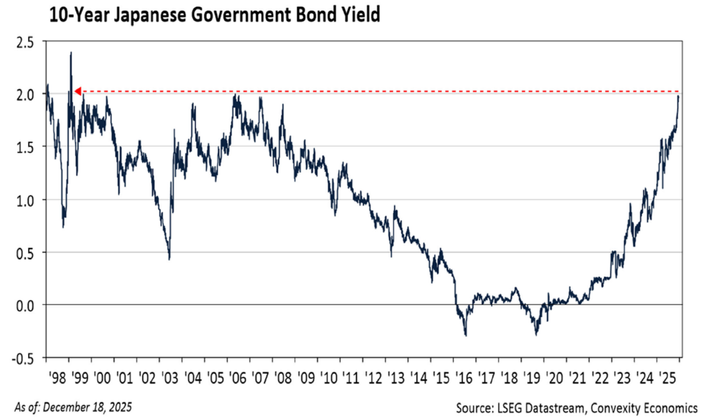
Financial Monitor

For the week ending December 19th, 2025

Chart of the Week: 10-Year Japanese Government Bond Yield

This week, we highlight Japanese 10-year bond yields because they are important in global bond markets and yields appear to finally be breaking out to the upside.



As shown in the chart herewith, after years of low, and at times negative, 10-year bond yields as Japan struggled with aging demographics, non-existent inflation and moribund growth, 10-year yields appear on the verge of a breakout to the upside – hitting levels not seen since the late 1990s.

As the Japanese bond market has anchored global bond yields for years, we are taking note and should this trend continue, we would expect to see upward pressure on bond yields in other markets, a major concern for debt laden household and governments around the world, as well as equity markets seeking lower, not higher rates. More to come on this in future Monitors.

Headlines

- Canadian headline and core inflation both remained unchanged in November at 2.2% and 2.9% respectively.
- The Teranet National Composite Housing Index declined for the seventh consecutive month, down 2.8% year-over-year.
- The U.S Consumer Price Index (CPI) came in below expectations in November, with headline inflation of 2.7%.
- The U.S. unemployment rate increased slightly to 4.6% in November, up from 4.4% in September.
- U.S. consumer sentiment increased to 52.9 in December, up 1.9 points from November.

Equity Indexes	**Last**	**1W%**	**YTD %**
S&P 500	6,834.50	+ 0.10	+ 16.20
S&P/TSX Composite	31,755.82	+ 0.72	+ 28.42
Dow Jones	48,134.89	- 0.67	+ 13.14
NASDAQ	23,282.76	+ 0.38	+ 20.57
FTSE 1000 (UK)	9,897.42	+ 2.57	+ 21.10
CSI 300 (China)	4,568.18	- 0.28	+ 16.09
Sensex Index (India)	84,929.36	- 0.40	+ 8.69
Bonds Yields	**Last**	**1W**	**YTD**
Canada 10 Year Bond	3.412%	- 0.031	+ 0.177
Canada 30 Year Bond	3.865%	- 0.018	+ 0.526
US 10 Year Bond	4.116%	- 0.076	- 0.457
US 30 Year Bond	4.800%	- 0.056	+ 0.014

Currency	**Last**	**1W**	**YTD**
US Dollar Index	98.71	0.31%	**-9.01%**
Currencies to the Loonie			
US Dollar	$0.724	- $0.001	+ $0.029
Euro	$0.619	$0.000	- $0.053
British Pound	$0.542	- $0.001	- $0.014
Chinese Yuan	$5.101	- $0.021	+ $0.026
Bitcoin	$87,876	- 2.60%	- 6.20%
Commodities	**Last**	**1W %**	**YTD%**
Gold *(USD/Troy Ounce)*	$4,338.38	+ 0.84	+ 65.35
ICE Brent Crude*(USD/bbl)*	$60.52	- 1.14	- 19.12
WTI Light *(USD/bbl)*	$56.66	- 1.51	- 21.16

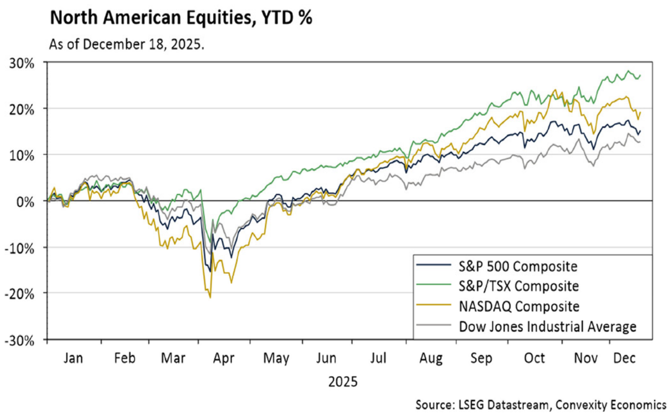
Data as of: December 19, 2025 1:07 PM PT

Source: LSEG Datastream, Convexity Economics

North American Equity Markets

	Daily Changes						
Equity Indexes	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**1 Week %**	**YTD%**
S&P 500	-0.16%	-0.24%	-1.16%	0.79%	0.88%	▲ 0.10%	▲ 16.20%
S&P/TSX Composite	-0.14%	-0.70%	-0.04%	0.61%	1.00%	▲ 0.72%	▲ 28.42%
Dow Jones	-0.09%	-0.62%	-0.47%	0.14%	0.38%	▼ 0.67%	▲ 13.14%
NASDAQ	-0.59%	0.23%	-1.81%	1.38%	1.20%	▲ 0.38%	▲ 20.57%
Russell 3000	-0.24%	-0.26%	-1.12%	0.77%	0.86%	▲ 0.01%	▲ 15.67%
S&P 600 Small Cap Index	-0.36%	-0.72%	-0.29%	0.20%	0.25%	▼ 0.92%	▲ 6.23%

Data as of: December 19, 2025 1:07 PM PT *Source: LSEG Datastream, Convexity Economics*



North American equity markets, outside of the Dow Jones Index achieved modest gains on the week, though it was only a late-week rally that pushed these indices into a positive close on the week.

The week began with a modest downward bias for equity markets as they continue to tread lightly amidst new uncertainties and risk, primarily driven by concerns about an "AI bubble", but also about the path of interest rates both in the US, though abroad as well (see Japan 10-year bond chart on page one for more).

On Wednesday, it was announced that negotiations between Oracle and Blue Owl Capital, a large private equity company in the US, stalled as the latter walked away from a financing deal for a $10 billion datacentre in Michigan, reportedly over concerns about the economics of the project and terms of the deal. This news sent US indices down between 1%-2% on Wednesday, though some companies in the AI and technology sectors fell much harder, as did other companies correlated to this sector.

Thursday and Friday proved to be better for North American equity markets: Investors focussed their attention on comments made Wednesday from Christopher Waller, one of the finalists to be nominated for Chairman of the Federal Reserve, indicating he thinks "maybe we're 50 to 100 basis points off of neutral", implying the Fed's current stance on interest rates is modestly restrictive, and that there is room for interest rates to be cut.

(Mr. Waller is well-respected in academia and by financial markets as a long serving member in the Federal Reserve system acting as the Executive vice president and director of research at the Federal Reserve bank of St. Louis since 2009.)

Accordingly, while suggestions of interest rate cuts would be welcomed by a Trump administration that is clearly trying to pressure interest rates lower, when made by Mr. Waller, we believe they are more credible in financial markets than if they were suggested by Kevin Hasset – the early favourite in the running for FOMC Chairman due to his loyalty to President Trump.

Indeed, Mr. Waller was careful to strike a balanced tone, suggesting there was no rush to reduce rates, and decisions would be guided by inflation rates and outcomes in the labour market, soothing words for US bond markets that closed an eventful week with lower 10-year and 30-year yields.

Also, on Thursday, a Wall St. Journal article titled "OpenAI's New Fundraising Round Could Value Startup at as Much as $830 Billion", detailed plans for OpenAI to work with sovereign-wealth funds, including the United Arab Emirates, to raise $100 billion of cash through equity sales, providing a much need source of funding for the large commitments OpenAI has made to others like Oracle that would otherwise have to be funded from existing cash flows, or in OpenAI's case, debt issuance – which markets have not appreciated of late.

This news pushed technology, and particularly AI companies, sharply higher on Friday, overcoming earlier down-days for a positive close on the week (see daily return tables).

From our perspective, while it is nice to see plans of new potential funding sources, until we see concrete news of completed funding rounds, we remain concerned about how planned build outs in the AI sector will be funded, and how the expected revenues will materialize relative to market expectations.

Central Bank Rates

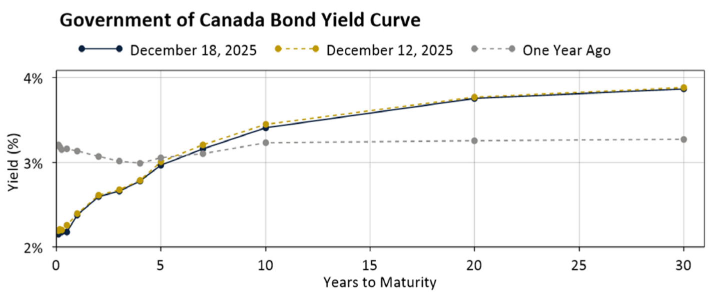
Current Key Interest Rates			*Next Meeting*	*Last Decision*	*Last Meeting*
Canada		2.25%	Jan 28, 2026	—	Dec 10, 2025
United States*		3.75%	Jan 28, 2026	▼ 0.25	Dec 10, 2025
Mexico		7.00%	Jan 19, 2026	▼ 0.25	Dec 18, 2025
European Union		2.15%	Feb 5, 2026	—	Dec 18, 2025
India		5.25%	Feb 5, 2026	▼ 0.25	Dec 5, 2025
China		3.00%	**Dec 21, 2025**	—	Nov 19, 2025
Japan		0.75%	Jan 22, 2026	▲ 0.50	Dec 18, 2025

**Upper Limit*

Data as of: December 19, 2025

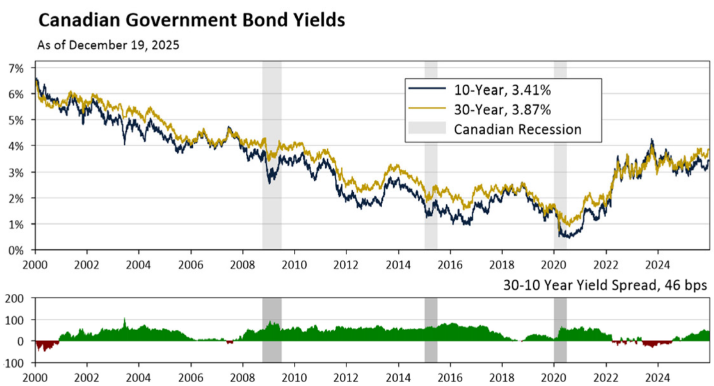
Source: LSEG Datastream, Convexity Economics

Government of Canada Bond Yields



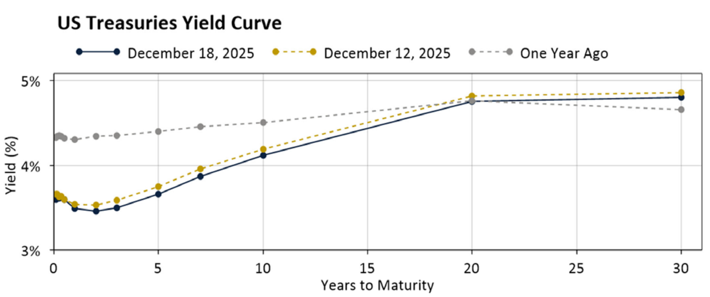
	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	2.19	2.21	2.20	2.26	2.40	2.61	2.68	2.78	3.01	3.20	3.44	3.77	3.88
Current	2.15	2.19	2.18	2.18	2.38	2.60	2.66	2.78	2.97	3.16	3.41	3.75	3.87

Source: LSEG Datastream, Convexity Economics



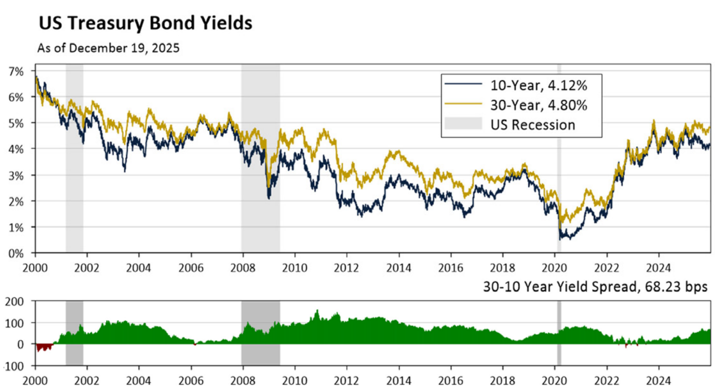
Source: LSEG Datastream, Convexity Economics

US 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	3.66	3.66	3.63	3.60	3.54	3.53	3.58	2.75	3.75	3.95	4.19	4.82	4.86
Current	3.60	3.63	3.61	3.60	3.49	3.46	3.50	2.75	3.66	3.87	4.12	4.75	4.80

Source: LSEG Datastream, Convexity Economics



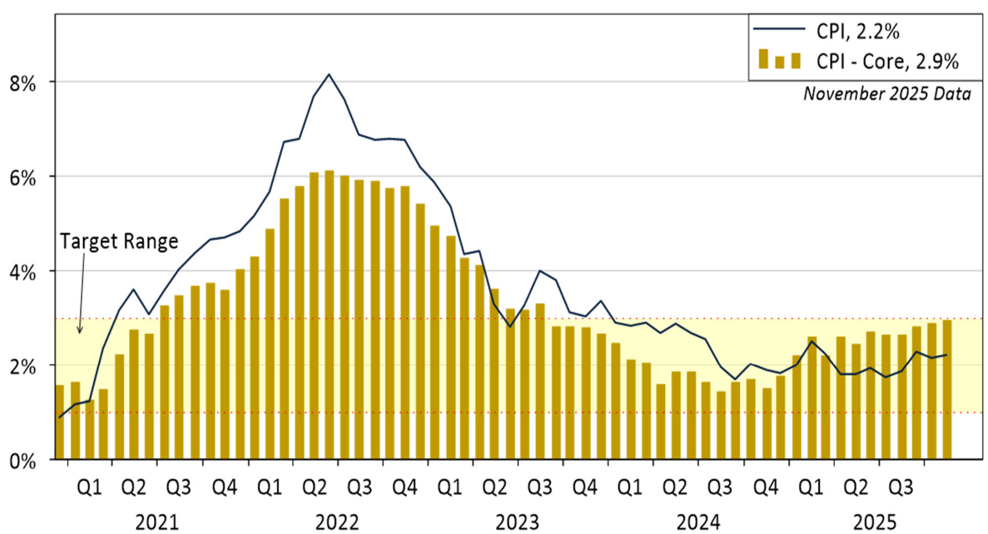
Source: LSEG Datastream, Convexity Economics

Canadian Consumer Price Index (CPI)

Headline and core inflation both remained unchanged in November at 2.2% and 2.9% respectively. Food prices saw their largest year-over-year increase since December 2023, increasing 4.3%, and marking the ninth consecutive month where food inflation has been above 3%.

Gasoline and energy prices continued to fall from their 2024 prices, declining 7.8% and 5.1% respectively. However, since the summer lows, gasoline and energy prices continue to trend higher, both registering a 1.8% monthly increase in November.

Canadian CPI, YoY



Last update: 17/12/2025, MONTHLY, Price index, seasonally adjusted Source: LSEG Datastream, Convexity Economics

Canadian Consumer Price Index

November 2025

YoY% Change	Category	MoM% Change
+2.2	CPI	+0.2
+2.9	Core CPI	+0.2
-5.1	Energy*	+1.8
+4.3	Food	+0.9
+2.3	Shelter	+0.1
-7.8	Gasoline stations*	+1.8
+1.5	Goods	+0.6
+2.9	Services*	-0.3
+1.4	Alcoholic Beverages and tobacco	+0.1
+1.1	Clothing and footwear	+0.4
+3.4	Health and Personal Care	+0.1
+3.0	Household Operations, Furnishings and Equipment	+0.5
+0.6	Education and Recreations	-0.2
+0.5	Transportation	+0.3

Updated: December 17, 2025

*Not Seasonally Adjusted

Source: LSEG Datastream, Convexity Economics

Canadian Housing Market Update

The Teranet National Composite Housing Index declined for the seventh consecutive month, down 2.8% year-over-year. Despite most cities in the composite index seeing housing prices increase, Toronto, Vancouver, and Hamilton dragged the composite lower.

The OECD released their Price to Rent Ratio Index for Q3 2025, confirming a fall in house prices relative to rental prices. The index fell 3.6 points to 125.3 in the third quarter, bringing the index in line with the pre-pandemic levels.

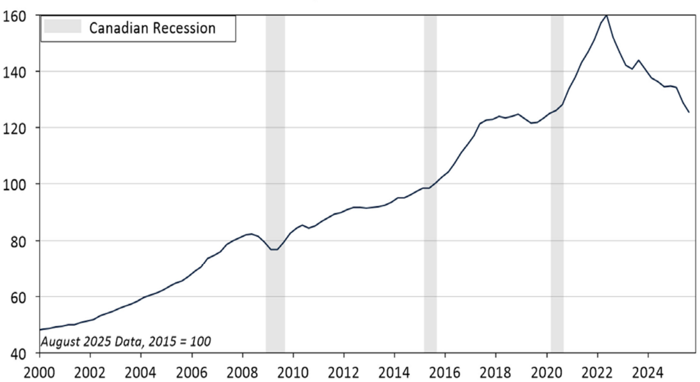
Teranet Housing Indexes
November 2025

YoY% Change	Category	MoM% Change
-2.8	National Composite	0.4
1.7	Calgary	0.3
5.3	Edmonton	-0.4
2.4	Halifax	1.3
-5.5	Hamilton	0.0
5.4	Montreal	1.2
0.4	Ottawa	-0.7
12.7	Quebec City	-0.2
-6.6	Toronto	0.7
-5.4	Vancouver	0.1
0.8	Victoria	0.2
4.1	Winnipeg	0.0

Updated: December 17, 2025

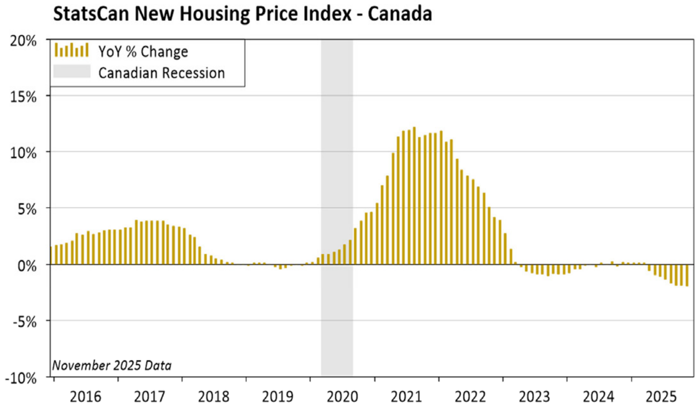
Source: LSEG Datastream, Convexity Economics

OECD Price to Rent Ratio Index, Canada



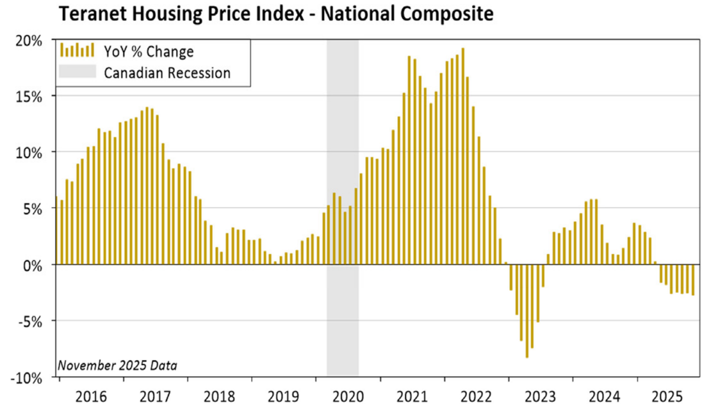
Last update: 18/12/2025, QUARTERLY, Price index, not seasonally adjusted Source: LSEG Datastream, Convexity Economics

StatsCan New Housing Price Index - Canada



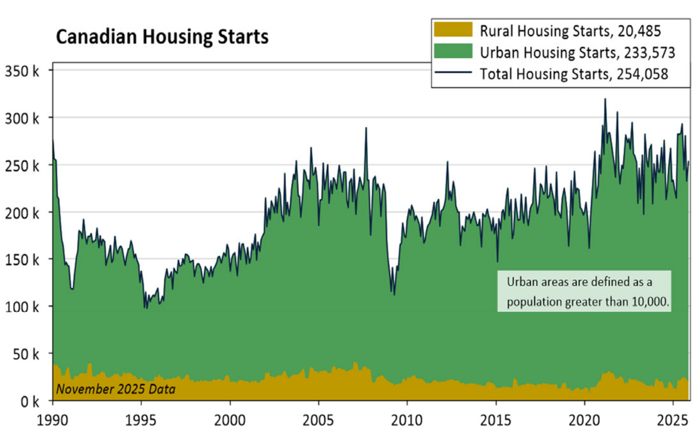
Last update: 19/12/2025, MONTHLY, Price index, not seasonally adjusted Source: LSEG Datastream, Convexity Economics

Teranet Housing Price Index - National Composite



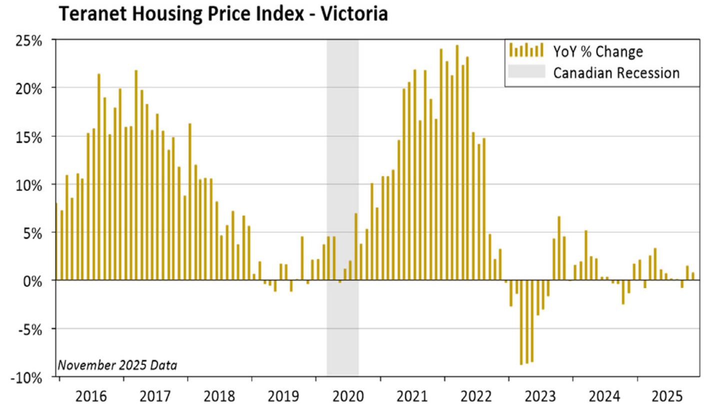
Last update: 17/12/2025, MONTHLY, Price index, seasonally adjusted Source: LSEG Datastream, Convexity Economics

Canadian Housing Starts



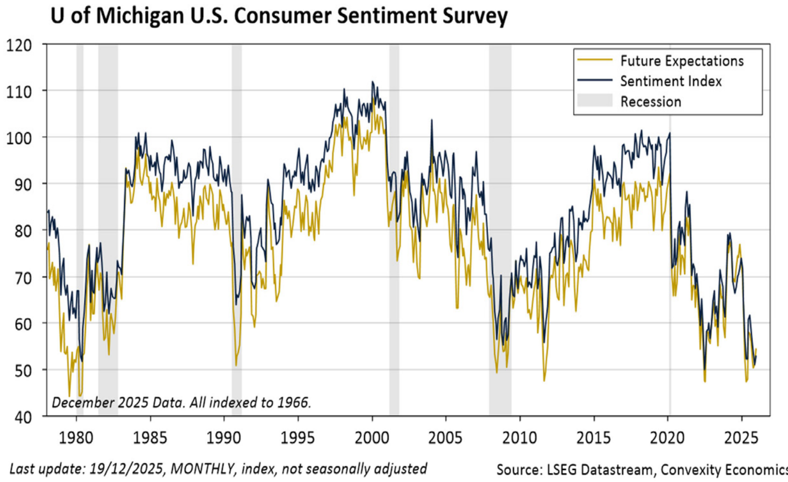
Last update: 17/12/2025, MONTHLY, Volumes, seasonally adjusted Source: LSEG Datastream, Convexity Economics

Teranet Housing Price Index - Victoria



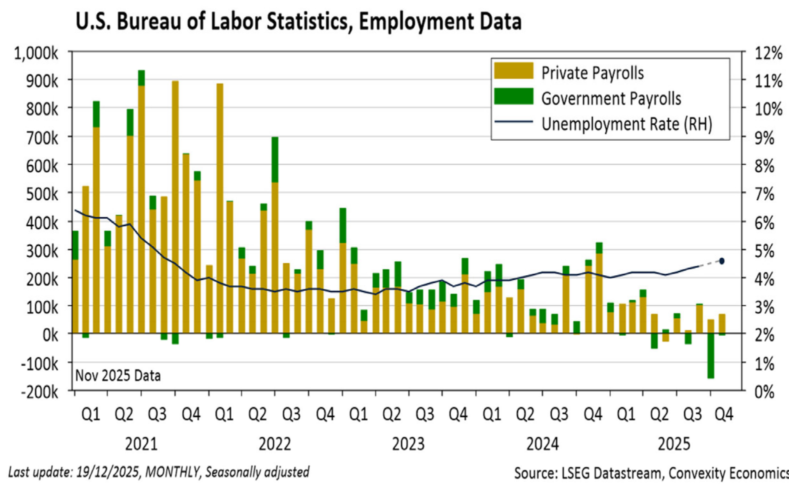
Last update: 17/12/2025, MONTHLY, Price index, seasonally adjusted Source: LSEG Datastream, Convexity Economics

U of Mich. Consumer Sentiment Survey



U.S. consumer sentiment increased to 52.9 in December, up 1.9 points from November. The consumers' view of current economic conditions deteriorated, declining 0.7 points this month to 50.4, while the future expectations index saw notable improvement, increasing 3.6 points to 54.6. Lower-income consumers saw the largest increase in sentiment, while sentiment among higher-income consumers remained little changed in December.

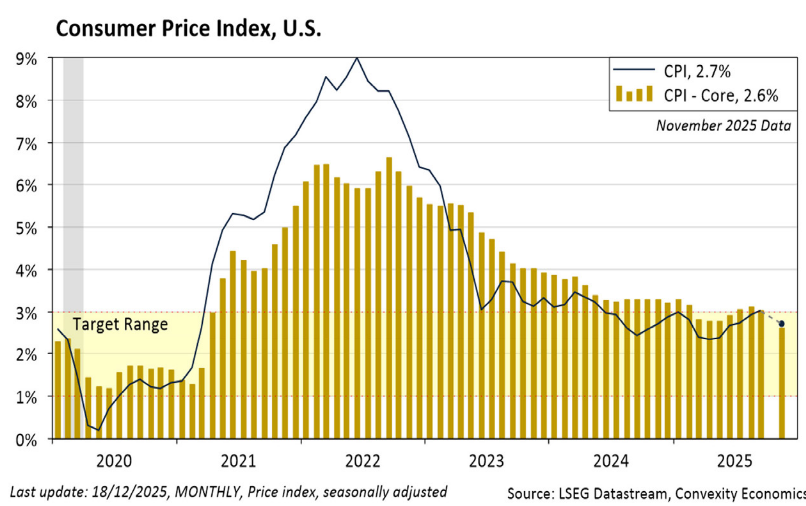
U.S. Employment Data



The U.S. unemployment rate increased slightly to 4.6% in November, up from 4.4% in September (there was no data from October due to the government shutdown). This marks a four-year high in the unemployment rate, and the highest since the pandemic-induced spike in unemployment.

In light if an increase in the unemployment rate, the Bureau of Labor Statistics (BLS) reported an increase of 64,000 in non-farm payrolls in November. The increase in jobs was due to an increase of 69,000 private sector jobs. Government payrolls continued to fall, declining another 5,000 in November, and having now shed 120,000 jobs compared to a year ago.

U.S. Consumer Price Index



The U.S Consumer Price Index (CPI) came in below expectations in November, with headline inflation of 2.7% compared to an expected 3.1%. This is down slightly from September's headline inflation of 3.0%. Core inflation slowed as well, easing to 2.6% from 3.0% in September.

This CPI release came as a surprise to many economists who were expecting an increase in inflation as data, such as the Purchasing Managers' Index (PMI) suggested producers were feeling continued upward pressure on input prices, and their intent to pass along these increases to consumers.

Equity Indexes	Last	1W%	YTD %
S&P 500	6,834.50	+ 0.10	+ 16.20
S&P/TSX Composite	31,755.82	+ 0.72	+ 28.42
Dow Jones	48,134.89	- 0.67	+ 13.14
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CSI 300 (China)	4,568.18	- 0.28	+ 16.09
Sensex Index (India)	84,929.36	- 0.40	+ 8.69
Bovespa Index (Brazil)	158,374	- 1.49	+ 31.67
Merval Index (Argentina)	3,139,467	+ 5.38	+ 23.91
Russell 3000	3,882.85	+ 0.01	+ 15.67
S&P 600 Small Cap Index	1,495.86	- 0.92	+ 6.23
VIX Volatility Index	14.93	- 5.15	- 13.95

Bonds Yields	Last	1W	YTD
Govt of Canada 5 Year	2.967%	- 0.039	- 0.001
Govt of Canada 10 Year	3.412%	- 0.031	+ 0.177
Govt of Canada 30 Year	3.865%	- 0.018	+ 0.526
US Treasury 5 Year	3.660%	- 0.087	- 0.718
US Treasury 10 Year	4.116%	- 0.076	- 0.457
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Currency	Last	1W	YTD
US Dolar Index	98.71	+ 0.31%	-9.01%
Bitcoin (USD)	$87,876	- 2.60%	- 6.20%
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Euro	$0.619	+ 0.000	- 0.053
British Pound	$0.542	- 0.001	- 0.014
Japanese Yen	$113.080	+ 0.080	+ 3.470
Chinese Yuan	$5.101	+ 4.905	+ 4.904
Aussie Dollar	$1.096	+ 0.180	+ 0.206

GDP	YoY %	Change	Quarter
Canada	+ 2.60	+ 4.40	*Q3*
United States	+ 2.08	+ 0.06	*Q2*
Mexico	- 0.19	- 1.20	*Q3*
Euro Zone**	+ 1.31	- 0.02	*Q3*
China**	+ 4.83	- 0.41	*Q3*
Japan	+ 0.66	- 1.26	*Q3*
India	+ 8.23	+ 0.42	*Q3*

Inflation	YoY %	Change	Month
Canada	+ 2.22	+ 0.06	*Nov*
United States	+ 2.71		*Nov*
Mexico	+ 3.80	+ 0.23	*Nov*
Euro Zone**	+ 2.13	+ 0.02	*Nov*
China**	+ 0.50	+ 0.60	*Nov*
Japan**	+ 2.91	- 0.10	*Nov*
India	+ 0.71	+ 0.46	*Nov*

Canadian Sectors	Last	1W%	YTD %
Energy	290.79	- 4.14	+ 8.86
Industrials	468.14	+ 0.61	+ 2.12
Consumer Staples	1,229.79	+ 1.05	+ 15.76
Financials	625.62	+ 0.92	+ 30.39
Communication Services	152.46	- 1.24	+ 10.77
Real Estate	315.75	+ 1.81	+ 0.38
Materials	758.86	+ 2.62	+ 100.64
Consumer Discretionary	388.62	+ 2.05	+ 30.21
Health Care	23.30	- 3.76	- 9.44
Information Tech	335.20	+ 0.82	+ 18.94
Utilities	348.69	- 0.17	+ 13.70
S&P/TSX Composite	31,755.82	+ 0.72	+ 28.42

US Sectors	Last	1W%	YTD %
Energy	671.90	- 2.91	+ 2.60
Industrials	1,315.79	- 0.57	+ 17.94
Consumer Staples	871.40	- 0.90	+ 2.08
Financials	910.02	- 0.18	+ 13.13
Communication Services	446.45	+ 0.06	+ 30.67
Real Estate	252.80	- 1.35	- 1.22
Materials	571.40	+ 0.59	+ 7.86
Consumer Discretionary	1,956.46	+ 1.01	+ 6.84
Health Care	1,800.86	+ 0.55	+ 12.22
Information Tech	5,672.95	+ 0.48	+ 23.07
Utilities	430.03	- 0.56	+ 11.71
S&P 500	6,834.50	+ 0.10	+ 16.20

Commodities	Last	1W %	YTD %
Baltic Dry index	2,071.00	- 6.08	+ 107.72
Bloomberg Industrial Metals Index	157.74	+ 1.87	+ 12.41
Gold	$4,338.38	+ 0.84	+ 65.35
Silver	$67.17	+ 8.33	+ 132.63
Copper	$5.47	+ 4.97	+ 35.96
Oil (ICE Brent Crude)	$60.52	- 1.06	- 19.12
Oil (WTI Light)	$56.66	- 1.48	- 21.14
Natural Gas	$4.01	- 1.64	+ 10.48
Corn	$443.25	+ 4.60	- 3.27
Wheat	$509.50	- 0.34	- 7.49
Cocoa	$5,887.00	- 6.53	- 45.75
Coffee	$326.40	- 11.66	+ 3.32

Data as of: December 19, 2025 1:07 PM PT

Source: LSEG Datastream, Convexity Economics

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