



Financial Monitor

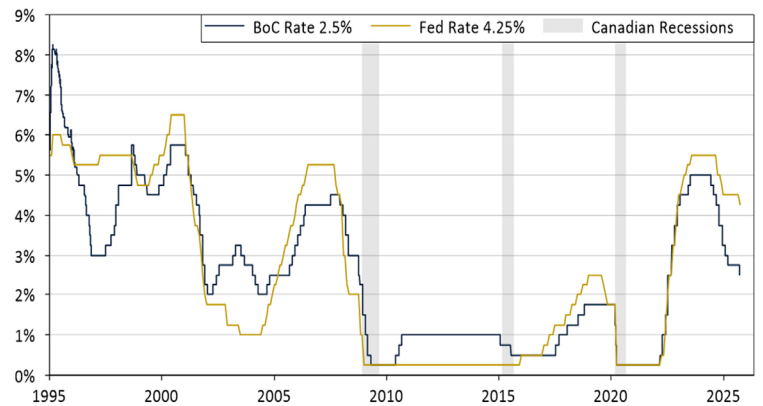
For the week ending September 19th, 2025

Chart of the Week: BoC and FOMC Interest Rate Announcements

Both The Bank of Canada and the FOMC met this week, both cutting interest rates by 25 basis points.

The interest rate decisions are covered in detail on pages 3 & 4.

Bank of Canada Target Rate and Federal Reserve Target Rate



Last update: 17/09/2025

Source: LSEG Datastream, Convexity Economics

Headlines

- All four major equity indexes finished up this week, helped in large part by a strong finish to the week following the US FOMC and BoC lowering cutting interest rates by 25 bps.
- Canadian CPI rose 1.9% year-over-year in August, increasing 0.2% on a monthly basis.
- The Teranet-National Bank Composite index fell by 2.5% year-over-year in August, this marks the fourth month in a row the housing index has declined.
- The expectations index came at 50.2, up from 47.8 a month ago.
- Canadian retail sales declined 0.8% in July and core retail sales fell 1.2% from the month prior.
- US retail sales grew by 0.6% month-over-month, twice as much as what analysts were expecting.
- US Capacity remained relatively unchanged at 77.4% for August, compared to 77.5% in July.

Equity Indexes	Last	1W%	YTD %
S&P 500	6,664.36	+ 1.22	+ 13.31
S&P/TSX Composite	29,768.36	+ 1.65	+ 20.38
Dow Jones	46,315.27	+ 1.05	+ 8.86
NASDAQ	22,616.25	+ 2.15	+ 17.12
FTSE 1000 (UK)	9,216.67	- 0.72	+ 12.77
CSI 300 (China)	4,501.92	- 0.44	+ 14.41
Sensex Index (India)	82,626.23	+ 0.88	+ 5.74
Bonds Yields	Last	1W	YTD
Canada 10 Year Bond	3.186%	- 0.003	- 0.049
Canada 30 Year Bond	3.624%	+ 0.006	+ 0.285
US 10 Year Bond	4.104%	+ 0.042	- 0.469
US 30 Year Bond	4.720%	+ 0.042	- 0.066

Currency	Last	1W	YTD
US Dollar Index	97.64	0.10%	-10.00%
Currencies to the Loonie			
US Dollar	\$0.725	+\$0.003	+\$0.030
Euro	\$0.618	\$0.002	-\$0.054
British Pound	\$0.538	+\$0.006	-\$0.017
Chinese Yuan	\$5.161	+\$0.015	+\$0.087
Bitcoin	\$158,907	- 1.24%	+ 17.95%
Commodities	Last	1W %	YTD%
Gold (USD/Troy Ounce)	\$3,682.20	+ 1.09	+ 40.34
ICE Brent Crude(USD/bbl)	\$66.63	- 0.37	- 10.96
WTI Light (USD/bbl)	\$62.69	+ 0.14	- 12.77

Data as of: September 19, 2025 1:07 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	0.47%	-0.13%	-0.10%	0.48%	0.49%	▲ 1.22%	▲ 13.31%
S&P/TSX Composite	0.50%	-0.39%	0.02%	0.45%	1.07%	▲ 1.65%	▲ 20.38%
Dow Jones	0.11%	-0.27%	0.57%	0.27%	0.37%	▲ 1.05%	▲ 8.86%
NASDAQ	0.94%	-0.07%	-0.33%	0.94%	0.65%	▲ 2.15%	▲ 17.12%
Russell 3000	0.44%	-0.12%	-0.08%	0.63%	0.43%	▲ 1.32%	▲ 13.18%
S&P 600 Small Cap Index	0.02%	-0.11%	-0.05%	2.26%	-1.12%	▲ 0.98%	▲ 3.40%

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

Source: LSEG Datastream, Convexity Economics

All four major equity indexes finished up this week, helped in large part by a strong finish to the week following the US FOMC and BoC lowering cutting interest rates by 25 bps. The NASDAQ Composite index lead the way, up 2.15%, followed by the TSX Composite up 1.65%, S&P 500 up 1.225 and finally the Dow Jones Industrial Average up 1.05%.

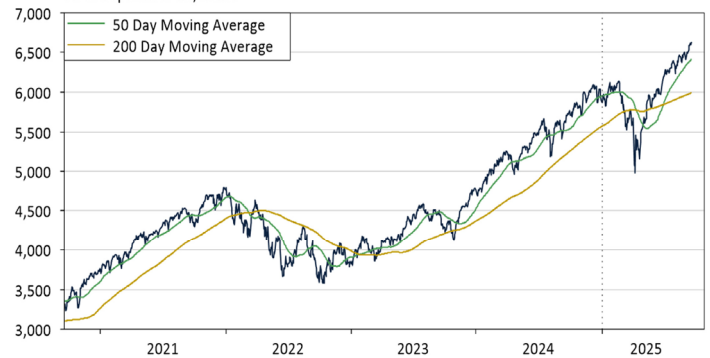
Despite the equity rally, gold and silver continue to post weekly gains, up 1.09% and 1.83% respectively. This helped propel the Canadian material sector to another strong week as well, up 2.56% this week. The only Canadian sector to outperform materials was the technology sector which posted a 2.77% gain this week.

Communication services was the top performing sector in the S&P this week, up 3.37% with the sector generating its fair share of news. Alphabet Inc joins hits \$3 Trillion in market cap, joining only Apple, Nvidia, and Microsoft to surpass the \$3 trillion mark. This came as Google's AI, Gemini, overtook Chat GPT as the most downloaded free app on the Appstore.

Rumours also came out that Netflix will be bidding alongside Paramount Skydance to buy Warner Bros. Discovery.

S&P 500 Index

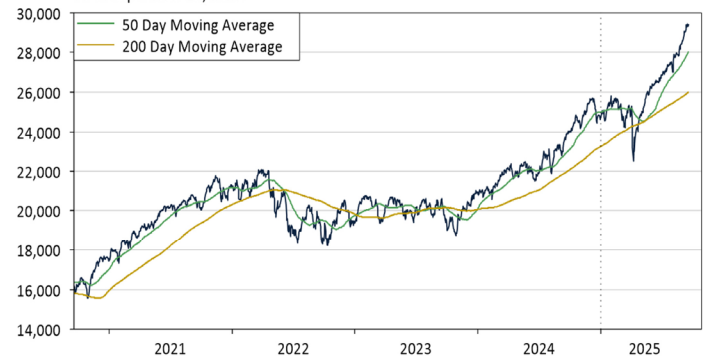
As of September 18, 2025.



Source: LSEG Datastream, Convexity Economics

S&P/TSX Composite Index

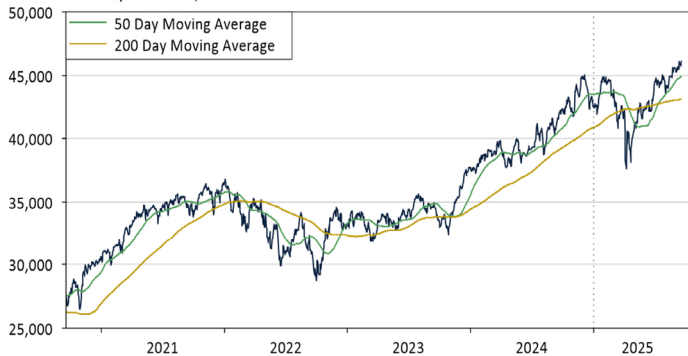
As of September 18, 2025.



Source: LSEG Datastream, Convexity Economics

Dow Jones Industrial Average

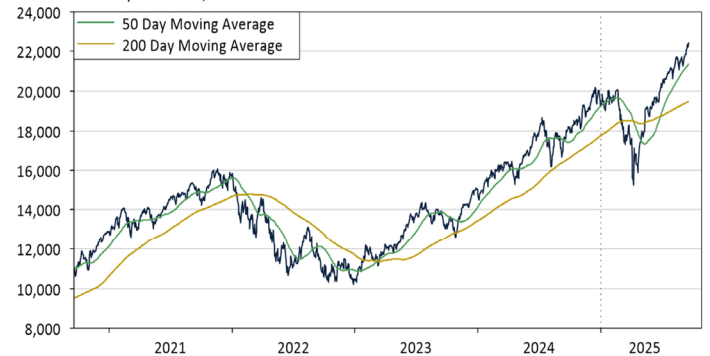
As of September 18, 2025.



Source: LSEG Datastream, Convexity Economics








NASDAQ Composite Index

As of September 18, 2025.



Source: LSEG Datastream, Convexity Economics

Central Bank Rates

Current Key Interest Rates			Next Meeting	Last Decision	Last Meeting
Canada		2.75%	Oct 30, 2025	▼ 0.25	Sep 18, 2025
United States*		4.50%	Oct 29, 2025	▼ 0.25	Sep 17, 2025
Mexico		7.75%	Sep 25, 2025	▼ 0.25	Jun 26, 2025
European Union		2.15%	Oct 30, 2025	—	Jul 24, 2025
India		5.50%	Sep 30, 2025	—	Aug 5, 2025
China		3.00%	Sep 21, 2025	—	Aug 19, 2025
Japan		0.50%	Oct 30, 2025	—	Sep 18, 2025

*Upper Limit

Data as of: September 19, 2025

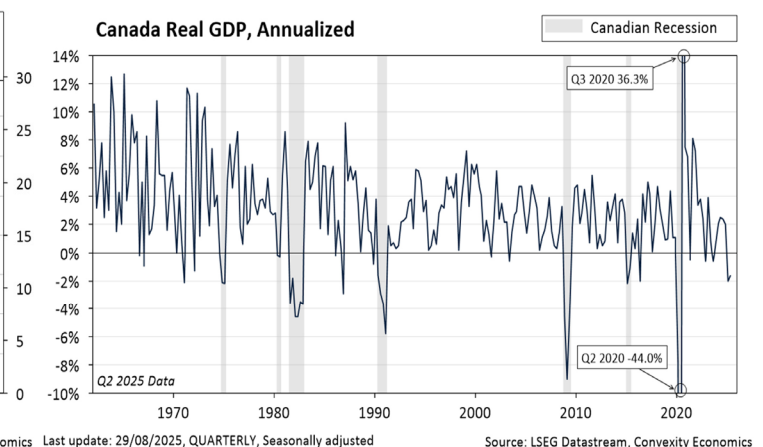
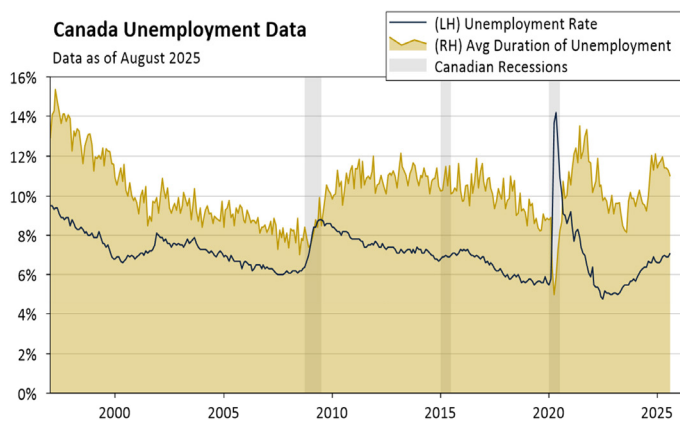
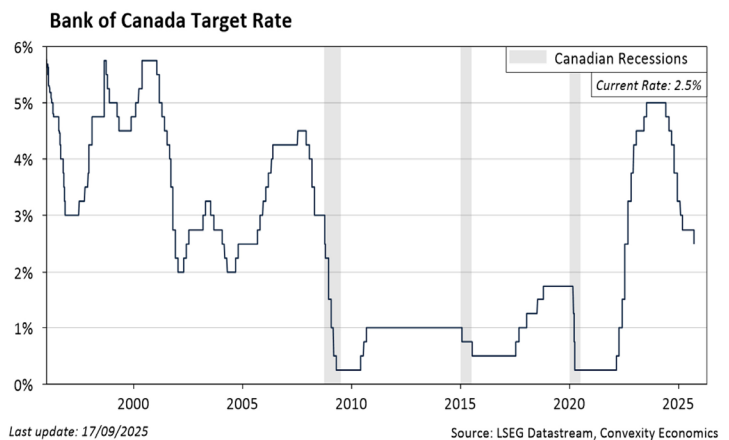
Source: LSEG Datastream, Convexity Economics

Bank of Canada Meeting - September 17th, 2025

The Bank of Canada cut the policy interest rate by another 25 basis points, to 2.5%. This is the third rate cut of 2025, but the first since March. Headline inflation came in below 2% at 1.9% in August, while core inflation was slightly higher at 2.6% (More on Page 5). The Bank of Canada said they believe the underlying inflation to be running around 2.5%. This is closer to the upper band of the Bank's target inflation rate, but the Bank of Canada expecting less upward pressure on the prices of US imported goods now that the Government has removed the retaliatory tariffs.

The Bank of Canada cited the main reason of concern for the Canadian economy was the weak job market, as the unemployment rate increased to 7.1% in August, and overall wage growth remains slow. Jobs declined by 66,000 in August, and these were primarily in trade- sensitive sectors, while growth across the economy has slowed.

The Bank of Canada continues to cite the uncertainties of global trade and how this disruption will continue to apply upward pressure on prices, and how this will cascade throughout the Canadian economy. The Bank of Canada is schedule to meet two more times before the end of the year.



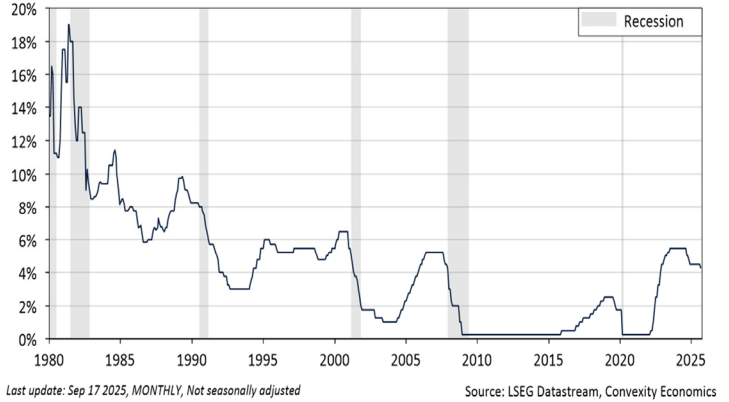
FOMC Meeting – September 17th, 2025

The Federal Open Market Committee (FOMC) met this week for their scheduled interest rate decision. The FOMC cut rates by 25 bps, bringing the target interest rate to 4.00%-4.25%.

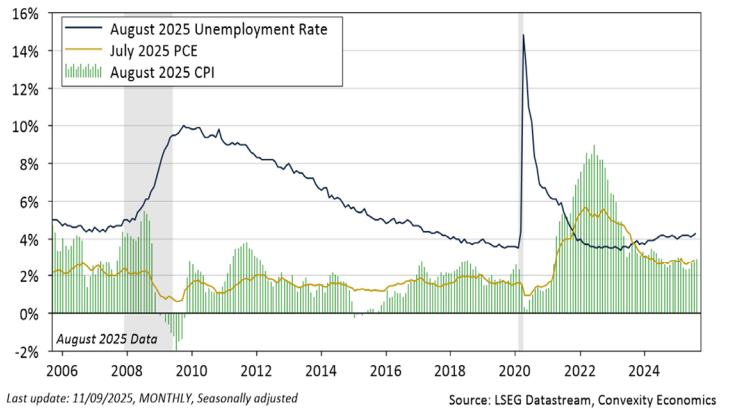
Inflation remains at the high end of the Fed’s 1%-3% inflation target with CPI coming in at 2.9% for August, and PCE at 2.9% for July (August data comes out next week). The other part of the Fed’s dual mandate is climbing slightly, with the unemployment rate up to 4.3% from 4.0% in January. The Fed justified this rate cut by stating the inflation was temporary due to tariffs (more specifically uncertainty around Tariffs) and that they are more concerned about the downside risk of unemployment, than increasing inflation at this time.

Following the announcement the 10-year yield briefly dropped below the 4% mark on Tuesday before climbing up to 4.13%. The long end of the yield curve appears to be signaling that inflation will be more persistent than the Fed is hoping with 2-, 5-, 10- year all up 2, 6, and 4 basis points this week respectively.

US Fed Funds Target Rate

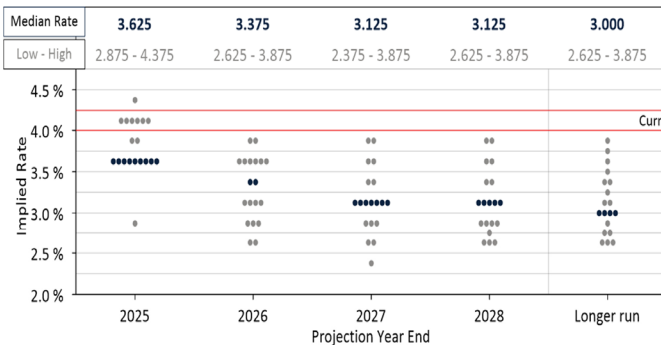


FOMC Dual Mandate

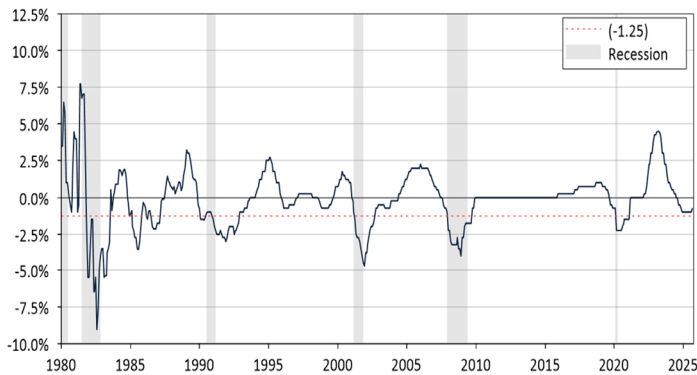


Federal Open Market Committee Projections

As of September 17, 2025 meeting



Year over Year Change in Fed Funds Rate



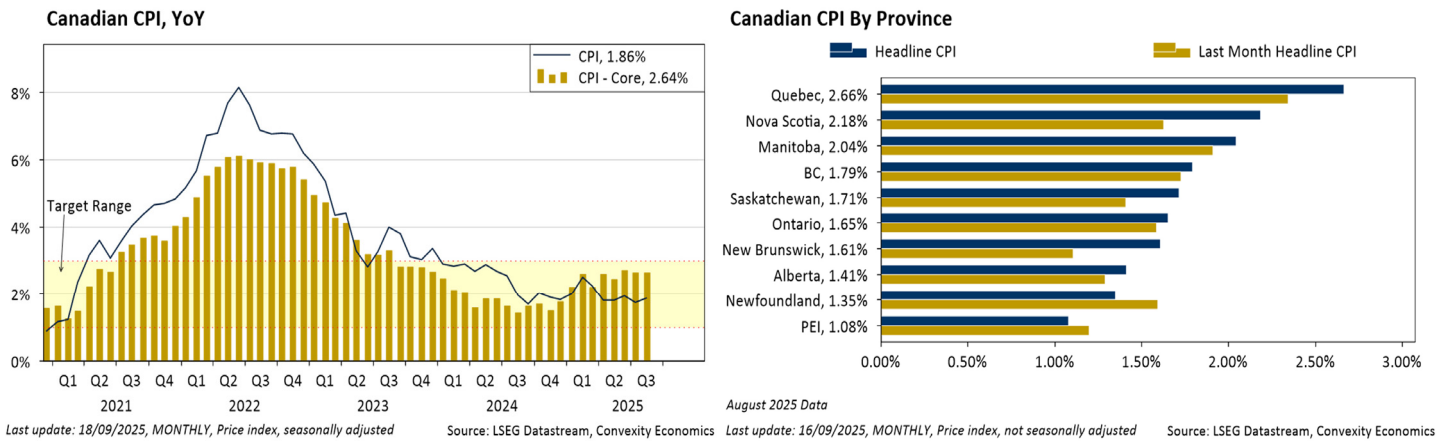
The dot plot shows that the median rate ending the year at 3.50%-3.75% meaning the Fed would need to cut another 50 bps before the end of the year. Only one member of the committee responded with an interest rate below the median, and notably well below the median at 2.75%-3.00%. This is likely the newest member of the committee, Stephen Miran, who was appointed by President Trump and is widely expected to agree with the President’s view that the Fed is behind schedule on cutting the interest rate. This adds to the worrying sentiment that the Fed is losing its independence and that future rate decisions could be swayed more by political pressure than economic data.

This would require the Fed to cut rates 150 bps in 2025. On only one occasion has the fed cut interest rates more than 125 basis points without it leading to a recession or already being in a recession. This is to say, if rates in the year at 2.75%-3.00% the Fed would likely be signaling a recession if they are not already in one.

Canadian CPI

Headline CPI rose 1.9% year-over-year in August, increasing 0.2% on a monthly basis. This was a softer than expected CPI number, which the Bank of Canada will be glad to see given their Energy prices fell 8.3% year-over-year, leading the core number higher, to 2.6% from a year ago.

While food inflation increased 3.5%, services and household operations led core CPI, both increasing 2.8%. The largest price decline, and only core category to pull back from a year ago was Gasoline stations, due to the removal of the carbon tax.



Canadian Consumer Price Index

August 2025

YoY% Change	Category	MoM% Change
+1.9	CPI	+0.2
+2.6	Core CPI	+0.2
-8.3	Energy*	+0.8
+3.5	Food	+0.3
+2.6	Shelter	+0.1
-12.7	Gasoline stations*	+1.4
+0.7	Goods	
+2.8	Services*	-0.1
+1.3	Alcoholic Beverages and tobacco	
+1.7	Clothing and footwear	+0.1
+1.9	Health and Personal Care	+0.2
+2.8	Household Operations, Furnishings and Equipment	+0.2
+0.9	Education and Receptions	-0.2
-0.2	Transportation	+0.4

*Not Seasonally Adjusted

Updated: September 18, 2025
 Source: LSEG Datastream, Convexity Economics

Canadian Housing Market Update

The Teranet-National Bank Composite index fell by 2.5% year-over-year in August, this marks the fourth month in a row the housing index has declined. Despite the nation index falling, Quebec City increased 12.37% from a year ago, with Edmonton and Winnipeg also increasing more than 6% (6.38% and 6.60% respectively). The index was dragged lower by a 5.42% decline in the Vancouver market and a 6.30% decrease in the Toronto market.

This comes as housing starts declined 16% in August to 245,791, with urban populations declining 18% this month. However, on a year over year basis, urban housing starts grew 10%, with Vancouver and Montreal posting 46% and 32% year over year increases.

Teranet Housing Indexes

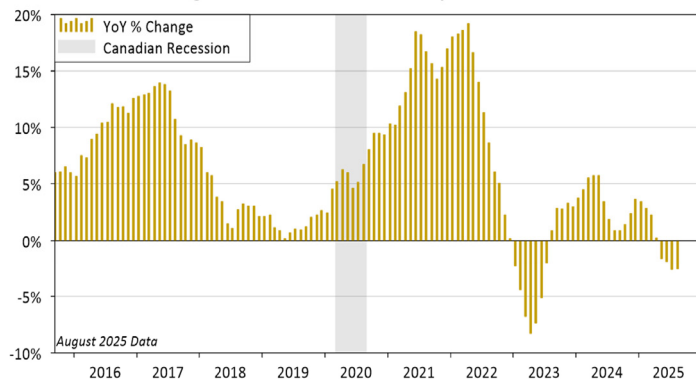
August 2025

YoY% Change	Category	MoM% Change
-2.6	National Composite	0.4
3.1	Calgary	-0.3
6.5	Edmonton	-0.2
2.4	Halifax	0.3
-4.9	Hamilton	1.3
5.0	Montreal	-0.7
1.2	Ottawa	0.5
12.3	Quebec City	-0.7
-6.4	Toronto	1.2
-5.6	Vancouver	-0.5
0.1	Victoria	-0.2
6.6	Winnipeg	1.5

Updated: September 17, 2025

Source: LSEG Datastream, Convexity Economics

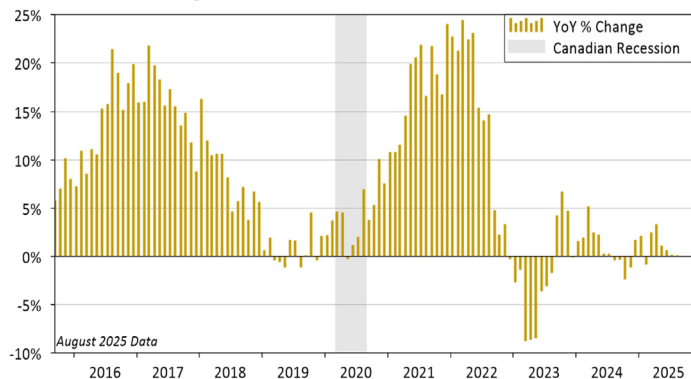
Teranet Housing Price Index - National Composite



Last update: 17/09/2025, MONTHLY, Price index, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

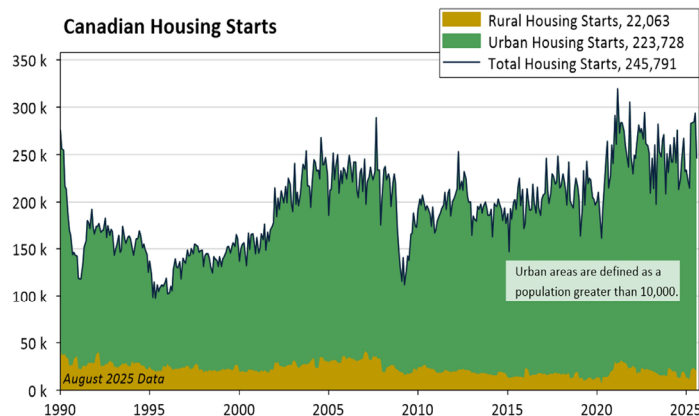
Teranet Housing Price Index - Victoria



Last update: 17/09/2025, MONTHLY, Price index, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

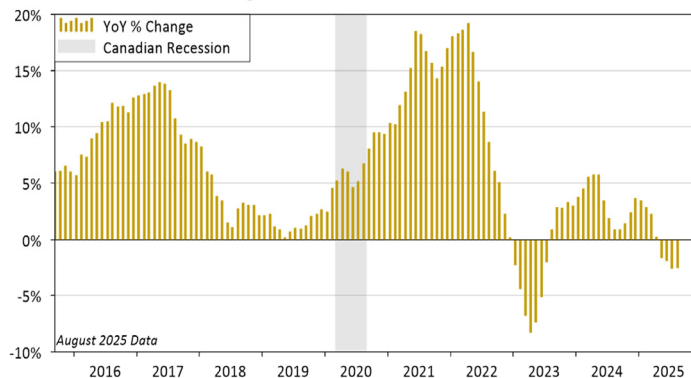
Canadian Housing Starts



Last update: 16/09/2025, MONTHLY, Volumes, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

StatsCan New Housing Price Index - Canada



Last update: 17/09/2025, MONTHLY, Price index, seasonally adjusted

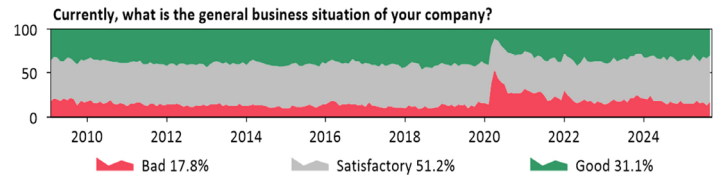
Source: LSEG Datastream, Convexity Economics

Economic Releases

The Canadian Business Barometer measures Canadian small business optimism over the next twelve months. The expectations index came at 50.2, up from 47.8 a month ago. Although slightly above the 50-mark, business optimism remains relatively muted as only 30% of businesses say their current situation is "good". It is left to be seen how much interest rates will have an effect on business optimism in the face of continuing trade negotiations with the US.

CFIB Business Barometer - 12 Month Expectations

Values greater than 50 indicate stronger performance. As of September 2025.

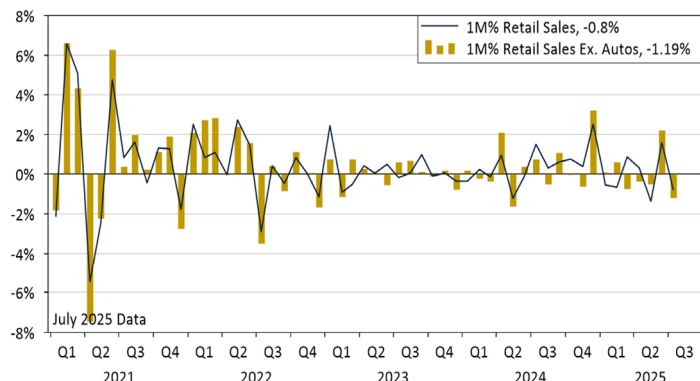


Last update: 18/09/2025, MONTHLY, Not seasonally adjusted Source: LSEG Datastream, Convexity Economics

Canadian retail sales declined 0.8% in July and core retail sales fell 1.2% from the month prior. Retail sales fell in eight of the nine sectors, with motor vehicles and parts dealers showing the only increase in July.

Economists are expecting that the weakening labour market will catch up to consumers and be reflected in weaker retail sales data in the coming releases. Despite the interest rate cut from the BoC, we expect it will be some time before the labour market improves and that the consumption will remain muted in the face of continuing economic uncertainty.

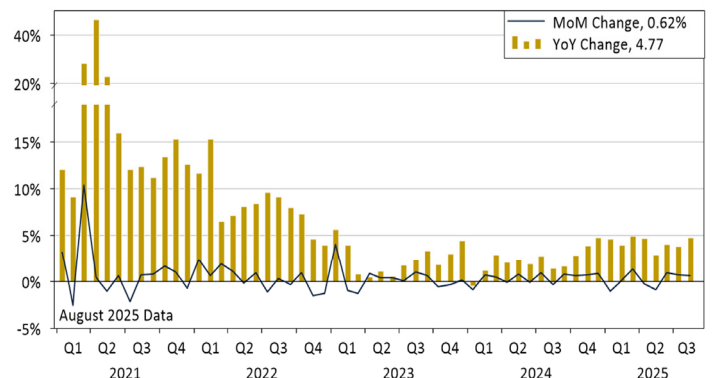
Canadian Retail Sales



Last update: 19/09/2025, MONTHLY, Current prices, seasonally adjusted Source: LSEG Datastream, Convexity Economics

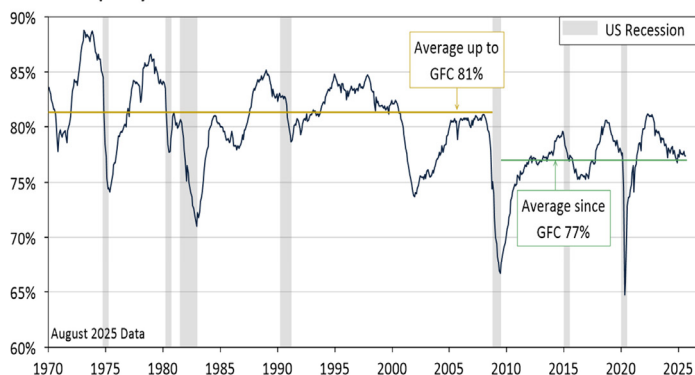
US retail sales grew by 0.6% month-over-month, twice as much as what analysts were expecting. A report by Moody's analytics shows that this spending by the top 10% of income earners accounted for more than 50%. This spending by high earners leads us to believe that retail spending of the average US consumer may be weaker than the print number released on Tuesday.

US Retail Sales, 1 Month Change



Last update: 16/09/2025, MONTHLY, Current prices, seasonally adjusted Source: LSEG Datastream, Convexity Economics

US Capacity Utilization



Last Update: 16/09/2025, monthly, seasonally adjusted Source: LSEG Datastream, Convexity Economics

US Capacity remained relatively unchanged at 77.4% for August, compared to 77.5% in July. This is still below the long-term average, and well below the pre-GFC average of 81% the US economy has still not reached the capacity utilization that was typical of a pre-GFC economy. With lower interest rates we would expect to see an easing of the economy and the Industrial production to rise.

Equity Indexes	Last	1W%	YTD %
S&P 500	6,664.36	+ 1.22	+ 13.31
S&P/TSX Composite	29,768.36	+ 1.65	+ 20.38
Dow Jones	46,315.27	+ 1.05	+ 8.86
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Sensex Index (India)	82,626.23	+ 0.88	+ 5.74
Bovespa Index (Brazil)	145,838	+ 2.51	+ 21.25
Merval Index (Argentina)	1,680,891	- 4.49	- 33.66
Russell 3000	3,799.22	+ 1.32	+ 13.18
S&P 600 Small Cap Index	1,456.07	+ 0.98	+ 3.40
VIX Volatility Index	15.47	+ 4.81	- 10.84
Bonds Yields	Last	1W	YTD
Govt of Canada 5 Year	2.744%	- 0.012	- 0.224
Govt of Canada 10 Year	3.186%	- 0.003	- 0.049
Govt of Canada 30 Year	3.624%	+ 0.006	+ 0.285
US Treasury 5 Year	3.663%	+ 0.035	- 0.715
US Treasury 10 Year	4.104%	+ 0.042	- 0.469
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Currency	Last	1W	YTD
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Bitcoin (USD)	\$158,907	+ 36.71%	+ 69.62%
<i>Currencies to the Loonie</i>			
US Dollar	\$0.725	+ 0.003	+ 0.030
Euro	\$0.618	+ 0.002	- 0.054
British Pound	\$0.538	+ 0.006	- 0.017
Japanese Yen	\$106.780	+ 0.380	- 2.830
Chinese Yuan	\$5.161	+ 4.967	+ 4.964
Aussie Dollar	\$1.100	+ 0.180	+ 0.210
GDP	YoY %	Change	Quarter
Canada	+ 1.21	- 1.05	Q2
United States	+ 2.07	+ 0.07	Q2
Mexico	+ 1.18	+ 0.52	Q2
Euro Zone**	+ 1.28	- 0.10	Q2
China**	+ 5.24	- 0.18	Q2
Japan	+ 1.70	+ 0.06	Q2
India	+ 7.81	+ 0.43	Q2
Inflation	YoY %	Change	Month
Canada	+ 1.86	+ 0.12	August
United States	+ 2.94	+ 0.21	August
Mexico	+ 3.57	+ 0.06	August
Euro Zone**	+ 2.09	+ 0.03	August
China**	- 0.99	- 0.50	August
Japan**	+ 2.75	- 0.29	August
India	+ 2.07	+ 0.47	August

Canadian Sectors	Last	1W%	YTD %
Energy	283.37	+ 0.45	+ 6.08
Industrials	477.82	+ 0.26	+ 4.23
Consumer Staples	1,159.93	- 0.86	+ 9.18
Financials	572.15	+ 1.91	+ 19.24
Communication Services	153.90	- 2.14	+ 11.81
Real Estate	345.71	- 0.99	+ 9.90
Materials	630.62	+ 2.56	+ 66.73
Consumer Discretionary	348.03	+ 0.70	+ 16.61
Health Care	21.14	- 2.58	- 17.84
Information Tech	342.13	+ 2.77	+ 21.40
Utilities	337.26	+ 0.14	+ 9.97
S&P/TSX Composite	29,768.36	+ 1.65	+ 20.38
US Sectors	Last	1W%	YTD %
Energy	672.22	- 0.03	+ 2.65
Industrials	1,290.66	+ 0.97	+ 15.69
Consumer Staples	877.34	- 1.30	+ 2.78
Financials	900.06	+ 0.83	+ 11.89
Communication Services	438.54	+ 3.37	+ 28.35
Real Estate	261.33	- 1.43	+ 2.11
Materials	576.82	- 0.91	+ 8.88
Consumer Discretionary	1,941.70	+ 1.45	+ 6.04
Health Care	1,594.45	- 0.72	- 0.64
Information Tech	5,520.02	+ 2.10	+ 19.75
Utilities	428.83	- 0.68	+ 11.40
S&P 500	6,664.36	+ 1.22	+ 13.31
Commodities	Last	1W %	YTD %
Baltic Dry index	2,205.00	+ 3.72	+ 121.16
Bloomberg Industrial Metals Index	144.03	- 0.92	+ 2.65
Gold	\$3,682.20	+ 1.09	+ 40.34
Silver	\$42.94	+ 1.83	+ 48.72
Copper	\$4.61	+ 0.90	+ 14.68
Oil (ICE Brent Crude)	\$66.63	- 0.37	- 10.96
Oil (WTI Light)	\$62.69	+ 0.19	- 12.75
Natural Gas	\$2.91	- 1.05	- 19.77
Corn	\$424.25	+ 12.83	- 7.42
Wheat	\$522.25	+ 2.81	- 5.17
Cocoa	\$7,203.00	- 3.64	- 33.63
Coffee	\$345.30	- 13.02	+ 9.31

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

Bold Values updated this week

Source: LSEG Datastream, Convexity Economics

What We Believe You Should Know



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