



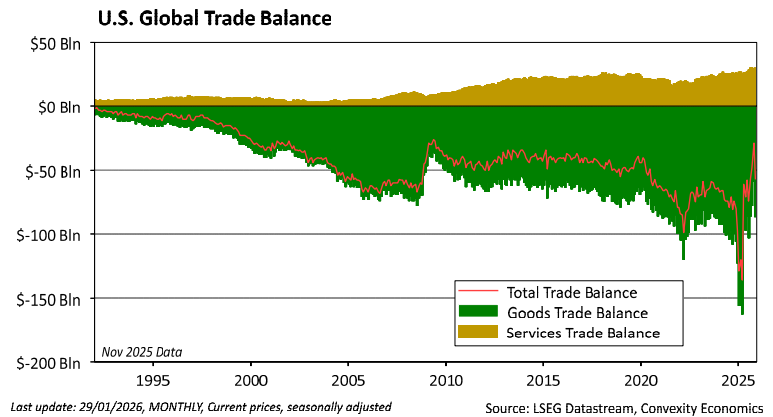
Financial Monitor

For the week ending January 30th, 2026

Chart of the Week: U.S. Trade Balance

The U.S. trade deficit nearly doubled in November widening by 94.6%, the largest increase since March 1992.

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Headlines

- The S&P/TSX declined 3.69% on the week, with 3.31% of this occurring on Friday. The Materials sector declined 10.4% on the week, with gold and silver suffering meaningful declines on Friday
- The Bank of Canada left the policy rate unchanged at 2.25% when they met this week.
- During Wednesday's meeting the Federal Open market Committee (FOMC) decided to maintain the target range for the federal funds rate at 3.50% - 3.75%.
- Canada goods exports fell 2.8% in November, while imports declined a mere 0.1%. Canada's goods trade deficit widened to \$2.2 billion, compared to \$395 million in October.
- Canadian GDP was essentially flat month over month in November, contracting 0.02%, compared to an expected 0.1% growth.
- The Consumer Confidence Index fell by 9.7 points in January to 84.5, while the Present Situations and Future Expectations indices fell by 9.9 points and 9.5 points respectively.

Equity Indexes	Last	1W%	YTD %
S&P 500	6,939.03	+ 0.34	+ 1.37
S&P/TSX Composite	31,923.52	- 3.69	+ 0.66
Dow Jones	48,892.47	- 0.42	+ 1.73
NASDAQ	23,461.82	- 0.17	+ 0.95
FTSE 1000 (UK)	10,223.54	+ 0.79	+ 2.94
CSI 300 (China)	4,706.34	+ 0.08	+ 1.65
Sensex Index (India)	82,269.78	+ 0.90	- 3.46
Bonds Yields	Last	1W	YTD
Canada 10 Year Bond	3.425%	+ 0.008	- 0.011
Canada 30 Year Bond	3.865%	+ 0.022	+ 0.002
US 10 Year Bond	4.227%	- 0.006	+ 0.064
US 30 Year Bond	4.854%	+ 0.023	+ 0.013

Currency	Last	1W	YTD
US Dollar Index	97.15	-0.46%	-1.20%
Currencies to the Loonie			
US Dollar	\$0.734	+ \$0.004	+ \$0.006
Euro	\$0.620	\$0.003	- \$0.001
British Pound	\$0.536	+ \$0.002	- \$0.004
Chinese Yuan	\$5.104	+ \$0.021	+ \$0.008
Bitcoin	\$84,122	- 5.76%	- 4.07%
Commodities	Last	1W %	YTD%
Gold (USD/Troy Ounce)	\$4,864.35	- 2.37	+ 12.75
ICE Brent Crude(USD/bbl)	\$69.32	+ 4.57	+ 13.81
WTI Light (USD/bbl)	\$65.21	+ 6.41	+ 13.59

Data as of: January 30, 2026 4:45 PM PT

Source: LSEG Datastream, Convexity Economics

North American Equity Markets

Equity Indexes	Daily Changes					1 Week %	YTD%
	Monday	Tuesday	Wednesday	Thursday	Friday		
S&P 500	0.50%	0.41%	-0.01%	-0.13%	-0.43%	▲ 0.34%	▲ 1.37%
S&P/TSX Composite	-0.16%	0.01%	0.24%	-0.48%	-3.31%	▼ 3.69%	▲ 0.66%
Dow Jones	0.64%	-0.83%	0.02%	0.11%	-0.36%	▼ 0.42%	▲ 1.73%
NASDAQ	0.43%	0.91%	0.17%	-0.72%	-0.94%	▼ 0.17%	▲ 0.95%
Russell 2000	-0.36%	0.26%	-0.49%	0.05%	-1.55%	▼ 2.08%	▲ 5.31%
S&P 600 Small Cap Index	0.02%	-0.37%	-0.46%	0.63%	-0.72%	▼ 0.91%	▲ 5.55%

Data as of: January 30, 2026 4:45 PM PT

Source: LSEG Datastream, Convexity Economics

It was relatively smooth sailing for equity markets for much of the week despite some key earnings releases from the Mag 7 (Apple, Microsoft, Tesla, Meta) and interest rate announcements from both the U.S. Federal Reserve and the Bank of Canada on Wednesday.

Both central banks held rates steady in well telegraphed decisions, largely expected by financial markets, yet in follow up remarks signalled concerns about underlying trends in the labour market, and signs of slowing inflation – we believe, potentially opening the door for interest rate cuts in the future if economic data continue to moderate.

Friday was a different story for financial markets however, as President Trump, after a high profile and suspenseful lead-up, revealed that Kevin Warsh was his nominee to replace Jerome Powell as the Chairman of the Board of Governors of the Federal Reserve system when his term as Chairman concludes this May (subject to Senate approval, which we expect to occur).

Mr. Warsh, despite being one of the more experienced and qualified candidates (serving on the Federal Reserve Board of Governors from 2006 – 2011, amongst other relevant experience), was not widely considered the front-runner to replace Chairman Powell as he is believed to be on the more hawkish side of the monetary policy spectrum, contrary to President Trump's stated desire for lower interest rates and looser policy.

Instead, the week leading up to the nomination was Rick Reider, the Chief Investment Officer of Global Fixed Income at Blackrock, whom from a monetary policy perspective seemed to be more amenable to interest rate cuts than Mr. Warsh, yet created less Federal Reserve independence risk than Kevin Hassett (the early favourite), whom was many thought was President Trump's preferred pick due to his personal loyalty to the President and stated desire to lower interest rates.

As shown in the table herewith, North American equity markets declined across the board on Friday, indicating to us that markets were surprised by the President's choice, and are re-evaluating the future path of monetary policy, presumably incorporating a more hawkish outlook for monetary policy and a set of different assumptions about economic growth, inflation, and unemployment rates.

(We find this knee jerk reaction from markets interesting as Mr. Warsh has not yet said anything to indicate a hawkish policy stance, and the pathway of interest rates is likely to have been a key discussion point in interviews with President Trump, who presumably indicated his desire to see rates lowered. This will be an interesting dynamic to follow come May and may present some interesting opportunities in credit markets).

Canadian equity markets were hit hardest this week as Friday saw large price declines in gold and silver, and the materials sector is a larger share of the Canadian market than it is in the U.S. (The S&P/TSX declined 3.69% on the week, with 3.31% of this occurring on Friday. The Materials sector declined 10.4% on the week, with gold and silver suffering meaningful declines on Friday).

We had noted in previous Financial Monitors that both gold and silver had experienced significant upward price movements recently and we felt that sentiment may be stretched, so a pullback in the near term would not surprise us.

President Trump's somewhat surprising nomination of Kevin Warsh provided the spark for this pullback as the market began questioning part of the thesis for precious metals – namely, irresponsible U.S. fiscal and monetary policy resulting in financial crisis, a breakdown of the U.S. dollar, eroding Federal Reserve independence and elevated inflation.

With President Trump unexpectedly making the “safe, responsible” choice with Mr. Warsh, these risks lessened, at least for now, and the precious metals complex quickly re-priced accordingly, as did other interest rate sensitive assets. It will be very interesting to see how President Trump’s desire for lower rates presses up against Mr. Warsh’s views over time.

Bond Yields








We have outlined many of the details about the key event for bond markets this week in the equity section above, however, there is one element we did not cover – the implications for changes in the role of the U.S. Federal Reserve in financial markets and in the size of its balance sheet that may result from them.

Indeed, President Trump’s selection of Mr. Warsh appeared to surprise financial markets to due the market’s perception he will be more balanced when making interest rate decisions, to the chagrin of the President who seeks to pressure rates lower.

However, there was presumably a meeting of the minds between the two based on President Trump’s selection, and we can’t help but wonder if this was in the form agreement on a reduced role for the Fed in financial markets (a narrower focus on monetary policy, less policy creep) and a strong relationship and policy agreement between Mr. Warsh and Treasury Secretary Scott Bessent whom also supports these objectives.

Should the Federal Reserve resume its Quantitative Tightening (QT) program as it seeks to reduce its footprint in financial markets, allowing its balance sheet to shrink, we would expect to see upward pressure on medium and longer-term yields. However, the immediate reaction in US Treasury markets on Friday was a decline in yields across the curve, reflecting to us more a reduction in the Federal Reserve independence risk premium baked into Treasury yields, than increased expectations for policy rate cuts.

Central Bank Rates

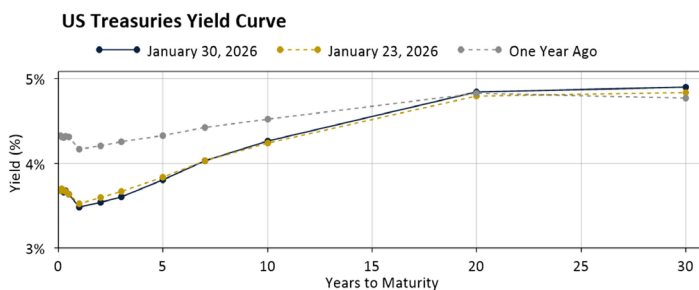
Current Key Interest Rates			Next Meeting	Last Decision	Last Meeting
Canada		2.25%	Mar 18, 2026	—	Jan 28, 2026
United States*		3.75%	Mar 18, 2026	—	Jan 28, 2026
Mexico		7.00%	Feb 5, 2026	▼ 0.25	Dec 18, 2025
European Union		2.15%	Feb 5, 2026	—	Dec 18, 2025
India		5.25%	Feb 5, 2026	▼ 0.25	Dec 5, 2025
China		3.00%	Feb 19, 2026	—	Jan 19, 2026
Japan		0.75%	Mar 18, 2026	—	Jan 22, 2026

*Upper Limit

Data as of: January 30, 2026

Source: LSEG Datastream, Convexity Economics

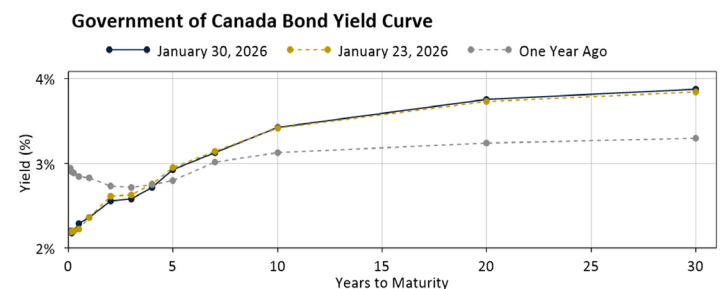
U.S. Treasury Yields



	1M	2M	3M	6M	1Y	2Y	3Y	4Y	5Y	7Y	10Y	20Y	30Y
Last Week	3.69	3.69	3.66	3.63	3.48	3.54	3.60	2.75	3.81	4.03	4.26	4.84	4.89
Current	3.69	3.69	3.66	3.63	3.48	3.54	3.60	2.75	3.81	4.03	4.26	4.84	4.89

Source: LSEG Datastream, Convexity Economics

Government of Canada Bond Yields



	1M	2M	3M	6M	1Y	2Y	3Y	4Y	5Y	7Y	10Y	20Y	30Y
Last Week	2.20	2.18	2.20	2.29	2.37	2.56	2.58	2.72	2.93	3.12	3.42	3.75	3.87
Current	2.20	2.18	2.20	2.29	2.37	2.56	2.58	2.72	2.93	3.12	3.42	3.75	3.87

Source: LSEG Datastream, Convexity Economics

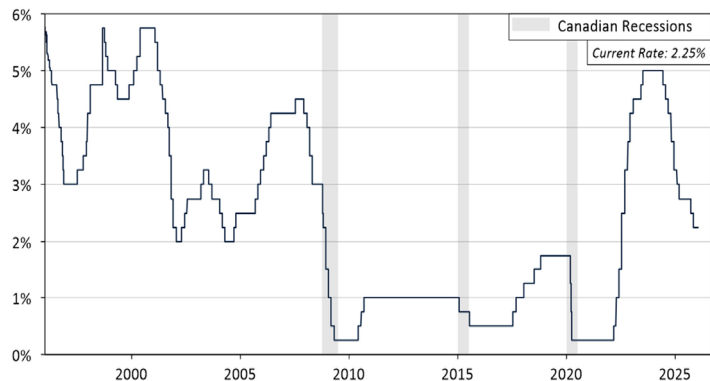
Bank of Canada Meeting January 28th, 2026

The Bank of Canada left the policy rate unchanged at 2.25% when they met this week. This marks the third consecutive meeting that they have left the policy rate unchanged. Despite heightened uncertainty, the Bank's governing council views the current rate as appropriate – on the assumption the economy continues evolving in line with their outlook. They are expecting excess supply to offset any inflationary pressures from tariffs, and that inflation will stay close to the 2% target in the near term.

In his press conference, Governor Macklem says the Bank is expecting modest growth but warned that the “range of possible outcomes is wider than usual” due to the uncertainty of U.S. trade policy and elevated global geopolitical risks.

Despite U.S. protectionism policies drawing exports lower, the Bank projects consumer spending will maintain its current levels, and business investment will strengthen gradually as previous rate cuts provide relief. The Bank is projecting economic growth of 1.1% in 2026, increasing to 1.5% in 2027, essentially unchanged from their October 2025 forecasts.

Bank of Canada Target Rate



Last update: 28/01/2026

Source: LSEG Datastream, Convexity Economics

FOMC Meeting January 27th–28th, 2026

During Wednesday's meeting the Federal Open market Committee (FOMC) decided to maintain the target range for the federal funds rate at 3.50% - 3.75%. FOMC Chair Jerome Powell said in his press conference that following their 75 basis points of rate cuts, they believe this has brought the target range “within a range of plausible estimates of neutral”.

Chair Powell cited resilient consumer spending, expanding economic activity and expanding business fixed investments. In contrast he mentioned weak housing sector activity and temporary government shutdown as draws on the economy in the past quarter.

The FOMC views the employment market as “stabilizing after a period of gradual softening”, noting only minor change to the unemployment rate and low job gains. Chair Powell also noted that they believe inflation will trend lower following the pass-through effect of the tariffs.

During questions, Chair Powell said that it the FOMC's belief that both upward pressure on inflation and downward pressure on employment have lessened since their December meeting. Also noting a considerable improvement in their outlook for economic activity.

This is the first FOMC meeting since the Fed was subpoenaed, and Chair Powell declined to speak on the matter, despite multiple questions on the matter.

US Fed Funds Target Rate

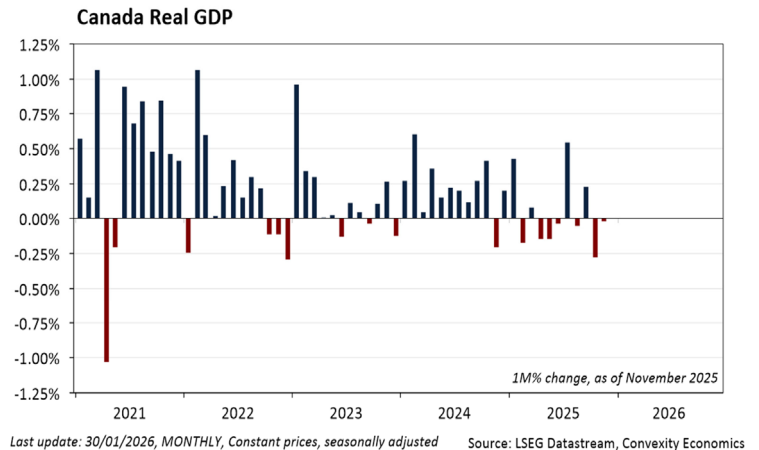


Last update: Jan 28 2026, MONTHLY, Not seasonally adjusted

Source: LSEG Datastream, Convexity Economics

Canadian Monthly GDP

Canadian GDP was essentially flat month over month in November, contracting 0.02%, compared to an expected 0.1% growth. The Bank of Canada had forecasted no growth for the fourth quarter of 2025, but based on this preliminary data for November, GDP would decline 0.5% annualized. We will have to wait for the true expenditure numbers in the quarterly GDP data (scheduled to be released at the end of February) for the true measure of economic growth, but the preliminary data does not suggest a strong Q4.



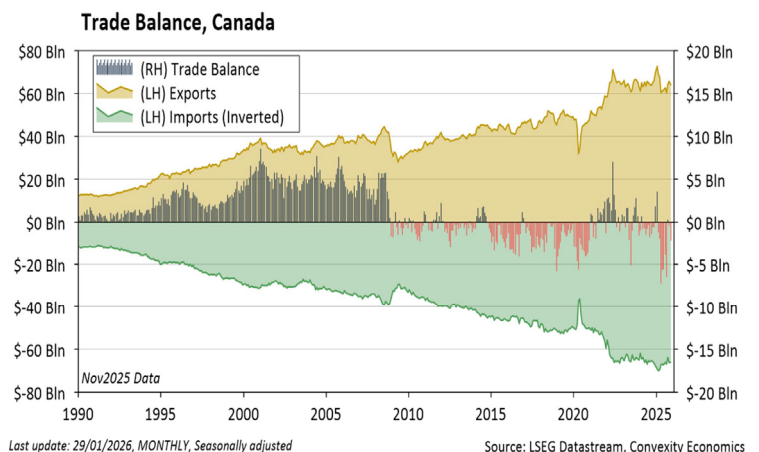
Canadian Goods Trade Balance

Canada goods exports fell 2.8% in November, while imports declined a mere 0.1%. Canada's goods trade deficit widened to \$2.2 billion, compared to \$395 million in October.

Eight of the eleven product categories saw increased exports, but a large decrease in metal and non-metallic mineral products dragged overall exports down. Excluding this category, exports would have increased 2.5%.

Exports of crude oil showed some signs of recovery, increasing 7.6% after declining 11.3% in October.

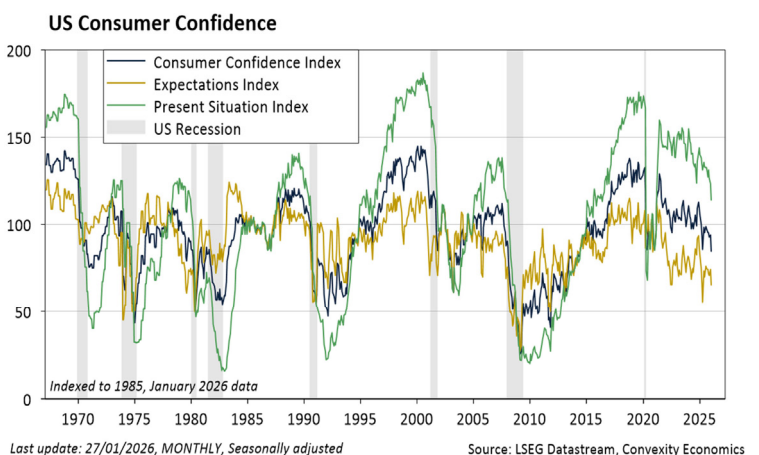
Imports from countries other than the U.S. reached an all-time high, increasing 7.8% in November. The largest contributors to the increase were China, Germany and Belgium. This is a continuation of an increase in imports from countries other than U.S., with imports from these countries increasing 27.7% between August and October.



U.S. Consumer Confidence

U.S. Consumer Confidence fell to its lowest level since 2024 amid continuing affordability concerns and a slowing labour market. The Consumer Confidence Index fell by 9.7 points in January to 84.5, while the Present Situations and Future Expectations indices fell by 9.9 points and 9.5 points respectively. The Future Expectations Index remains well below the threshold of 80 that has historically signalled a recession.

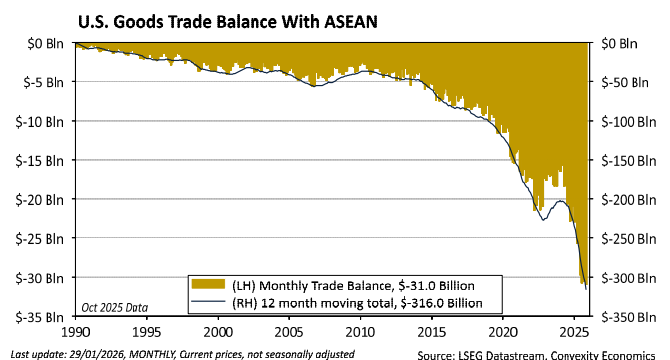
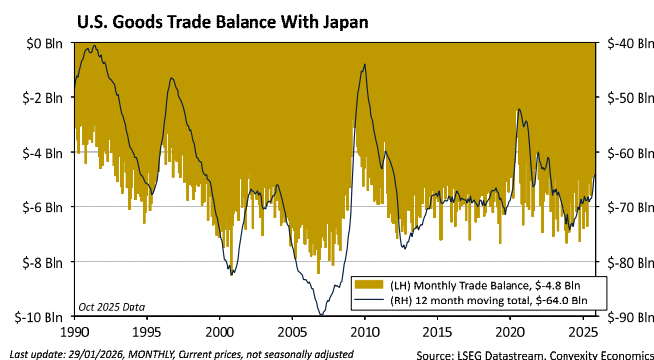
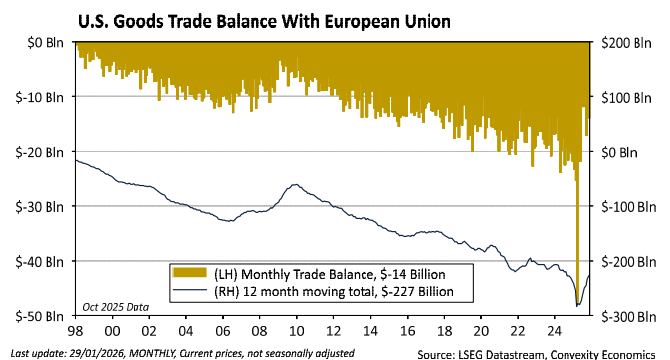
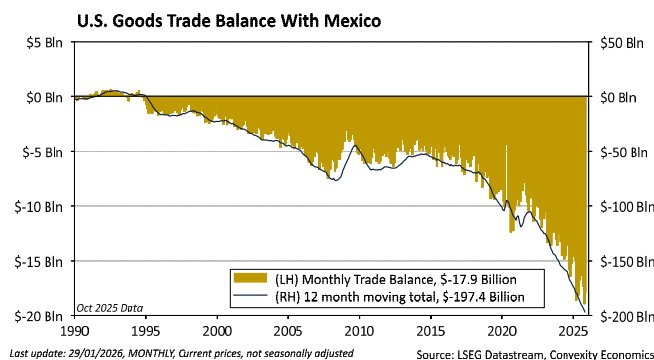
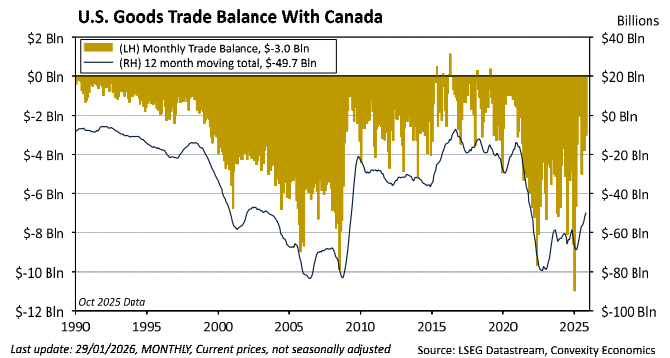
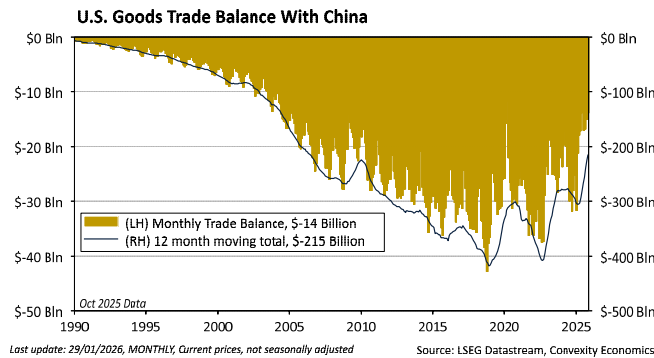
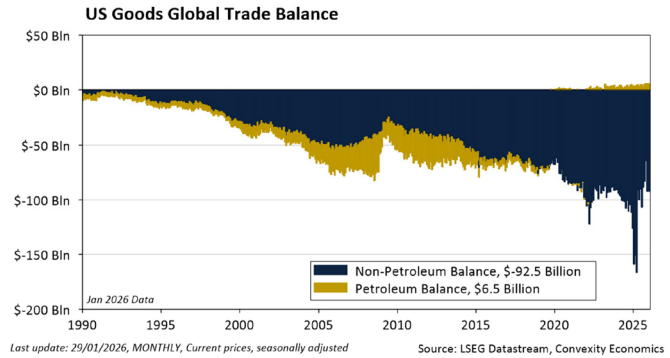
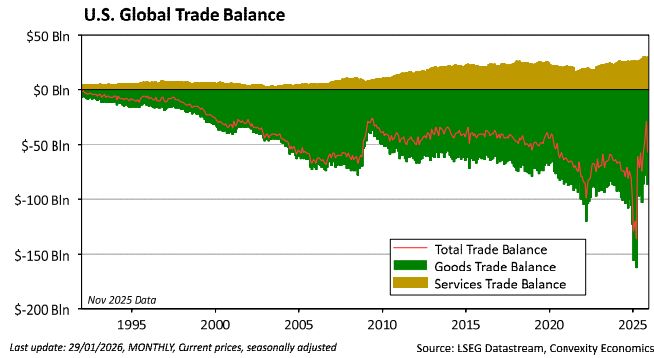
The drop in consumer confidence was seen across all political affiliations, with independents seeing the largest decline. Similarly, confidence fell across all income brackets, with those in the lowest income bracket (less than \$15k) remaining the least optimistic.



U.S. Trade Balances

After the U.S. trade deficit narrowed by \$19 billion in October to a deficit of \$29 billion, it nearly doubled in November to a deficit of \$57 billion. The 94.6% widening of the trade deficit is the largest since March 1992.

The widening deficit was largely do to a 6.6% increase in goods imports, primarily capital goods, semiconductors and computers.



Equity Indexes	Last	1W%	YTD %
S&P 500	6,939.03	+ 0.34	+ 1.37
S&P/TSX Composite	31,923.52	- 3.69	+ 0.66
Dow Jones	48,892.47	- 0.42	+ 1.73
NASDAQ	23,461.82	- 0.17	+ 0.95
FTSE 1000 (UK)	10,223.54	+ 0.79	+ 2.94
CSI 300 (China)	4,706.34	+ 0.08	+ 1.65
Sensex Index (India)	82,269.78	+ 0.90	- 3.46
Bovespa Index (Brazil)	181,364	+ 1.40	+ 12.56
Merval Index (Argentina)	3,199,554	+ 3.43	+ 4.85
Russell 2000	2,613.74	- 2.08	+ 5.31
S&P 600 Small Cap Index	1,549.15	- 0.91	+ 5.55
VIX Volatility Index	17.44	+ 8.39	+ 16.66
Bonds Yields	Last	1W	YTD
Govt of Canada 5 Year	2.938%	- 0.011	- 0.038
Govt of Canada 10 Year	3.425%	+ 0.008	- 0.011
Govt of Canada 30 Year	3.865%	+ 0.022	+ 0.002
US Treasury 5 Year	3.805%	- 0.027	+ 0.083
US Treasury 10 Year	4.227%	- 0.006	+ 0.064
US Treasury 30 Year	4.854%	+ 0.023	+ 0.013
Currency	Last	1W	YTD
US Dollar Index	97.15	- 0.46%	- 1.20%
Bitcoin (USD)	\$84,122	- 5.73%	- 4.07%
<i>Currencies to the Loonie</i>			
US Dollar	\$0.734	+ 0.004	+ 0.006
Euro	\$0.620	+ 0.003	- 0.001
British Pound	\$0.536	+ 0.002	- 0.004
Japanese Yen	\$113.800	- 1.160	- 0.140
Chinese Yuan	\$5.104	+ 4.907	+ 4.907
Aussie Dollar	\$1.054	+ 0.110	+ 0.139
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	334.02	+ 2.74	+ 11.18
Industrials	468.66	- 2.57	+ 0.36
Consumer Staples	1,192.93	- 4.93	- 3.65
Financials	615.03	- 1.98	- 1.99
Communication Services	160.08	+ 0.34	+ 2.05
Real Estate	319.96	- 2.07	+ 1.13
Materials	816.05	- 10.43	+ 8.85
Consumer Discretionary	365.68	- 4.51	- 4.42
Health Care	20.53	- 6.43	- 6.26
Information Tech	274.93	- 7.61	- 15.82
Utilities	358.73	+ 0.82	+ 1.83
S&P/TSX Composite	31,923.52	- 3.69	+ 0.66
US Sectors	Last	1W%	YTD %
Energy	786.14	+ 3.88	+ 14.37
Industrials	1,400.05	+ 0.73	+ 6.62
Consumer Staples	929.89	+ 0.81	+ 7.52
Financials	887.83	+ 0.69	- 2.61
Communication Services	478.15	+ 4.15	+ 5.70
Real Estate	262.03	+ 0.70	+ 2.74
Materials	624.06	- 1.21	+ 8.65
Consumer Discretionary	1,961.14	- 1.42	+ 1.70
Health Care	1,802.62	- 1.73	- 0.18
Information Tech	5,587.88	- 0.36	- 1.69
Utilities	439.54	+ 1.66	+ 1.32
S&P 500	6,939.03	+ 0.34	+ 1.37
Commodities	Last	1W %	YTD %
Baltic Dry index	2,002.00	+ 13.62	+ 6.66
Bloomberg Industrial Metals Index	172.07	- 0.40	+ 5.32
Gold	\$4,864.35	- 2.37	+ 12.75
Silver	\$84.63	- 17.79	+ 18.77
Copper	\$5.98	+ 0.68	+ 5.57
Oil (ICE Brent Crude)	\$69.32	+ 4.60	+ 13.83
Oil (WTI Light)	\$65.21	+ 6.41	+ 13.63
Natural Gas	\$4.35	- 18.45	+ 17.83
Corn	\$428.25	- 0.52	- 2.84
Wheat	\$538.00	+ 1.51	+ 6.27
Cocoa	\$4,258.00	- 0.26	- 29.98
Coffee	\$315.95	- 5.16	- 5.18

Data as of: January 30, 2026 4:45 PM PT

Source: LSEG Datastream, Convexity Economics

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