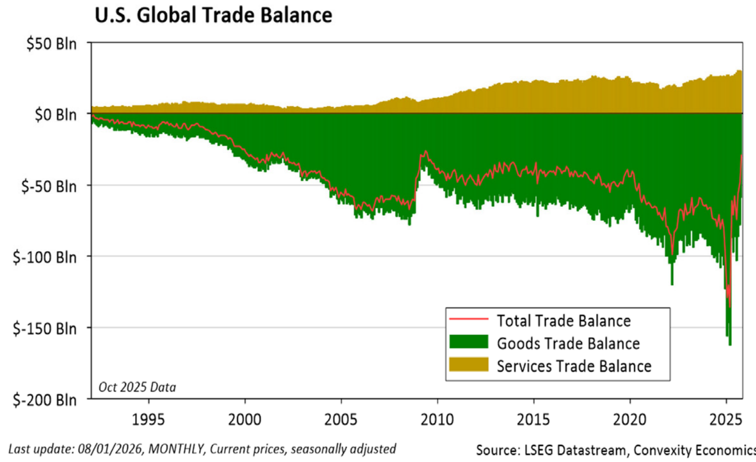
Financial Monitor

For the week ending January 9th, 2026

Chart of the Week: U.S. Global Trade Balance



The U.S. trade deficit narrowed sharply in October to $29.4 billion, a nearly 40% contraction from September. This is the smallest trade deficit in the U.S. since 2009.

More on Page 5...

Headlines

- North American equity markets had a strong first full week of 2026 with three of the four major indices closing the week at all-time highs.
- Bond yields declined this week in both the U.S. and Canadian markets (prices rose), with the long end of the curve falling by more than the short end, flattening the yield curve.
- Canada's slight November goods trade surplus disappeared in October, with Canada reporting a $0.58 billion deficit.
- The U.S. unemployment rate fell to 4.4%, lower than the economists' expectations of 4.5%.
- The Canadian unemployment rate rose to 6.8% to finish the year, up from 6.5% in November.

Equity Indexes	**Last**	**1W%**	**YTD %**
S&P 500	6,966.28	+ 1.57	+ 1.76
S&P/TSX Composite	32,612.93	+ 2.29	+ 2.84
Dow Jones	49,504.07	+ 2.32	+ 3.00
NASDAQ	23,698.72	+ 1.99	+ 1.97
FTSE 1000 (UK)	10,124.60	+ 1.74	+ 1.95
CSI 300 (China)	4,758.92	+ 2.79	+ 2.79
Sensex Index (India)	83,576.24	- 2.55	- 1.93
Bonds Yields	**Last**	**1W**	**YTD**
Canada 10 Year Bond	3.402%	- 0.073	- 0.034
Canada 30 Year Bond	3.844%	- 0.076	- 0.019
US 10 Year Bond	4.183%	- 0.010	+ 0.020
US 30 Year Bond	4.858%	- 0.014	+ 0.017

Currency	**Last**	**1W**	**YTD**
US Dollar Index	99.13	0.72%	**0.82%**
Currencies to the Loonie			
US Dollar	$0.719	- $0.010	- $0.010
Euro	$0.618	-$0.004	- $0.003
British Pound	$0.536	- $0.005	- $0.005
Chinese Yuan	$5.015	- $0.078	- $0.081
Bitcoin	$90,175	+ 0.15%	+ 2.83%
Commodities	**Last**	**1W %**	**YTD%**
Gold *(USD/Troy Ounce)*	$4,506.31	+ 4.07	+ 4.45
ICE Brent Crude*(USD/bbl)*	$63.05	+ 3.70	+ 3.51
WTI Light *(USD/bbl)*	$58.82	+ 2.60	+ 2.46

Data as of: January 09, 2026 1:01 PM PT

Source: LSEG Datastream, Convexity Economics

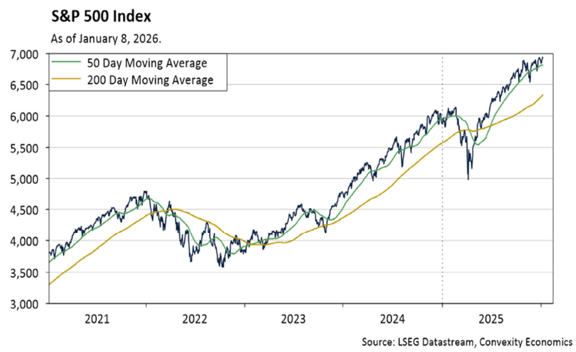
North American Equity Markets

	Daily Changes						
Equity Indexes	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**1 Week %**	**YTD%**
S&P 500	0.64%	0.62%	-0.34%	0.01%	0.65%	▲ 1.57%	▲ 1.76%
S&P/TSX Composite	1.06%	0.58%	-0.84%	0.76%	0.72%	▲ 2.29%	▲ 2.84%
Dow Jones	1.23%	0.99%	-0.94%	0.55%	0.48%	▲ 2.32%	▲ 3.00%
NASDAQ	0.69%	0.65%	0.16%	-0.44%	0.93%	▲ 1.99%	▲ 1.97%
Russell 3000	0.74%	0.68%	-0.35%	0.06%	0.73%	▲ 1.86%	▲ 2.17%
S&P 600 Small Cap Index	1.20%	1.52%	-0.84%	1.41%	0.78%	▲ 4.13%	▲ 5.16%

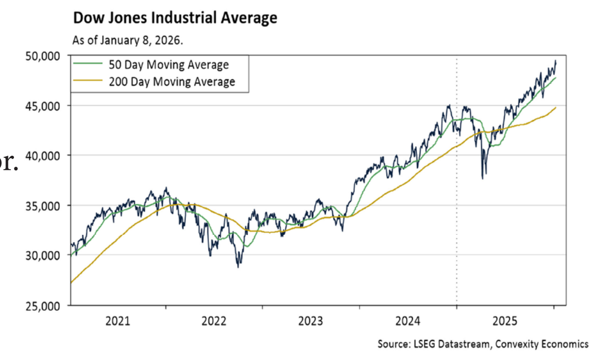
Data as of: January 09, 2026 1:01 PM PT *Source: LSEG Datastream, Convexity Economics*

North American equity markets shrugged off a weak holiday shortened first week of the year and rebounded with a strong first full week of 2026 with three of the four major indices we follow closing the week at all-time highs (the NASDAQ did not close at an all time high but is close).

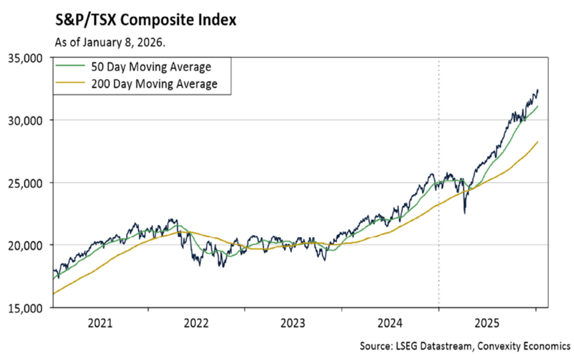
The Dow Jones Industrial Average led the way this week rising 2.32%, followed closely by the S&P/TSX Composite Index which rose, 2.29%. The NASDAQ and the S&P 500, which have a greater weighting in the technology sector lagged with increases of 1.99% and 1.57%, respectively.



Despite some jarring headlines, such as the capture of Venezuela's President Nicolás Maduro, and his wife Cilia Flores on January 3rd, as well as a general destabilization of the geopolitical environment (Greenland, Colombia, Taiwan?), the outlook for equity markets appears to be improving and we are seeing a continuation of the rally broadening out from the technology sector. Indeed, a break from the technology sector driving equity gains would be a welcomed development in our view given concerns about excessive valuation in some parts of this sector.



This week, the materials sectors in both Canada and the U.S. were the primary beneficiaries of inflows, rising 8.66% and 4.84% respectively; notably it was another good week for gold and silver with the metals rising 4.07% and 9.86%, respectively. Oil prices (West Texas Intermediate), after initially tumbling on the news the U.S. was going to operate Venezuela's oil fields and increase output (Venezuela is believed to have the largest reserves in the world), rose about 2.7% as doubts arose about how effectively and how quickly Venezuela's oil production could be ramped up.



As we have often noted, the outlook for equity markets is heavily influenced by interest rates, and by extension, inflation and employment data. Indeed, on both fronts, we have seen developments suggesting that inflation is apt to moderate (reduced oil prices, declining rents and house prices), and that the labour market is slowing on the margin. Indeed, both developments suggest the pace and total amount of interest rate cuts could be more than the market is expecting – a positive surprise that would likely be well received by equity markets.

Next week we expect to get a key update about U.S. inflation, followed by one on Canadian inflation the week following. On January 28th, both the Bank of Canada and the US Federal Reserve will meet, and we will be watching closely for a dovish shift in tone. While we expect the market's positive sentiment can persist for a time, we remind readers that we are in the second year of the presidential cycle which is not typically a strong year for equity markets, so we remain cautious and are using market melt ups as opportunities to reposition portfolios and improve their resilience.

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%	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%	Jan 19, 2026	—	Dec 21, 2025
Japan		0.75%	Jan 22, 2026	▲ 0.50	Dec 18, 2025

*Upper Limit

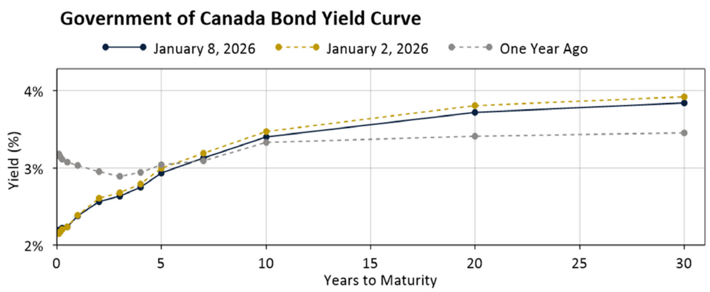
Data as of: January 9, 2026

Source: LSEG Datastream, Convexity Economics

Bond Yields

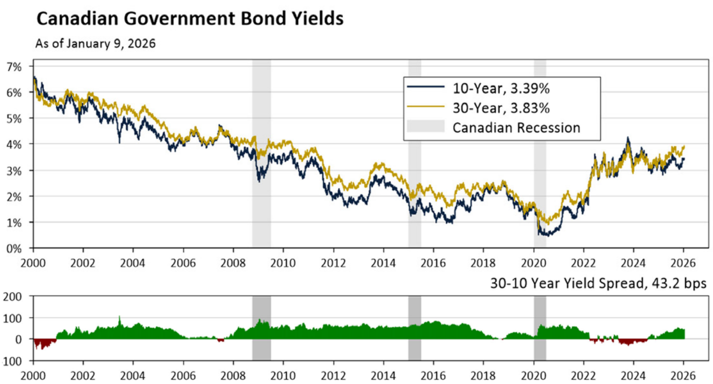
After rising sharply in the first holiday shortened week of the year, bond yields declined this week in both the U.S. and Canadian markets (prices rose), with the long end of the curve falling by more than the short end, flattening the yield curve. Based on the unemployment data and waning economic growth momentum, we are not surprised to see this development, but we remind readers that bond yields remain materially above their pre-pandemic levels and several drivers of higher yields remain in the outlook. Moreover, while the housing market will welcome lower bond yields, when they arrive in the context of a slowing economy with rising unemployment and inequality, we expect their positive impact on housing may be muted.

Government of Canada Bond Yields



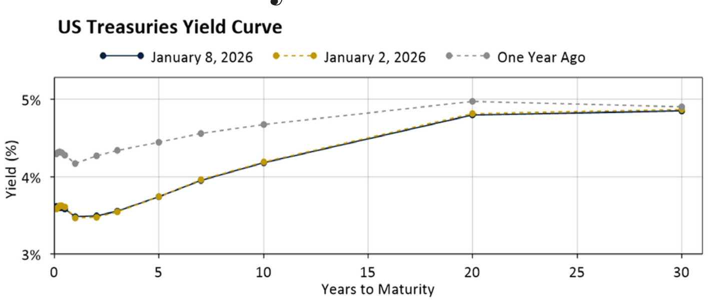
	1 M	2 M	3 M	6 M	1 Y	2 Y	3 Y	4 Y	5 Y	7 Y	10 Y	20 Y	30 Y
Last Week	2.15	2.18	2.20	2.24	2.39	2.61	2.68	2.74	3.00	3.20	3.47	3.81	3.92
Current	2.19	2.18	2.22	2.24	2.38	2.57	2.62	2.75	2.94	3.13	3.40	3.72	3.84

Source: LSEG Datastream, Convexity Economics



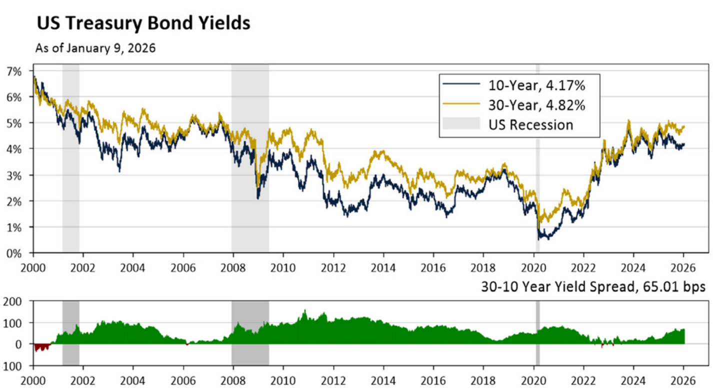
Source: LSEG Datastream, Convexity Economics

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	3.58	3.60	3.63	3.61	3.47	3.48	3.55	2.75	3.74	3.96	4.19	4.82	4.87
Current	3.62	3.60	3.60	3.58	3.49	3.49	3.56	2.75	3.74	3.95	4.19	4.80	4.86

Source: LSEG Datastream, Convexity Economics

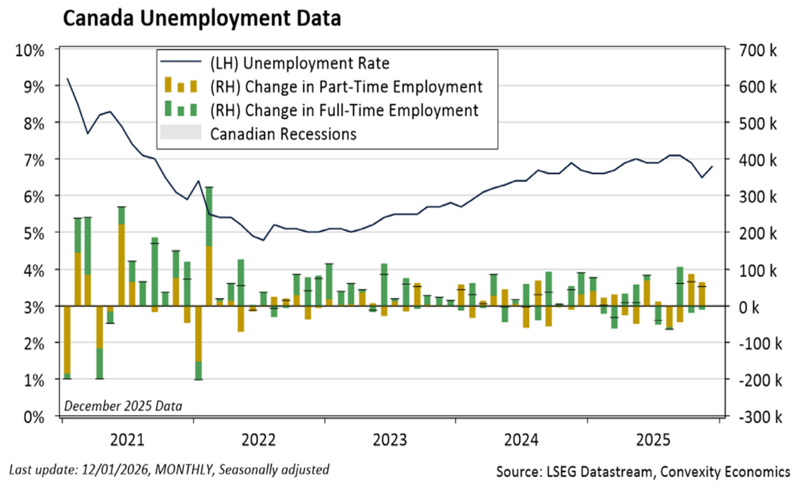


Source: LSEG Datastream, Convexity Economics

Canadian Employment Data*

The Canadian unemployment rate rose to 6.8% to finish the year, up from 6.5% in November, and marginally higher that December 2024's unemployment rate of 6.7%.

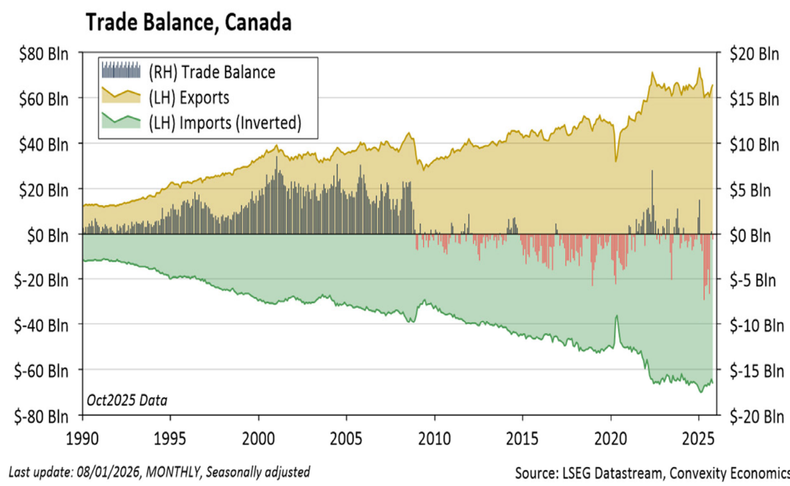
Full-time employment increased by 50,000, while part-time employment declined 42,000. Little change in self-employed workers resulted in a total employment gain of 8,200 for December, marking the fourth consecutive month of increasing jobs.



Canadian Goods Trade Balance

Canada's slight November goods trade surplus disappeared in October, with Canada reporting a $0.58 billion deficit. Imports grew 3.3% to $66.91 billion, while exports only grew 2.1% to $65.61 billion in October.

Canadian exports have struggled because of the U.S. tariffs, with exports for the first 10 months 4.1% lower than 2024 levels. Canada still reported a trade surplus with the U.S. of $4.8 billion in October, but this is $1.9 billion lower than the October 2024 surplus.

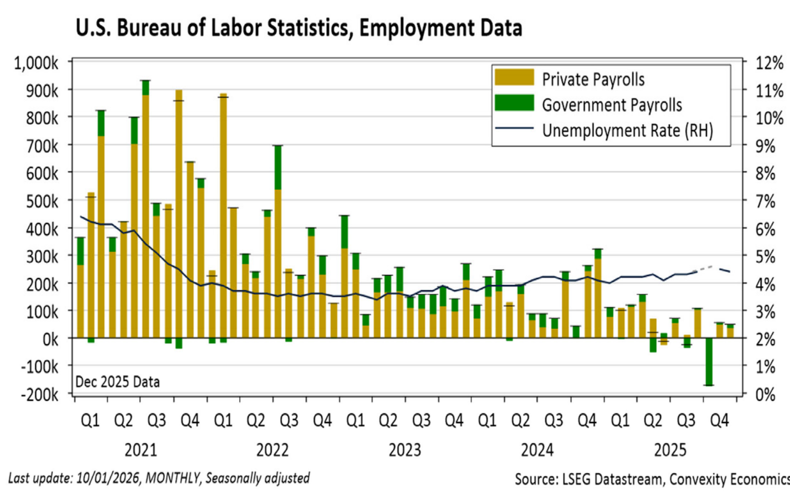


Higher exports of gold to the United Kingdom and crude oil to China helped push exports to countries other than the U.S to a record high in October, up 15.6% compared to September. Canada' trade deficit with countries other than the U.S. narrowed in October to $5.4 billion, the lowest deficit since January 2021.

U.S. Employment Data

The U.S. unemployment rate fell to 4.4%, lower than the economists' expectations of 4.5% but still finishing the year 0.3 percentage points higher than December 2024.

The U.S. added 50,000 jobs in December, below consensus estimates of an increase of 60,000 jobs. The unrevised December jobs number brings the total 2025 increase in jobs to 584,000 which marks the lowest calendar year job growth in a non-recession year since 2003.

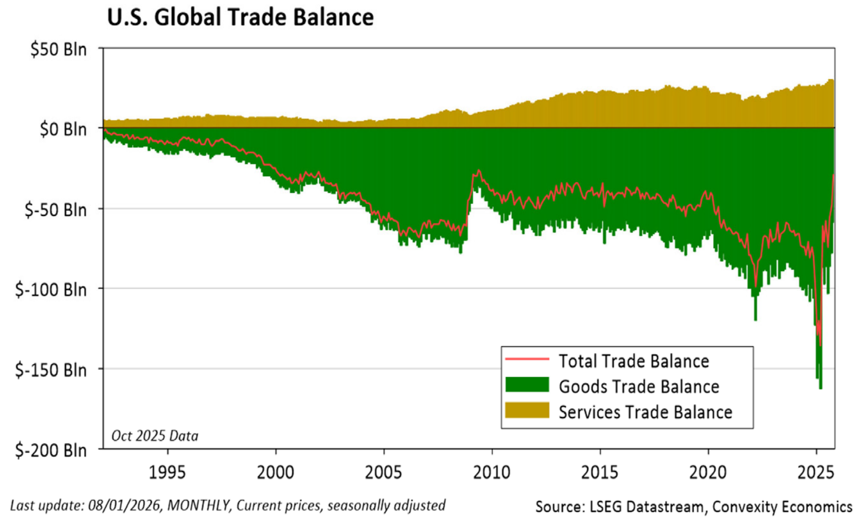


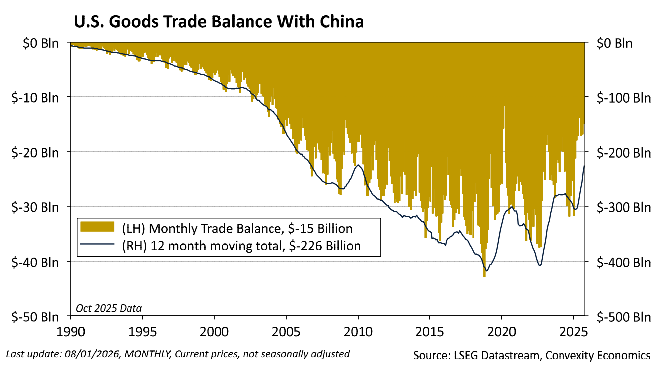
Charts do not show Canadian December jobs data due to LSEG data error. Charts will be updated once the error is resolved and updated PDF will be available on our website.

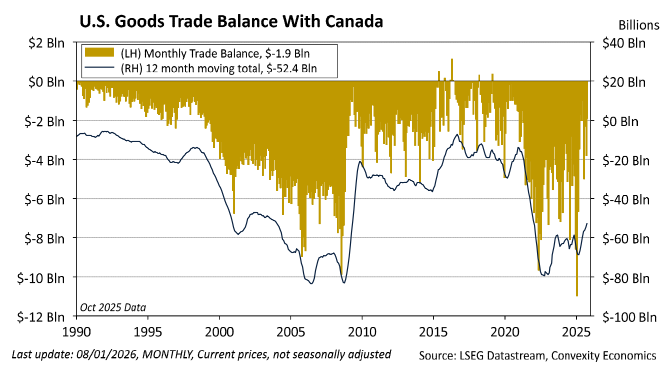
U.S. Trade Balance

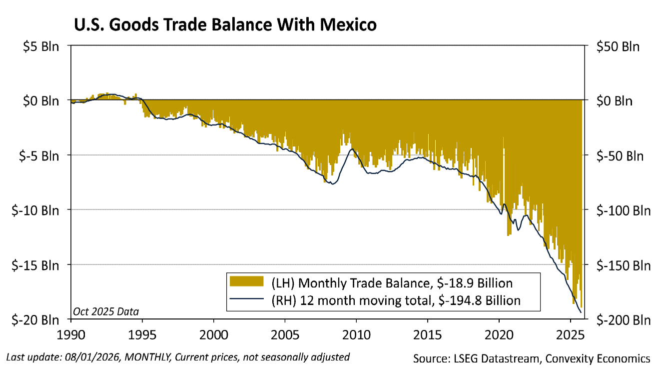
The U.S. trade deficit narrowed sharply in October to $29.4 billion, a nearly 40% contraction from September. This is the smallest trade deficit in the U.S. since 2009.

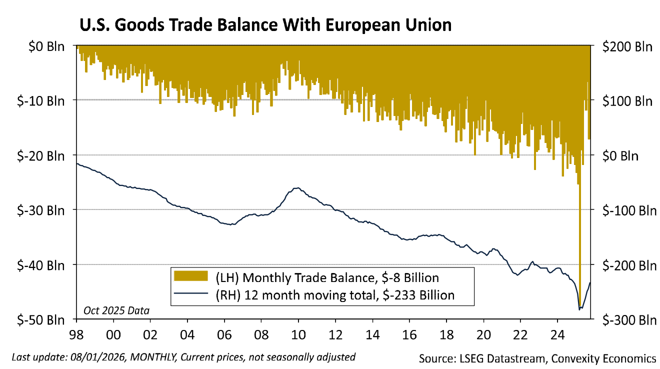
The decline in the deficit is in large part due to a $14.3 billion decline in pharmaceutical imports following the 100% tariffs that took effect October 1st. This narrowed the overall deficit by $13.4 billion alone. The trade balance in nonmonetary gold accounted for another $8.2 billion in deficit narrowing.

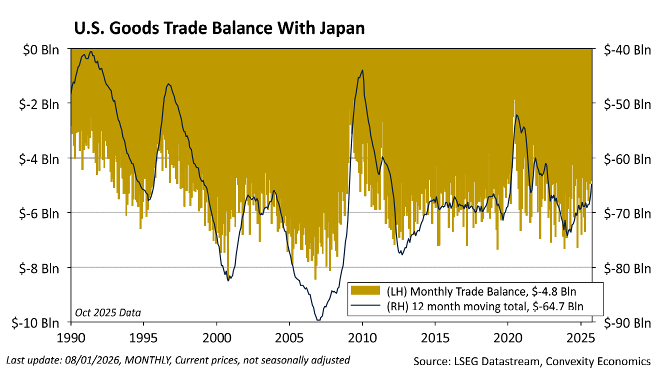


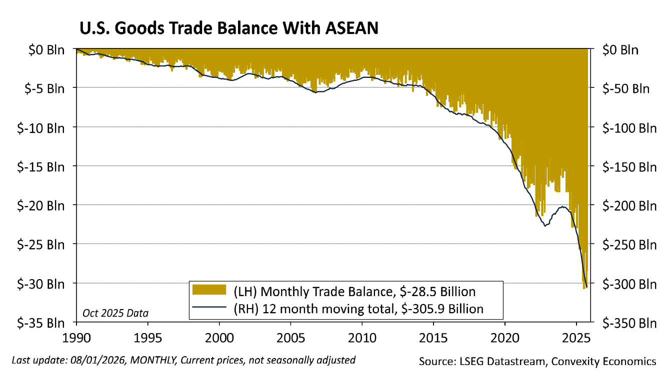












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S&P 500	6,966.28	+ 1.57	+ 1.76
S&P/TSX Composite	32,612.93	+ 2.29	+ 2.84
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Sensex Index (India)	83,576.24	- 2.55	- 1.93
Bovespa Index (Brazil)	163,464	+ 1.82	+ 1.45
Merval Index (Argentina)	3,089,461	- 1.18	+ 1.24
Russell 3000	3,966.90	+ 1.86	+ 2.17
S&P 600 Small Cap Index	1,543.51	+ 4.13	+ 5.16
VIX Volatility Index	14.54	+ 0.21	- 2.74
Bonds Yields	**Last**	**1W**	**YTD**
Govt of Canada 5 Year	2.939%	- 0.057	- 0.037
Govt of Canada 10 Year	3.402%	- 0.073	- 0.034
Govt of Canada 30 Year	3.844%	- 0.076	- 0.019
US Treasury 5 Year	3.736%	- 0.007	+ 0.014
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Currency	**Last**	**1W**	**YTD**
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Currencies to the Loonie			
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Euro	$0.618	- 0.004	- 0.003
British Pound	$0.536	- 0.005	- 0.005
Japanese Yen	$113.360	- 0.580	- 0.580
Chinese Yuan	$5.015	+ 4.818	+ 4.818
Aussie Dollar	$1.074	+ 0.155	+ 0.158
GDP	**YoY %**	**Change**	**Quarter**
Canada	+ 2.60	+ 4.40	*Q3*
United States	+ 2.33	+ 0.25	*Q3*
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	+ 3.69	- 0.11	*Dec*
Euro Zone**	+ 1.96	- 0.18	*Dec*
China**	+ 0.70	+ 0.20	*Dec*
Japan**	+ 2.91	- 0.10	*Nov*
India	+ 0.71	+ 0.46	*Nov*

Canadian Sectors	Last	1W%	YTD %
Energy	299.25	- 2.18	- 0.39
Industrials	474.98	+ 0.96	+ 1.71
Consumer Staples	1,236.27	- 0.46	- 0.15
Financials	637.15	+ 0.90	+ 1.54
Communication Services	157.16	+ 0.18	+ 0.19
Real Estate	328.65	+ 4.07	+ 3.88
Materials	816.13	+ 8.66	+ 8.86
Consumer Discretionary	392.81	+ 2.06	+ 2.67
Health Care	22.70	+ 1.75	+ 3.65
Information Tech	335.26	+ 3.63	+ 2.65
Utilities	352.21	- 0.41	- 0.03
S&P/TSX Composite	32,612.93	+ 2.29	+ 2.84
US Sectors	**Last**	**1W%**	**YTD %**
Energy	716.63	+ 2.13	+ 4.26
Industrials	1,371.35	+ 2.50	+ 4.43
Consumer Staples	881.77	+ 2.11	+ 1.95
Financials	926.09	+ 1.37	+ 1.59
Communication Services	461.38	+ 2.38	+ 1.99
Real Estate	256.10	+ 0.36	+ 0.42
Materials	611.33	+ 4.84	+ 6.43
Consumer Discretionary	2,016.52	+ 5.77	+ 4.57
Health Care	1,834.54	+ 1.14	+ 1.59
Information Tech	5,688.10	+ 0.02	+ 0.07
Utilities	431.90	- 1.61	- 0.44
S&P 500	6,966.28	+ 1.57	+ 1.76
Commodities	**Last**	**1W %**	**YTD %**
Baltic Dry index	1,718.00	- 8.71	- 8.47
Bloomberg Industrial Metals Index	169.75	+ 3.48	+ 3.90
Gold	$4,506.31	+ 4.07	+ 4.45
Silver	$79.78	+ 9.86	+ 11.95
Copper	$5.89	+ 3.35	+ 4.01
Oil (ICE Brent Crude)	$63.05	+ 3.68	+ 3.53
Oil (WTI Light)	$58.82	+ 2.69	+ 2.49
Natural Gas	$3.15	- 13.27	- 14.88
Corn	$445.25	+ 1.83	+ 1.02
Wheat	$518.00	+ 2.27	+ 2.32
Cocoa	$5,397.00	- 8.93	- 11.25
Coffee	$338.25	- 0.31	+ 1.52

Data as of: January 09, 2026 1:01 PM PT

Source: LSEG Datastream, Convexity Economics

Disclaimers

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