$5.072	+ \$0.000	- \$0.023
Bitcoin	\$68,862	- 2.09%	- 21.47%
Commodities	Last	1W %	YTD%
Gold (USD/Troy Ounce)	\$5,042.11	+ 1.65	+ 16.87
ICE Brent Crude(USD/bbl)	\$67.70	- 0.59	+ 11.15
WTI Light (USD/bbl)	\$62.88	- 0.98	+ 9.53

Data as of: February 13, 2026 2:00 PM PT

Source: LSEG Datastream, Convexity Economics

Market Commentary

Equity Indexes	Daily Changes						1 Week %	YTD%
	Monday	Tuesday	Wednesday	Thursday	Friday			
S&P 500	0.47%	-0.33%	-0.00%	-1.57%	0.05%	▼ 1.39%	▼ 0.14%	
S&P/TSX Composite	1.70%	0.71%	-0.01%	-2.37%	1.87%	▲ 1.86%	▲ 4.29%	
Dow Jones	0.04%	0.10%	-0.13%	-1.34%	0.10%	▼ 1.23%	▲ 2.99%	
NASDAQ	0.90%	-0.59%	-0.16%	-2.03%	-0.22%	▼ 2.10%	▼ 2.99%	
Russell 2000	0.70%	-0.34%	-0.38%	-2.01%	1.18%	▼ 0.89%	▲ 6.64%	
S&P 600 Small Cap Index	0.00%	0.02%	-0.13%	-1.83%	1.14%	▼ 0.82%	▲ 8.81%	

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Source: LSEG Datastream, Convexity Economics

The Canadian equity markets had another strong week, while U.S. markets continued to lag, especially the technology sector, though some names are proving more resilient than others as markets continue to bet on AI winners and losers – across all industries.

As this week's equity market tables indicate, the S&P/TSX has pulled ahead of the major US indices we follow on a year-to-date basis (the S&P 500 and the NASDAQ are now negative year-to-date after declines this week).

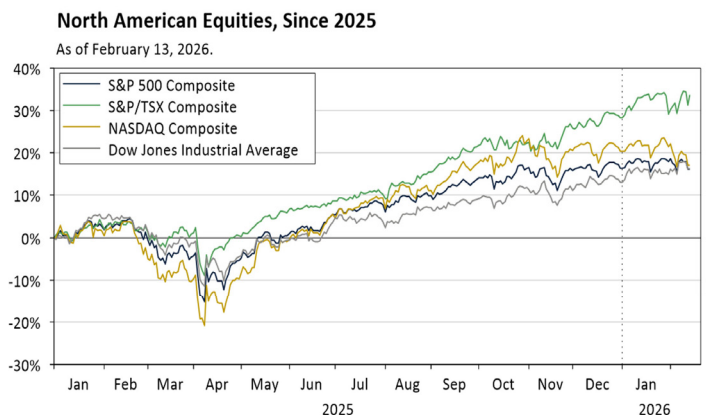
While a quick rebound in the gold price and related equities is a factor in this week's Canadian outperformance, the energy sector was strong this week as well and retains a slight year-to-date performance lead over the Materials sector (18.6% vs. 18.34%); we are splitting hairs, though importantly point out these sectors are beating the next best S&P/TSX sector (Utilities at 7.85%) by over 10% year-to-date (not including dividends).

Considering all the headlines and confusion about tariffs, we find it interesting that smaller capitalization U.S. equities have been the best performing North American indices we follow so far this year. In the event tariffs are rolled back, should we expect this to reverse as well, or will the continued process of de-globalization give rise to secular opportunity? We believe it is the latter, and given the starting point in valuations, we continue to prefer smaller capitalization names over mega-caps, though not in all cases of course.

(Smaller capitalization companies tend to be more geared to the domestic economy and as the U.S. becomes more isolationist and, in a way, mercantilist, small caps appear to be benefitting from its strong








domestic growth. Larger capitalization peers' source a greater share of their revenue from abroad and are increasingly subject to a changing global economy and geopolitical environment – additional risks that we believe were not priced into rich valuations on many technology names in particular).

Lastly, as it was quiet week in sovereign bond markets, we will close with a note about the trade-weighted U.S. dollar index (DXY), which after declining 10.2% in 2025, fell another 0.77% this week, taking its year-to-date decline to 1.5% - though, it remains flat against the Loonie year-to-date. We believe there is more room for the U.S. dollar to decline so would not be surprised to see this pattern continue again in 2026. A falling dollar benefits exporters and foreign sourced earnings, eventually benefitting larger capitalization U.S. mega caps.



Source: LSEG Datastream, Convexity Economics

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

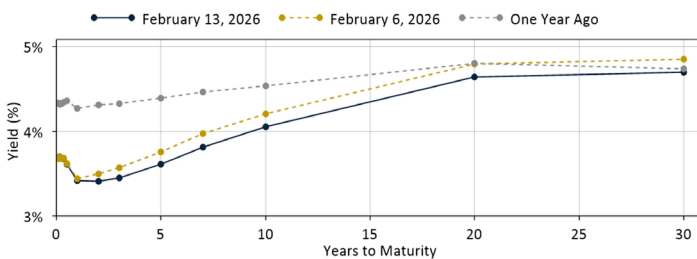
*Upper Limit

Data as of: February 13, 2026

Source: LSEG Datastream, Convexity Economics

U.S. Treasury Yields

US Treasuries Yield Curve

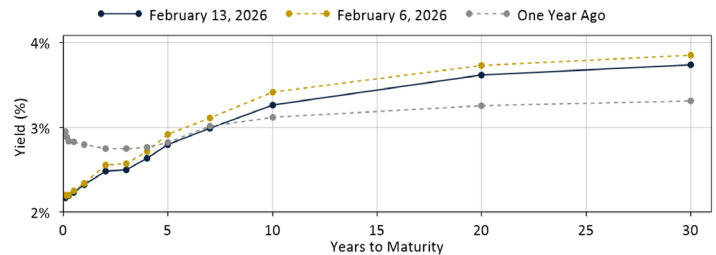


	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	3.69	3.70	3.68	3.61	3.42	3.41	3.45	2.75	3.61	3.81	4.05	4.64	4.70
Current	3.69	3.70	3.68	3.61	3.42	3.41	3.45	2.75	3.61	3.81	4.05	4.64	4.70

Source: LSEG Datastream, Convexity Economics

Government of Canada Bond Yields

Government of Canada Bond Yield Curve

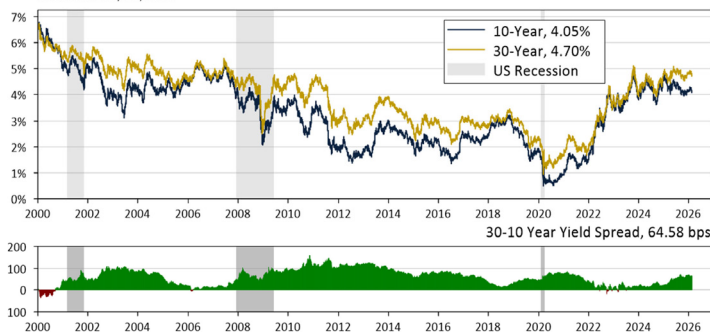


	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	2.17	2.19	2.19	2.23	2.32	2.48	2.50	2.64	2.80	2.99	3.26	3.61	3.73
Current	2.17	2.19	2.19	2.23	2.32	2.48	2.50	2.64	2.80	2.99	3.26	3.61	3.73

Source: LSEG Datastream, Convexity Economics

US Treasury Bond Yields

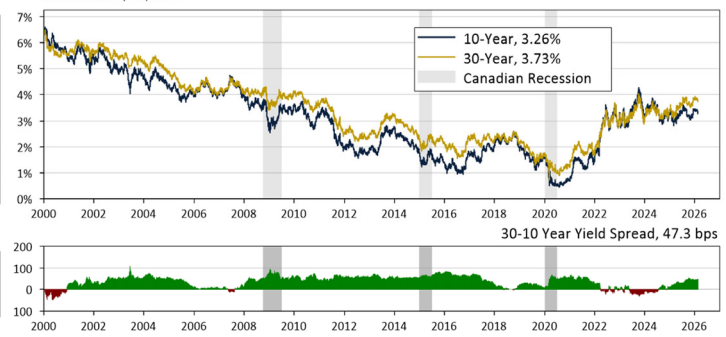
As of February 16, 2026



Source: LSEG Datastream, Convexity Economics

Canadian Government Bond Yields

As of February 16, 2026

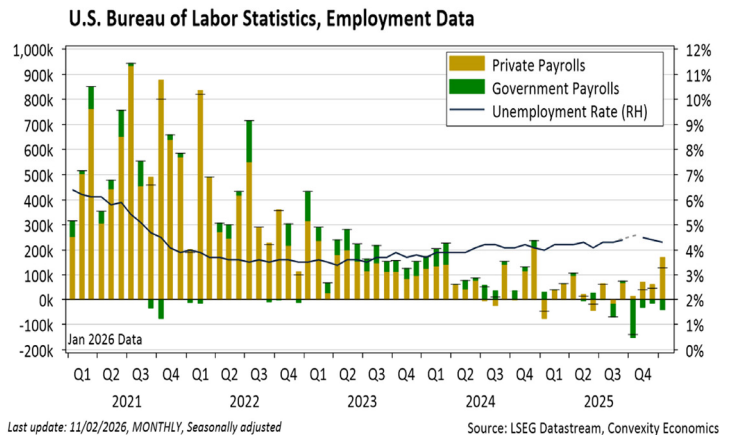


Source: LSEG Datastream, Convexity Economics

U.S. Unemployment Data

The U.S. added 130,000 jobs in January, and the unemployment rate fell by 0.1 percentage point to 4.3%.

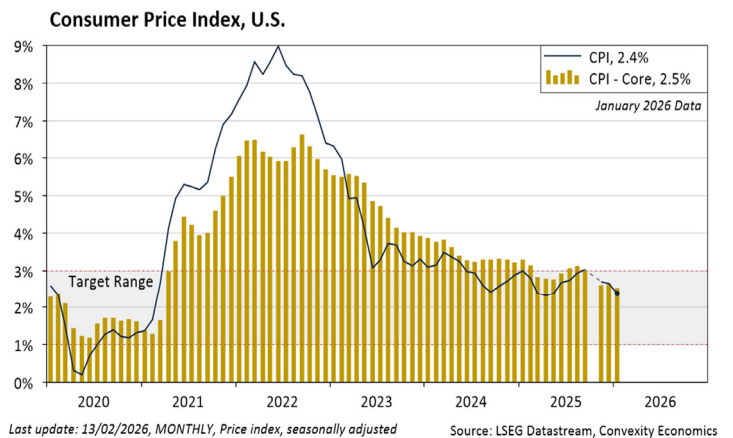
Job gains were concentrated in health care (+80k), social assistance (+42k) and construction (+33k). The remaining sectors saw relatively no change or payroll declines in January, suggesting a weaker jobs report than the headline number may suggest. Many of the social assistance jobs were in individual and family assistance, this combined with the large increase in health care, suggests the increasing demand for labour needed to care for an aging population. Although the job growth is a positive sign for the economy, it could be an early warning sign of the demands and stress aging demographics will have on the health care infrastructure and accompanying services.



U.S. Consumer Price Index (CPI)

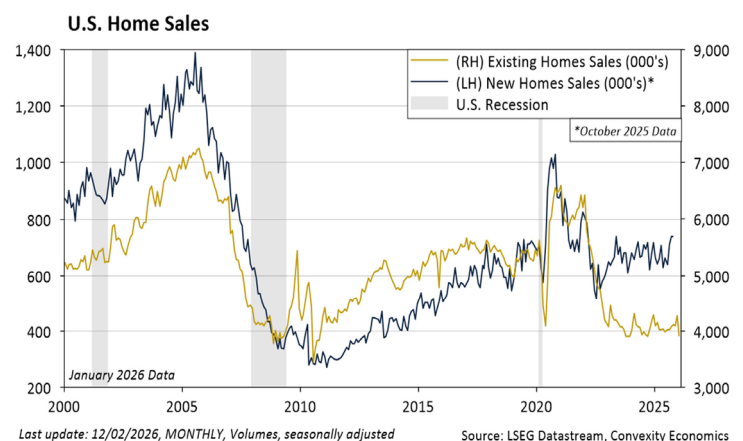
The U.S. consumer price index (CPI) increased 0.2% month-over-month (seasonally adjusted), while year-over-year inflation slowed to 2.4% in January, from 2.7% in December. Core CPI (excludes food and energy prices) slowed as well, increasing 2.5% year-over-year in January.

Food prices rose 2.9% year-over-year, with food away from home (4.0%) increasing at twice the rate of food at home (2.1%). Energy overall was relatively unchanged (-0.1%), but energy commodities (gasoline and fuel) declined 7.1%. This was offset by an increase in energy services (electricity and utilities) which increased 7.2%. Some of the increase in the electricity prices could likely be attributed to increased demand (and limited supply) due to data centre construction and their draw on the local electricity grid.



U.S. Existing Home Sales

After a strong rebound in December, existing home sales pulled back more than expected to 3.91 million homes (annualized), a decline of 8.4% in January. According to National Association of Realtors (NAR) chief economist Dr. Lawrence Yun, low supply pushed the median home price to a new high for the month of January of \$396,800.



Equity Indexes	Last	1W%	YTD %
S&P 500	6,836.17	- 1.39	- 0.14
S&P/TSX Composite	33,073.71	+ 1.86	+ 4.29
Dow Jones	49,500.93	- 1.23	+ 2.99
NASDAQ	22,546.67	- 2.10	- 2.99
FTSE 1000 (UK)	10,446.35	+ 0.74	+ 5.19
CSI 300 (China)	4,660.41	+ 0.36	+ 0.66
Sensex Index (India)	82,626.76	- 1.14	- 3.04
Bovespa Index (Brazil)	186,464	+ 1.92	+ 15.73
Merval Index (Argentina)	2,816,128	- 5.41	- 7.72
Russell 2000	2,646.70	- 0.89	+ 6.64
S&P 600 Small Cap Index	1,597.05	- 0.82	+ 8.81
VIX Volatility Index	20.60	+ 15.99	+ 37.79
Bonds Yields	Last	1W	YTD
Govt of Canada 5 Year	2.818%	- 0.098	- 0.158
Govt of Canada 10 Year	3.291%	- 0.119	- 0.145
Govt of Canada 30 Year	3.747%	- 0.103	- 0.116
US Treasury 5 Year	3.668%	- 0.089	- 0.054
US Treasury 10 Year	4.104%	- 0.100	- 0.059
US Treasury 30 Year	4.731%	- 0.119	- 0.110
Currency	Last	1W	YTD
US Dollar Index	96.88	- 0.77%	- 1.46%
Bitcoin (USD)	\$68,862	- 2.09%	- 21.47%
<i>Currencies to the Loonie</i>			
US Dollar	\$0.734	+ 0.003	+ 0.006
Euro	\$0.619	+ 0.000	- 0.002
British Pound	\$0.538	+ 0.001	- 0.003
Japanese Yen	\$112.420	- 2.010	- 1.520
Chinese Yuan	\$5.072	+ 4.875	+ 4.876
Aussie Dollar	\$1.038	+ 0.078	+ 0.122
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	+ 2.39	- 0.26	Jan
Mexico	+ 3.79	+ 0.10	Jan
Euro Zone**	+ 1.95	- 0.19	Dec
China**	- 0.30	- 1.00	Jan
Japan**	+ 2.08	- 0.83	Dec
India	+ 2.74	+ 1.58	Jan

Canadian Sectors	Last	1W%	YTD %
Energy	356.29	+ 3.46	+ 18.60
Industrials	475.81	- 2.08	+ 1.89
Consumer Staples	1,326.27	+ 2.61	+ 7.12
Financials	630.48	+ 0.11	+ 0.47
Communication Services	161.79	+ 1.75	+ 3.14
Real Estate	310.38	- 4.45	- 1.90
Materials	887.19	+ 6.48	+ 18.34
Consumer Discretionary	399.85	+ 3.04	+ 4.51
Health Care	22.18	+ 3.07	+ 1.28
Information Tech	253.54	- 4.60	- 22.37
Utilities	379.95	+ 4.03	+ 7.85
S&P/TSX Composite	33,073.71	+ 1.86	+ 4.29
US Sectors	Last	1W%	YTD %
Energy	829.39	+ 1.13	+ 20.67
Industrials	1,461.95	- 0.25	+ 11.33
Consumer Staples	997.71	+ 1.18	+ 15.36
Financials	858.15	- 4.77	- 5.86
Communication Services	444.51	- 2.79	- 1.74
Real Estate	272.34	+ 2.36	+ 6.79
Materials	662.28	+ 2.53	+ 15.30
Consumer Discretionary	1,833.67	- 2.02	- 4.91
Health Care	1,817.59	- 1.06	+ 0.65
Information Tech	5,431.01	- 1.47	- 4.45
Utilities	459.32	+ 4.33	+ 5.88
S&P 500	6,836.17	- 1.39	- 0.14
Commodities	Last	1W %	YTD %
Baltic Dry index	2,095.00	+ 8.94	+ 11.61
Bloomberg Industrial Metals Index	167.44	- 0.74	+ 2.48
Gold	\$5,042.11	+ 1.65	+ 16.87
Silver	\$77.40	- 0.74	+ 8.62
Copper	\$5.81	+ 16.72	+ 2.69
Oil (ICE Brent Crude)	\$67.70	- 0.31	+ 11.17
Oil (WTI Light)	\$62.88	- 0.95	+ 9.57
Natural Gas	\$3.20	- 4.08	- 13.37
Corn	\$431.75	+ 0.23	- 2.04
Wheat	\$549.00	+ 3.49	+ 8.44
Cocoa	\$3,683.00	- 13.12	- 39.43
Coffee	\$296.25	+ 3.31	- 11.09

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Source: LSEG Datastream, Convexity Economics

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