



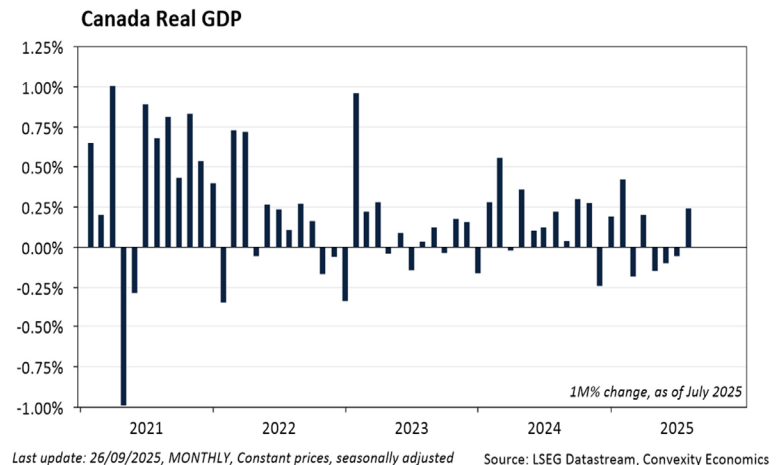
Financial Monitor

For the week ending September 26th, 2025

Chart of the Week: Canadian GDP

After three consecutive months of contraction, GDP rose by 0.24% in July, driven largely by the mining, oil and gas extraction sector growing 1.4%.

The Manufacturing sector was the second the fastest growing, rising 0.7% in July. After expanding in June, the retail sector contracted 1.0% in July, a likely concern for the Bank of Canada.



Headlines

- North American markets finished lower across the board.
- The purchasing managers' index continued to decline in August, with manufacturing falling from 54.5 to 53.9 and services declining from 53.0 to 52.0.
- New home sales increased to 800 thousand units in August, the highest level in more the 3.5 years.
- The Fed's preferred measure of inflation, PCE, came in relatively unchanged at 2.7% for August, up 0.3% from July.
- Consumer sentiment deteriorated further, down 2.9 points to 55.1 in September.
- **The US economy grew at a 3.8% annualized rate in the second quarter, the highest rate in almost two years.**

Equity Indexes	Last	1W%	YTD %
S&P 500	6,643.70	- 0.31	+ 12.96
S&P/TSX Composite	29,761.28	- 0.02	+ 20.35
Dow Jones	46,247.29	- 0.15	+ 8.70
NASDAQ	22,464.06	- 0.74	+ 16.33
FTSE 1000 (UK)	9,284.83	+ 0.74	+ 13.60
CSI 300 (China)	4,550.05	+ 1.07	+ 15.63
Sensex Index (India)	80,426.46	- 2.66	+ 2.93
Bonds Yields	Last	1W	YTD
Canada 10 Year Bond	3.231%	+ 0.029	- 0.004
Canada 30 Year Bond	3.671%	+ 0.017	+ 0.332
US 10 Year Bond	4.174%	+ 0.047	- 0.399
US 30 Year Bond	4.753%	+ 0.009	- 0.033

Currency	Last	1W	YTD
US Dollar Index	98.17	0.54%	-9.51%
Currencies to the Loonie			
US Dollar	\$0.717	-\$0.008	+\$0.022
Euro	\$0.613	-\$0.005	-\$0.059
British Pound	\$0.535	-\$0.004	-\$0.021
Chinese Yuan	\$5.116	-\$0.047	+\$0.042
Bitcoin	\$152,200	- 4.28%	+ 12.97%
Commodities	Last	1W %	YTD%
Gold (USD/Troy Ounce)	\$3,766.06	+ 2.24	+ 43.53
ICE Brent Crude(USD/bbl)	\$69.75	+ 4.64	- 6.79
WTI Light (USD/bbl)	\$65.33	+ 4.16	- 9.10

Data as of: September 26, 2025 1:01 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	0.44%	-0.55%	-0.28%	-0.50%	0.59%	▼ 0.31%	▲ 12.96%
S&P/TSX Composite	0.64%	-0.48%	-0.20%	-0.08%	0.10%	▼ 0.02%	▲ 20.35%
Dow Jones	0.14%	-0.19%	-0.37%	-0.38%	0.65%	▼ 0.15%	▲ 8.70%
NASDAQ	0.70%	-0.95%	-0.33%	-0.50%	0.35%	▼ 0.74%	▲ 16.33%
Russell 3000	0.40%	-0.54%	-0.36%	-0.55%	0.57%	▼ 0.48%	▲ 12.58%
S&P 600 Small Cap Index	0.23%	-0.19%	-0.86%	-0.89%	1.08%	▼ 0.64%	▲ 2.74%

Data as of: September 26, 2025 1:01 PM PT

Source: LSEG Datastream, Convexity Economics

North American equity markets were on the back foot this week: The S&P/TSX was flat, falling a meagre 0.02% this week, while the S&P 500 fell 0.3%, the Dones Jones Industrial Average (DJIA) declined only 0.15%, and the NASDAQ Composite (NASDAQ) index declined the most by 0.74%. Another week of Canadian outperformance!

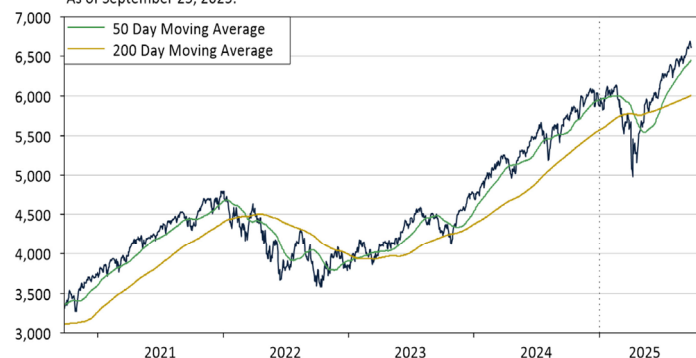
Investor enthusiasm for artificial intelligence and related businesses, coupled with a more dovish outlook and an interest rate cut last week from the Federal Reserve drove the NASDAQ to its high point for the year of 22,788.98 on Monday, but major North American markets retreated for the balance of the week to finish lower across the board.

We expect equity markets will tend to rise as secular themes take hold and develop over the coming years. However, we also expect wider price swings for myriad reasons and understand that there will be winners and losers in these sectors, so we must be careful.

Indeed, investors must balance their enthusiasm for new technologies and their promised benefits against already robust valuations in some cases, geopolitical risks, trade and domestic policy risks, fiscal largess and related deficits, and existing inflation concerns that may be exacerbated by dovish Federal Reserve monetary policy. In this context, we are not surprised to see gold significantly out-performing!

S&P 500 Index

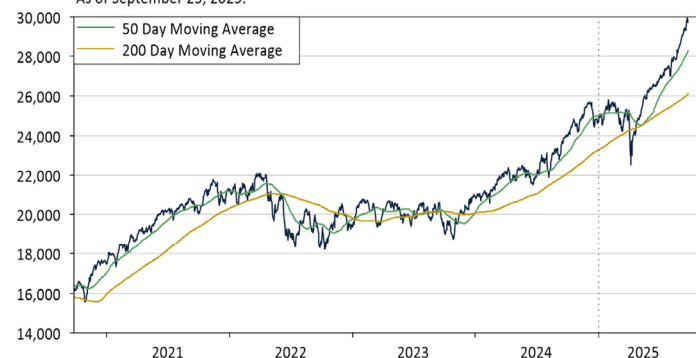
As of September 25, 2025.



Source: LSEG Datastream, Convexity Economics

S&P/TSX Composite Index

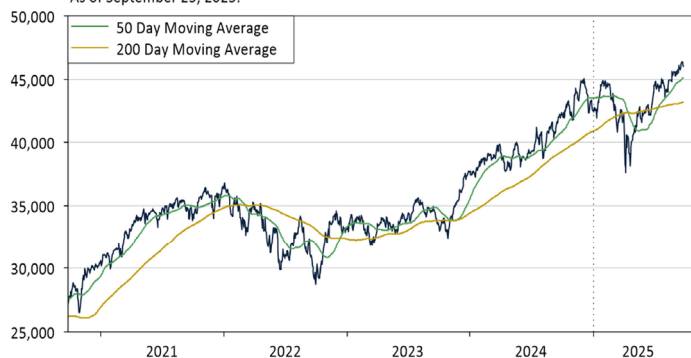
As of September 25, 2025.



Source: LSEG Datastream, Convexity Economics

Dow Jones Industrial Average

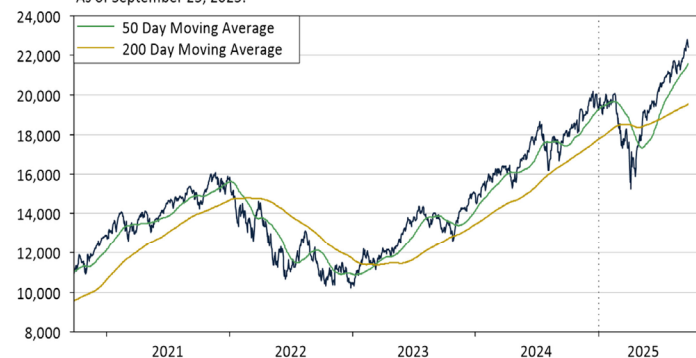
As of September 25, 2025.



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NASDAQ Composite Index

As of September 25, 2025.



Source: LSEG Datastream, Convexity Economics

Central Bank Rates

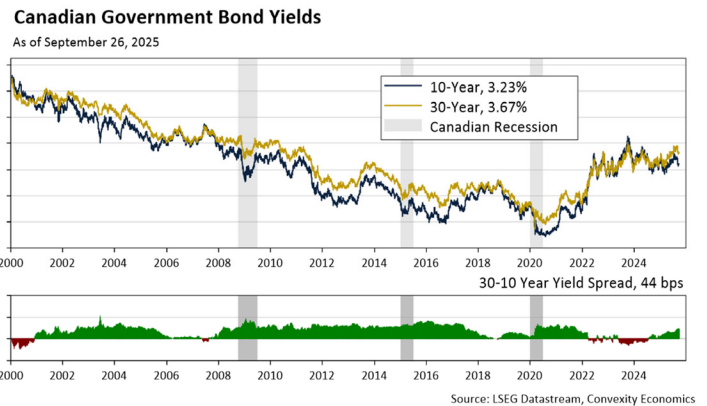
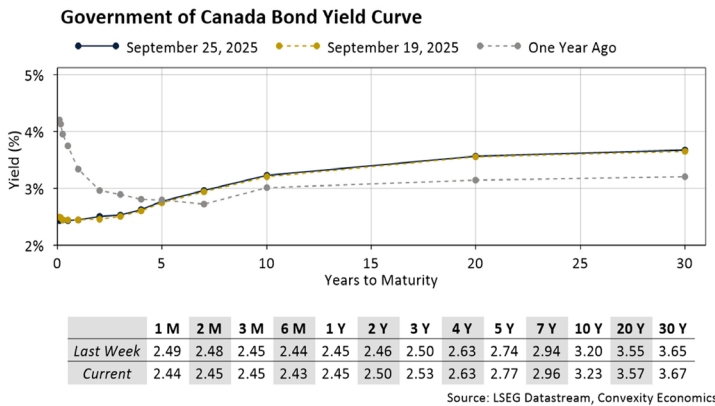
Current Key Interest Rates			Next Meeting	Last Decision	Last Meeting
Canada		2.75%	Oct 30, 2025	▼ 0.25	Sep 18, 2025
United States*		4.50%	Oct 29, 2025	▼ 0.25	Sep 17, 2025
Mexico		7.50%	Nov 6, 2025	▼ 0.25	Sep 25, 2025
European Union		2.15%	Oct 30, 2025	—	Jul 24, 2025
India		5.50%	Sep 30, 2025	—	Aug 5, 2025
China		3.00%	Oct 19, 2025	—	Sep 21, 2025
Japan		0.50%	Oct 30, 2025	—	Sep 18, 2025

*Upper Limit

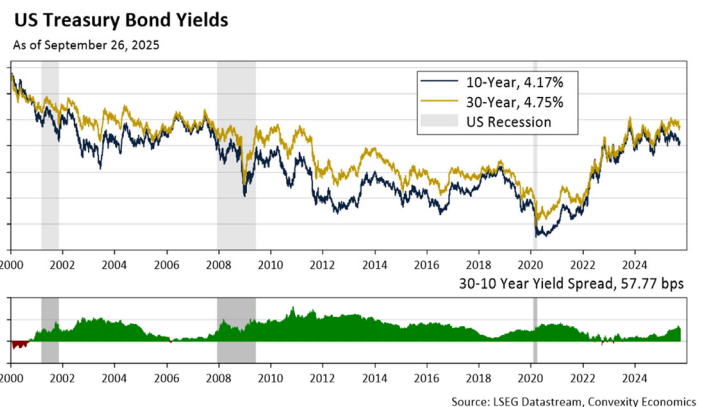
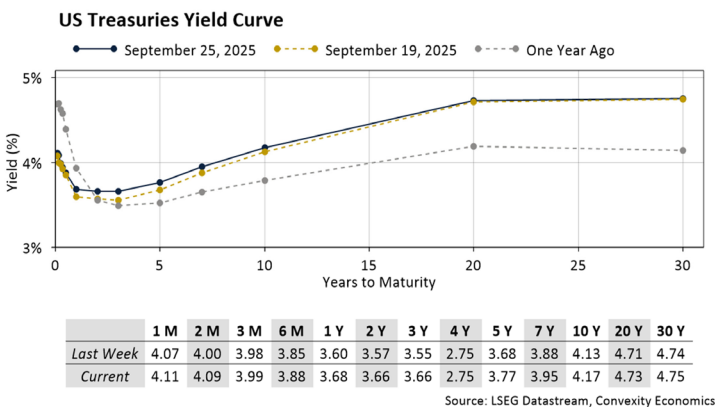
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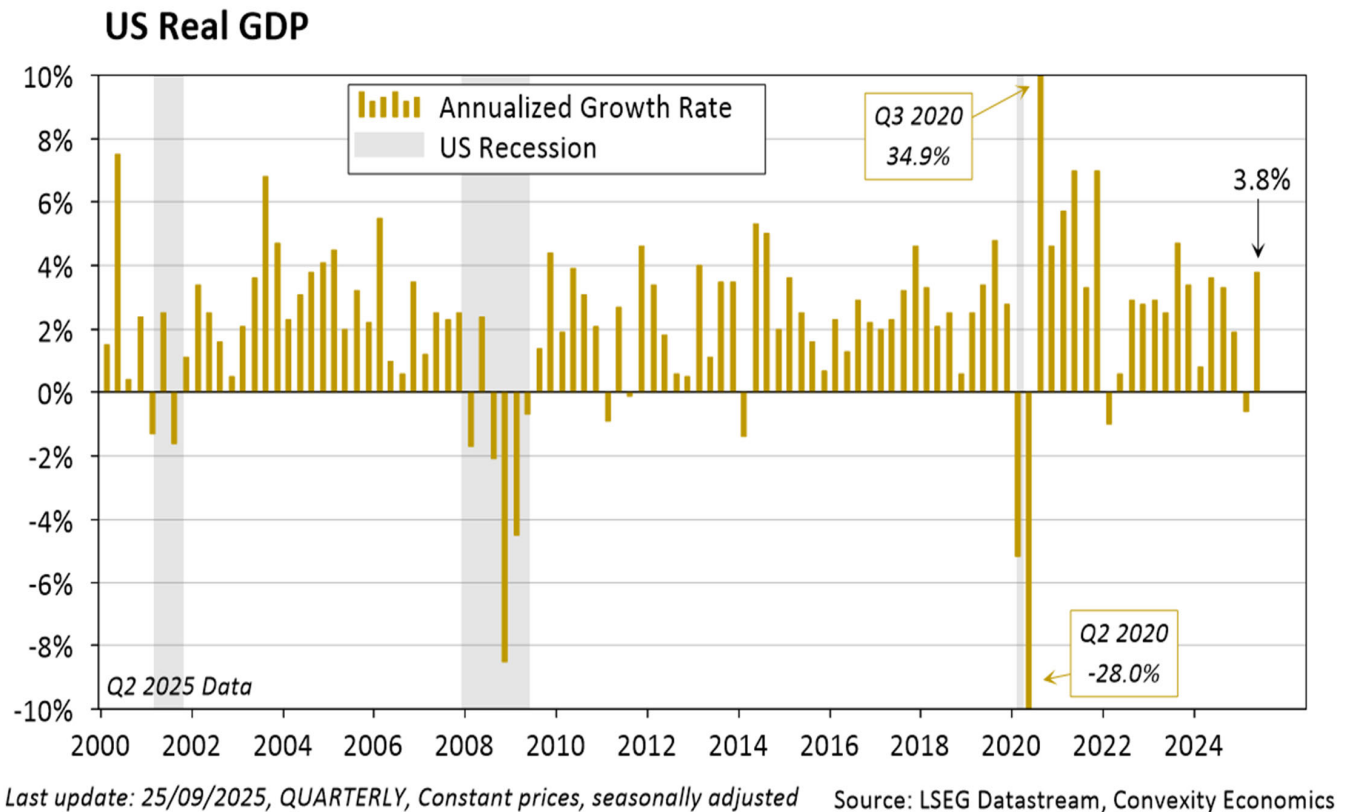
Government of Canada Bond Yields



US Treasury Yields



US GDP - 2025 Q2



The US economy grew at a 3.8% annualized rate in the second quarter, the highest rate in almost two years. Growth was driven largely by a contraction of the trade deficit due to a sharp decline in imports, though personal consumption also rose from the previous quarter.

(Gross Domestic Product (GDP) is calculated by summing up spending by consumers, businesses, and government, along with foreign purchases of U.S. exports. Imports are subtracted from this total, since they represent spending on goods not produced domestically.)

In Q1 a rise in imports was offset by the increase in inventories, in this quarter we saw the reverse: To mitigate the effects and uncertainty around tariffs, firms stockpiled inventories to front run the tariffs and we now see them draw down inventories, awaiting a resolution to the ongoing trade conflict.

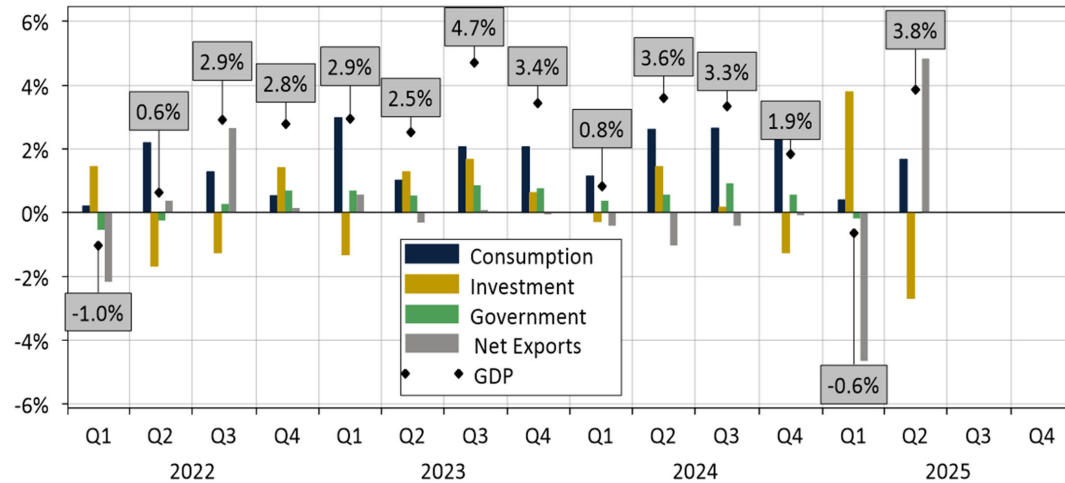
The PMI data shows that the price increases resulting from tariffs are starting to impact the supply side of the economy but have not yet been fully passed on to consumers due to weak consumer demand. With the FOMC cutting rates, we could see consumer demand pick up, though if this was the case, we expect this would increase upward price pressures, potentially forcing the Federal Reserve to pause rate cuts, or even reverse course. At a minimum, we expect the Federal Reserve to proceed cautiously with cutting interest rates this cycle.

Contribution to US GDP

These charts illustrate the contributions of each component to first-quarter GDP, based on the formula:

$$GDP = C + I + G + (X - I)$$

Contributions to US GDP

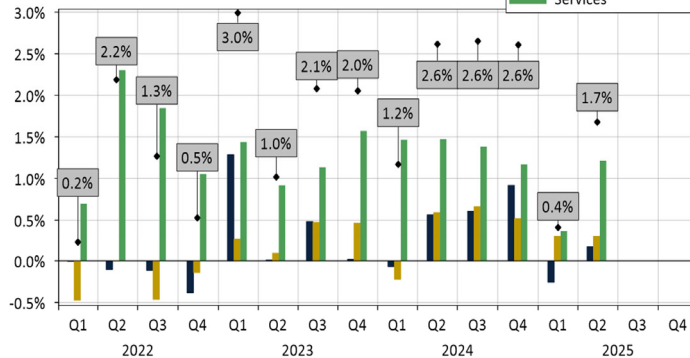


Last update: 25/09/2025, QUARTERLY, Constant prices, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

C: Personal Consumption

Contribution to GDP %

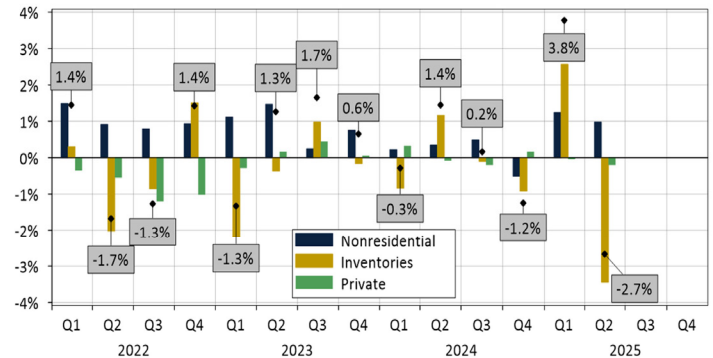


Last update: 25/09/2025, QUARTERLY, Constant prices, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

I: Investment

Contribution to GDP %

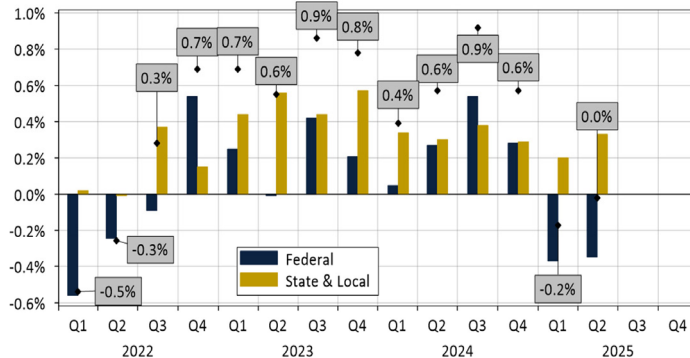


Last update: 25/09/2025, QUARTERLY, Constant prices, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

G: Government

Contribution to GDP %

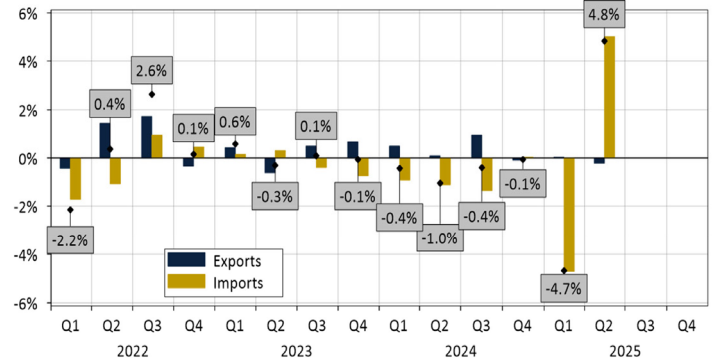


Last update: 25/09/2025, QUARTERLY, Constant prices, seasonally adjusted

Source: LSEG Datastream, Convexity Economics

X-M: Foreign Balance

Contribution to GDP %

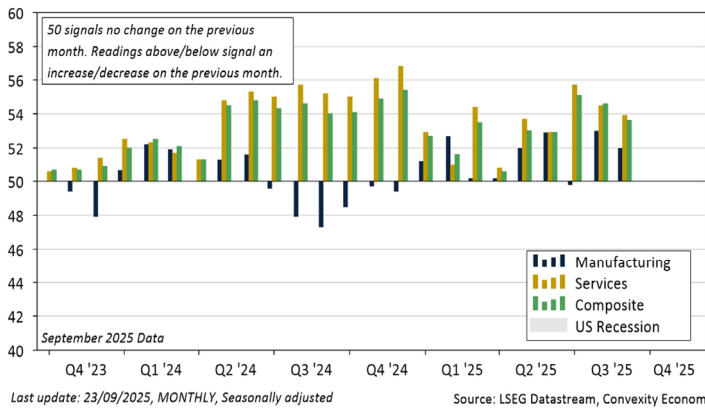


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Economic Releases

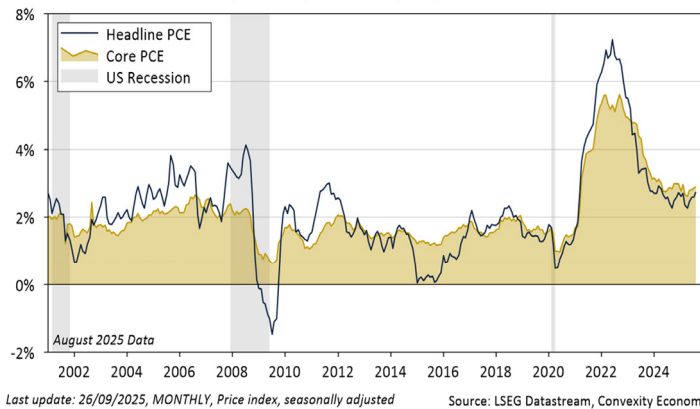
S&P Purchasing Managers' Index (PMI)



The Purchasing Managers' Index continued to decline in August, with declines in both the manufacturing and the services indices, with manufacturing falling from 54.5 to 53.9 and services declining from 53.0 to 52.0. The composite index fell from 54.6 to 53.6 in August, though remains decidedly in expansion territory.

Interestingly, the Input Prices Index (not shown here) measures the prices paid by business, which increased to 62.6 as businesses "overwhelmingly" listed tariffs as the primary driver of increased prices. However, due to weak consumer demand they had difficulties passing on the full share of higher costs to consumers, reducing the tariff related impact to consumer inflation.

US Personal Consumption Expenditure (PCE) Price Index



The Fed's preferred measure of inflation, **PCE**, came in relatively unchanged at 2.7% for August, up 0.3% from July. Core PCE was 2.9% in August, an increase of 0.2% from July.

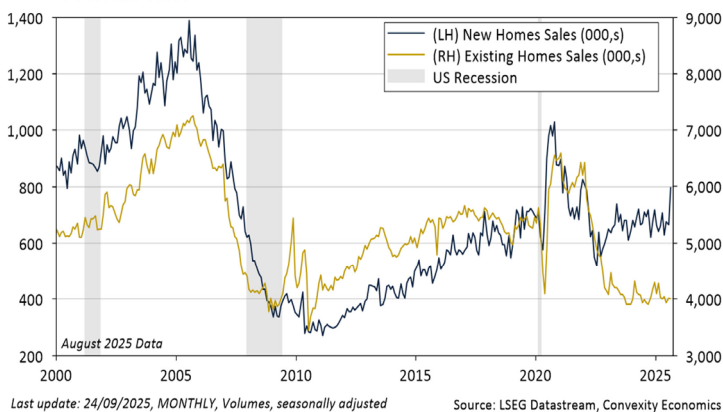
The data confirms persistent upward pressure on prices, especially when viewed in combination with the PMI data, suggesting household consumption could face yet another headwind in the form of rising crimping already stretched household budgets.

New home sales increased to 800 thousand units in August, the highest level in more the 3.5 years. This represents a 20.5% increase from July, and a 15.4% increase year-over-year. The median sale price increased to \$413,500, up 4.7% from July, and 1.9% year-over-year.

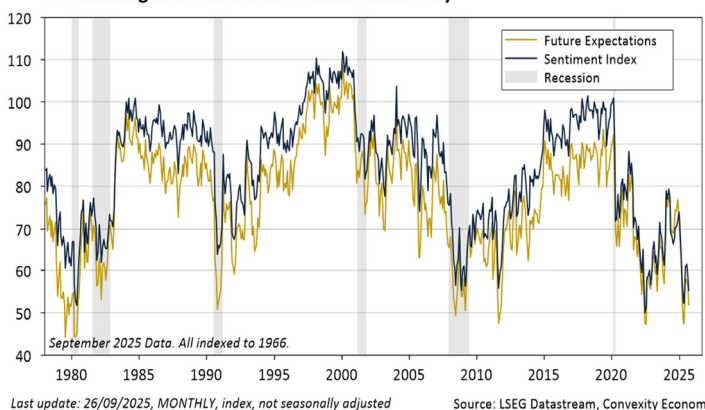
Existing home sales were relatively flat in August with annualized home sales of 4 million units, decreasing 0.2% from July. Compared to pre-pandemic sales of 5.47 million units in August 2019, existing home sales remain historically low. The share of first-time buyers is 28%, also a historically low level.

Lastly, we note that new home sales appear on a rising trend, while existing home sales have been flat for some time – suggesting the impact of elevated mortgage rates limiting mobility for existing homeowners, as well as potentially aggressive discounts and incentive programs for new homes.

US Home Sales



U of Michigan US Consumer Sentiment Survey



Consumer sentiment deteriorated further, down 2.9 points to 55.1 in September. Sentiment this low is often seen in recessions; future expectations also remain well below average, declining another 4.2 points to 51.7.

Consumers continue to expect rising inflation with their 1-year expectation at 4.7% and their 5-year inflation expectation at 3.7%. We note that inflation expectations are important, tending to lead actual measured inflation and that inflation at these levels would be well above the Federal Reserve's target band of 1 - 3 %, likely prompting the Federal Open Market Committee (FOMC) to reconsider interest rate cuts.

Equity Indexes	Last	1W%	YTD %
S&P 500	6,643.70	- 0.31	+ 12.96
S&P/TSX Composite	29,761.28	- 0.02	+ 20.35
Dow Jones	46,247.29	- 0.15	+ 8.70
NASDAQ	22,464.06	- 0.74	+ 16.33
FTSE 1000 (UK)	9,284.83	+ 0.74	+ 13.60
CSI 300 (China)	4,550.05	+ 1.07	+ 15.63
Sensex Index (India)	80,426.46	- 2.66	+ 2.93
Bovespa Index (Brazil)	145,429	- 0.30	+ 20.91
Merval Index (Argentina)	1,798,633	+ 6.81	- 29.01
Russell 3000	3,779.15	- 0.48	+ 12.58
S&P 600 Small Cap Index	1,446.73	- 0.64	+ 2.74
VIX Volatility Index	15.35	- 0.65	- 11.53
Bonds Yields	Last	1W	YTD
Govt of Canada 5 Year	2.774%	+ 0.033	- 0.194
Govt of Canada 10 Year	3.231%	+ 0.029	- 0.004
Govt of Canada 30 Year	3.671%	+ 0.017	+ 0.332
US Treasury 5 Year	3.769%	+ 0.092	- 0.609
US Treasury 10 Year	4.174%	+ 0.047	- 0.399
US Treasury 30 Year	4.753%	+ 0.009	- 0.033
Currency	Last	1W	YTD
US Dollar Index	98.17	+ 0.54%	- 9.51%
Bitcoin (USD)	\$152,200	+ 31.87%	+ 62.46%
<i>Currencies to the Loonie</i>			
US Dollar	\$0.717	- 0.008	+ 0.022
Euro	\$0.613	- 0.005	- 0.059
British Pound	\$0.535	- 0.004	- 0.021
Japanese Yen	\$107.340	+ 0.560	- 2.270
Chinese Yuan	\$5.116	+ 4.923	+ 4.919
Aussie Dollar	\$1.095	+ 0.186	+ 0.205
GDP	YoY %	Change	Quarter
Canada	+ 1.21	- 1.05	Q2
United States	+ 2.08	+ 0.06	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	295.71	+ 4.35	+ 10.70
Industrials	470.03	- 1.63	+ 2.53
Consumer Staples	1,138.42	- 1.85	+ 7.16
Financials	570.07	- 0.36	+ 18.81
Communication Services	154.72	+ 0.53	+ 12.41
Real Estate	339.21	- 1.88	+ 7.83
Materials	658.04	+ 4.35	+ 73.98
Consumer Discretionary	348.05	+ 0.01	+ 16.62
Health Care	20.98	- 0.76	- 18.46
Information Tech	317.32	- 7.25	+ 12.60
Utilities	345.50	+ 2.44	+ 12.66
S&P/TSX Composite	29,761.28	- 0.02	+ 20.35
US Sectors	Last	1W%	YTD %
Energy	703.62	+ 4.67	+ 7.45
Industrials	1,291.77	+ 0.09	+ 15.79
Consumer Staples	867.75	- 1.09	+ 1.65
Financials	896.69	- 0.37	+ 11.47
Communication Services	426.53	- 2.74	+ 24.84
Real Estate	263.64	+ 0.88	+ 3.01
Materials	565.17	- 2.02	+ 6.68
Consumer Discretionary	1,918.07	- 1.22	+ 4.75
Health Care	1,580.59	- 0.87	- 1.51
Information Tech	5,537.00	+ 0.31	+ 20.12
Utilities	440.94	+ 2.82	+ 14.55
S&P 500	6,643.70	- 0.31	+ 12.96
Commodities	Last	1W %	YTD %
Baltic Dry index	2,266.00	+ 2.86	+ 127.28
Bloomberg Industrial Metals Index	145.31	+ 0.89	+ 3.56
Gold	\$3,766.06	+ 2.24	+ 43.53
Silver	\$46.10	+ 7.00	+ 59.64
Copper	\$4.75	+ 4.43	+ 17.98
Oil (ICE Brent Crude)	\$69.75	+ 4.70	- 6.79
Oil (WTI Light)	\$65.33	+ 5.18	- 9.07
Natural Gas	\$2.84	- 2.81	- 21.84
Corn	\$421.50	- 0.65	- 8.02
Wheat	\$519.00	- 0.62	- 5.76
Cocoa	\$6,961.00	- 3.33	- 35.86
Coffee	\$359.40	+ 4.19	+ 13.77

Data as of: September 26, 2025 1:01 PM PT

Bold Values updated this week

Source: LSEG Datastream, Convexity Economics

What We Believe You Should Know



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