RIVERSIDE ANALYTICS INC

DATE: May 22, 2025

RIVERSIDE ANALYTICS INC
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Economic Outlook

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- The insights contained in this presentation do not constitute advice, rather are meant for educational purposes from which you may make more educated decisions taking into account your individual risk profile and needs for return.
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- Riverside is about helping active and affluent investors learn how to make better decisions in financial markets.
- All charts shown in this presentation have been referenced from Amibroker unless otherwise noted.

Good investing is <u>not</u> an "event" like finding the next growth opportunity or catching the next market turn. Rather, good investing is a disciplined process that converts research and training into a well-tested methodology, and then makes a habit of following that approach day after day.

John P. Hussman, Ph.D
President, Hussman Strategic Advisors

ECONOMIC DATA

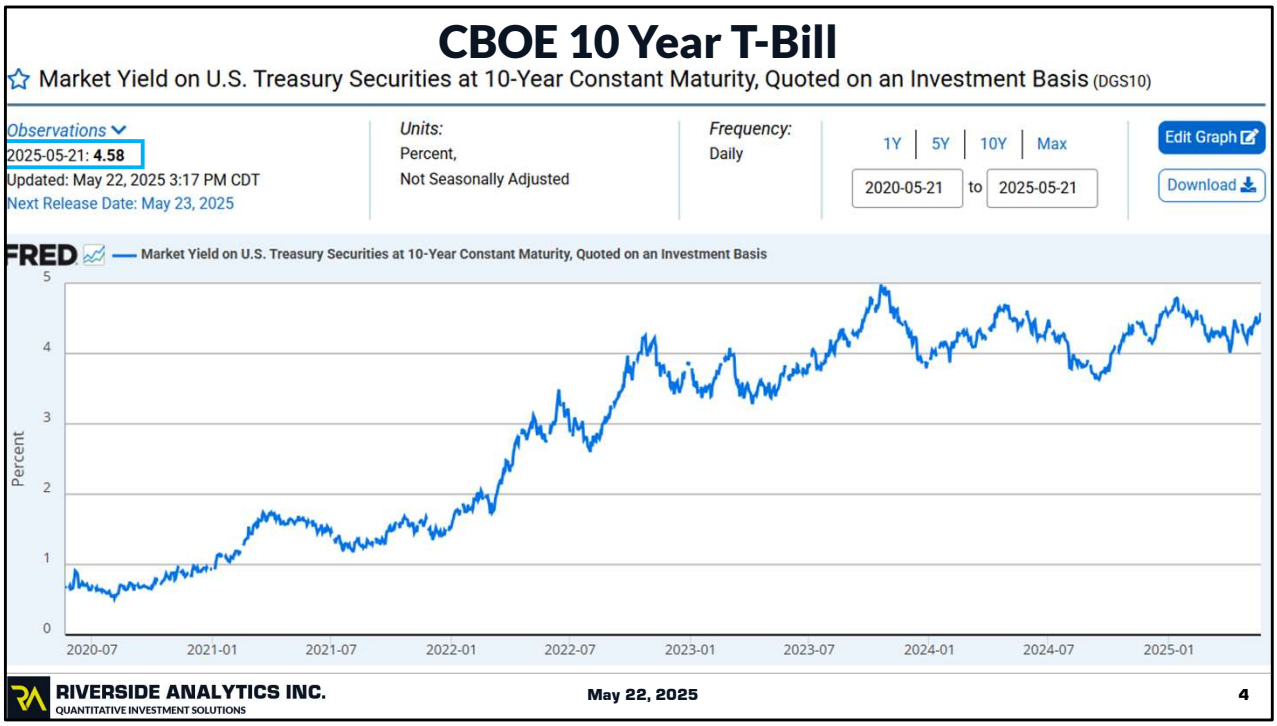
Indicator review

US Drives the bus, when it comes to the Canadian economy.

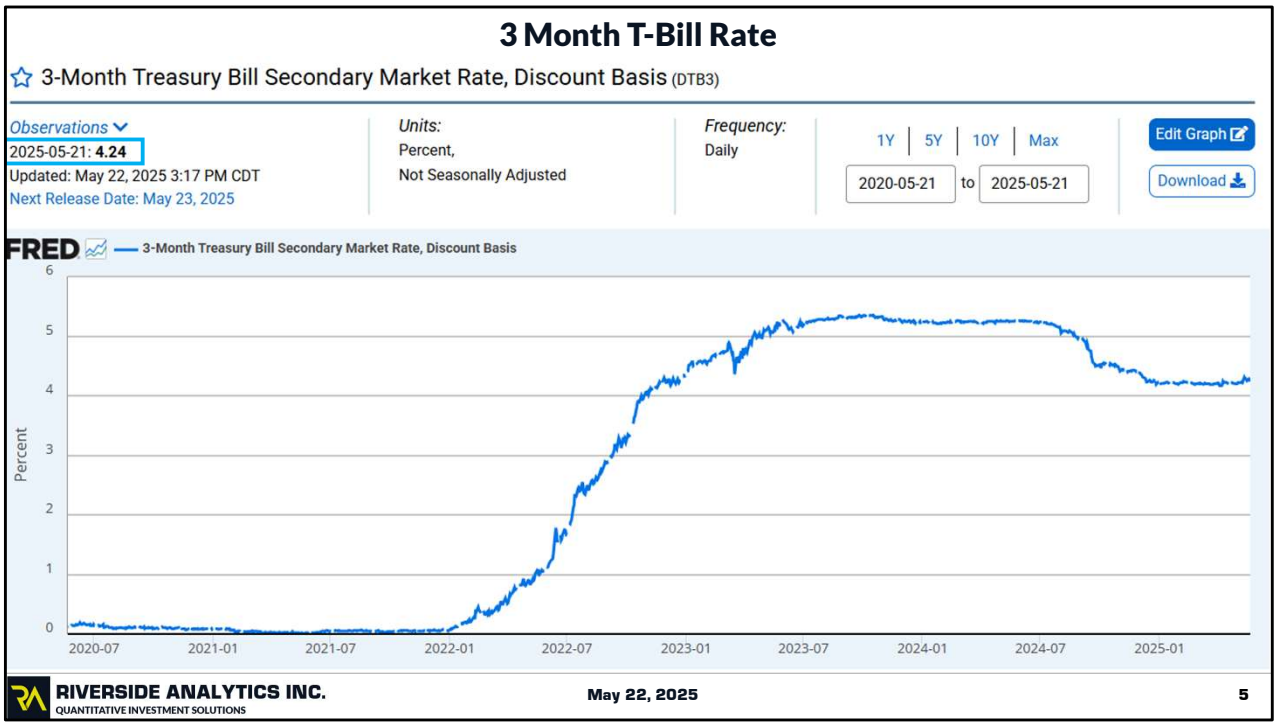
Please check the notes on each slide.

Earliest possible confirmed recession is late October.
Trump tariffs continue to upend business planning.
There is very little in the data indicating trouble. Consumer Sentiment is low.
US interest rate reductions likely slower to decline than previously expected.
United States-Mexico-Canada Agreement (USMCA) is protecting Canadians from many tariffs.

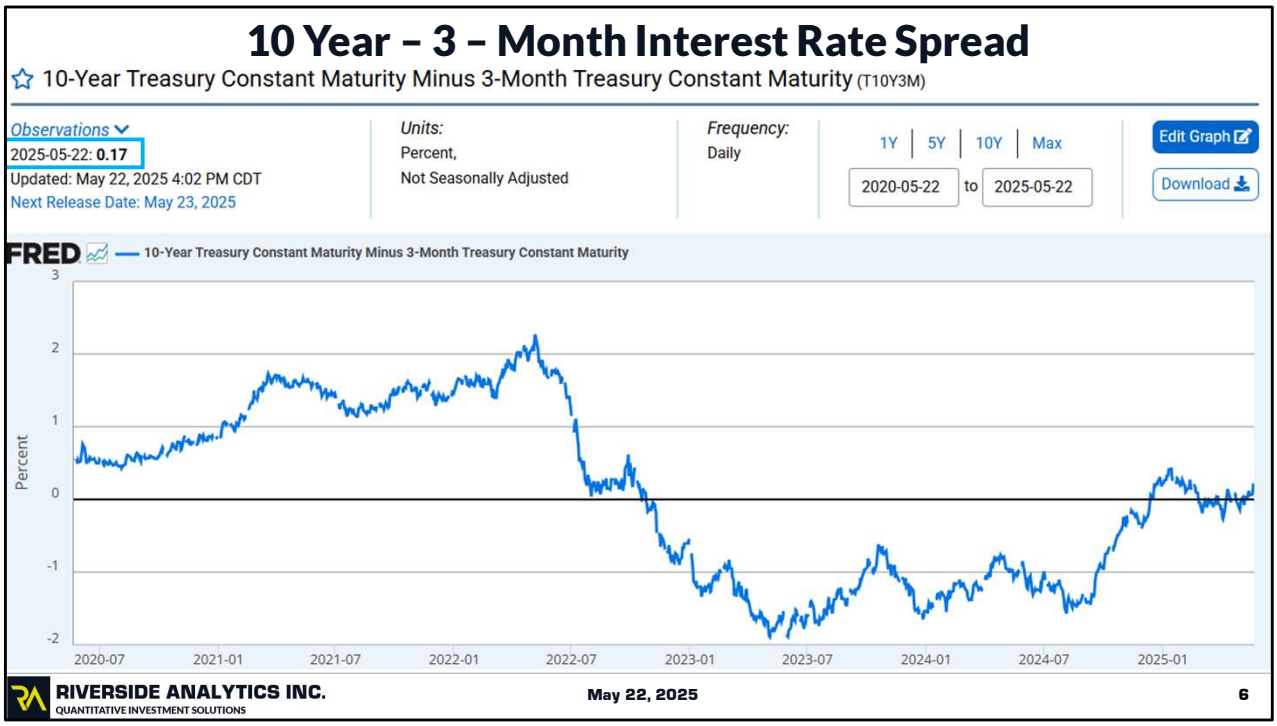
CBOE 10 Year T-Bill



May – Last month was 4.29. Up 29 points from mid last month.
Source : Board of Governors of the Federal Reserve System (US) via FRED

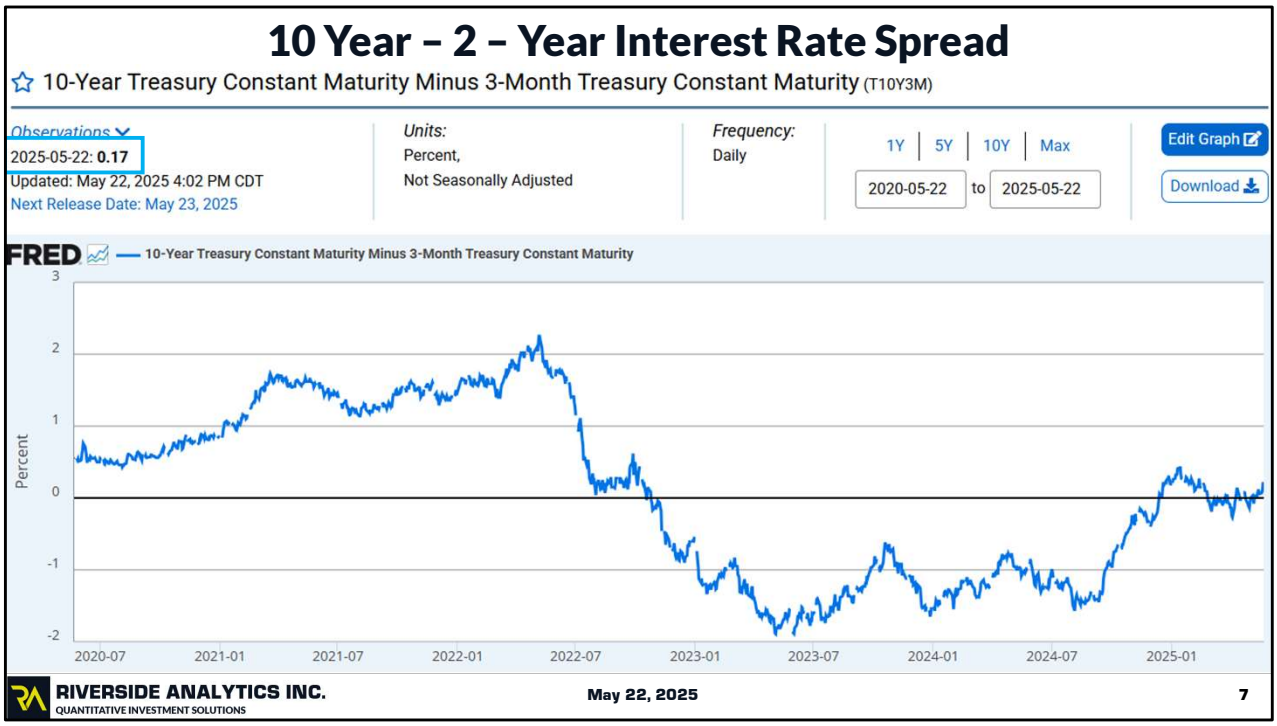


May – Last month was 4.21.. It continues to be about as dead flat as it gets ! It probably stays this way until mid summer.
Source : Board of Governors of the Federal Reserve System (US) via FRED



May - Last month was 0.0. Spreads are likely going to stay in a tight range until mid summer.

Based on previous Riverside analysis, a recession does not occur until AFTER the inversion as righted itself.



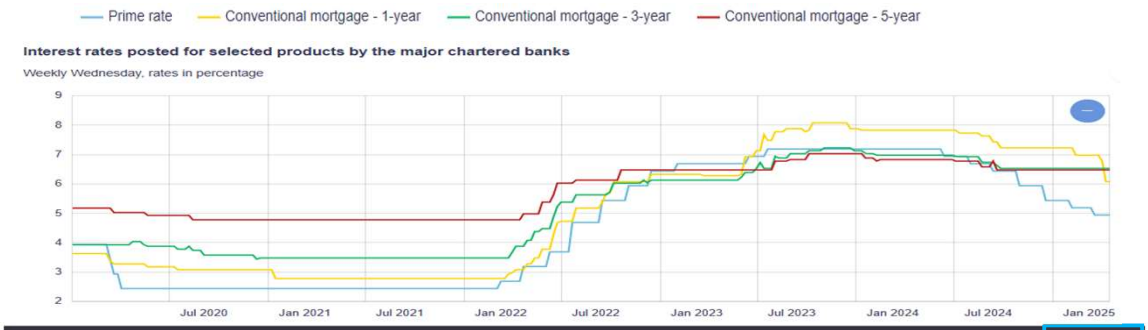
May – Last month was 0.53. The spread declined 36 points, giving back the entire rise of 24 points last month.

Same comment as last month.

Given Q1 is done, and nothing indicates recession is near, Q2 must complete with a negative GDP to start the recession ticker running. Nothing indicates that is likely to happen. Tariffs are the wildcard. Auto production and imports were both affected Q2. I need data to prove whether either or both are enough to tip the scales. As you will see later, economists are sending mixed messages.

As you will see later, the Fed is more likely to reduce rates to fight softness in the economy than worry about inflation.

BoC Interest Rates
April 18th



Weekly Wednesday, rates in percentage	CANSIM	2025-03-19	2025-03-26	2025-04-02	2025-04-09	2025-04-16
Prime rate[1]	V80691311	4.95	4.95	4.95	4.95	4.95
Conventional mortgage						
1-year	V80691333	6.99	6.99	6.79	6.09	6.09
3-year	V80691334	6.54	6.54	6.54	6.54	6.54
5-year	V80691335	6.49	6.49	6.49	6.49	6.49

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April – The 1 year dropped from 6.99 to 6.09, 3 and 5 year did not budge.

CIBC has 5 year fixed – 4.34 - No Change, Royal – 4.29 – No Change, TD - 4.54 down 5 points, and BMO - 4.59 down 20 points, however they do have a special on Default insured mortgages at 4.39
BNS moved towards the rest of the banks with a rate of 5.4, still very high relative to competitors.

BoC Interest Rates
May 22nd



Weekly Wednesday, rates in percentage	CANSIM	2025-04-23	2025-04-30	2025-05-07	2025-05-14	2025-05-21
Prime rate[1]	V80691311	4.95	4.95	4.95	4.95	4.95
Conventional mortgage						
1-year	V80691333	6.09	6.09	6.09	6.09	6.09
3-year	V80691334	6.54	6.54	6.54	6.05	6.05
5-year	V80691335	6.49	6.49	6.49	6.09	6.09

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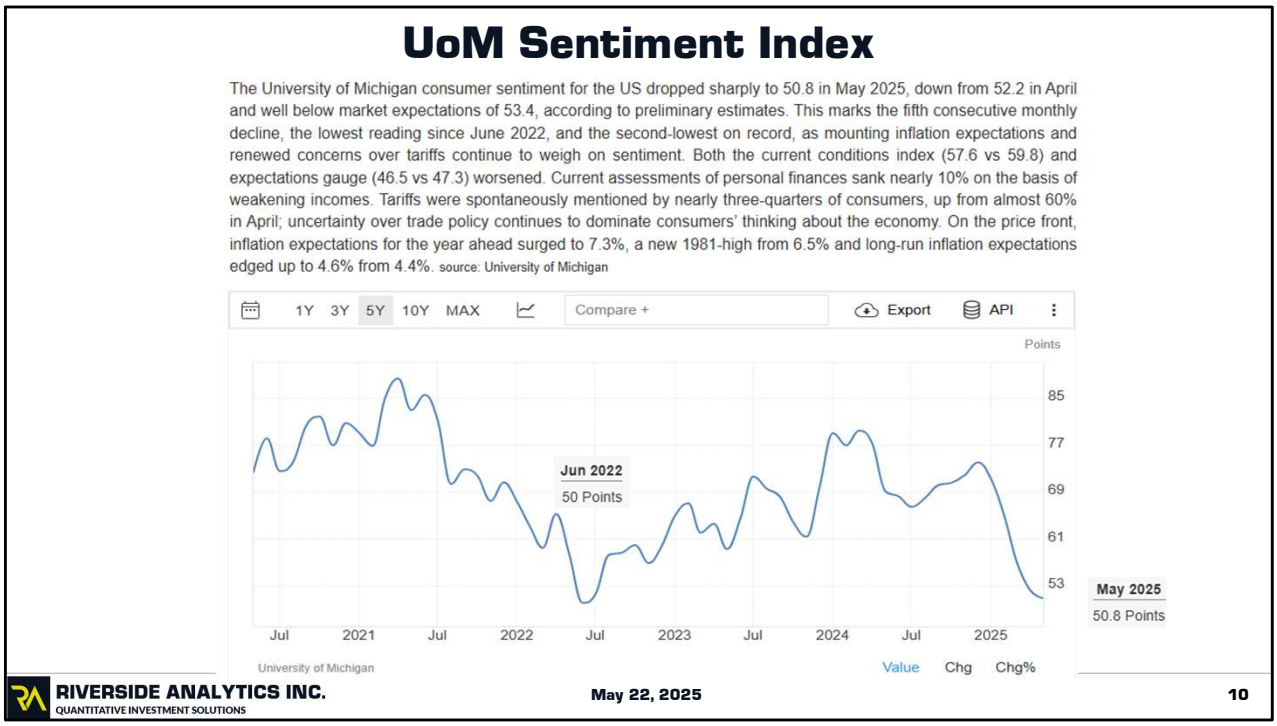
May – Prime stays the same, as does the 1 year Conventional Mortgage.
3 year mortgage drops from 6.54 down to 6.05
5 year drops from 6.49 to 6.09

Did the banks react to the lowering of the 3 and 5 year drops?
CIBC has 5 year fixed – 4.44 – up 10 points, Royal – 4.9 – up 10 points, TD - 4.64 up 10 points, and BMO - 4.24 DOWN 35 points,
BNS remains unchanged with a rate of 5.4, remaining very high relative to its competitors.



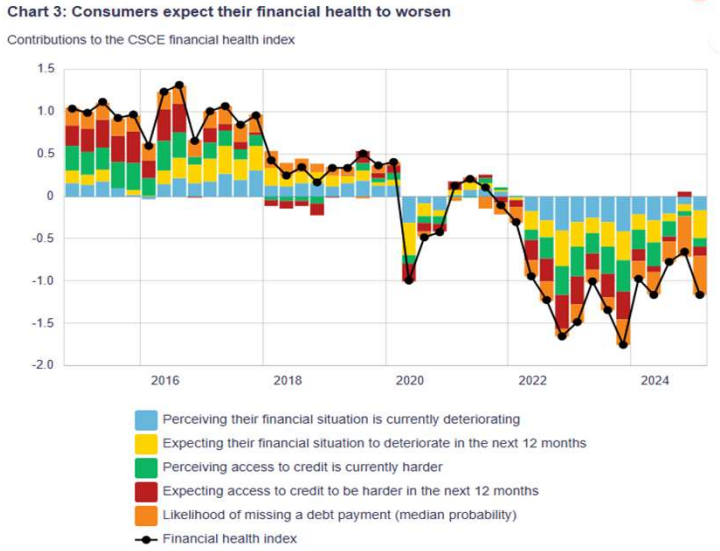
May – Sentiment continues its decline, down 52.2 last month, just slightly above the low of June 2022, now sitting at 50.8.

There is nothing to suggest consumer spending has changed in any meaningful way.

Those with student debt will feel the pinch, as those loans became payable again. **Approximately 45 million student loans exist. About 4 million are seriously delinquent, another 16 million in some form of delinquency. It is an area to watch in the coming months.**

Source : https://tradingeconomics.com/united-states/consumer-confidence

BoC Consumer Sentiment – Q1 Data – May No Change



Canadian Survey of Consumer Expectations—First Quarter of 2025 - Bank of Canada

May – **This is a quarterly report, so there will be no new data until July.**
April - 2025 Q1 data released

"Consumers have also become more pessimistic about their financial health (Chart 3, black line), largely because they expect their finances to worsen over the next 12 months (Chart 3, yellow bars). This greater pessimism is consistent with growing concerns about job security and a recession. Indeed, the share of consumers anticipating a recession in the coming year increased significantly (67% this quarter compared with 47% last quarter). In addition, consumers again reported a higher-than-average probability of missing a debt payment (Chart 3, orange bars)."

There is lots in this report if you want to dig in !
Canadian Survey of Consumer Expectations—First Quarter of 2025 - Bank of Canada

BoC Inflation Expectations – Q1 Data – May No Change



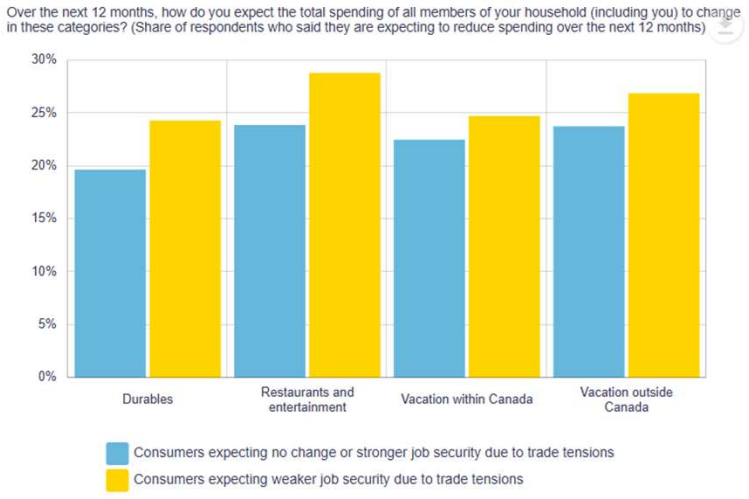
Consumers reported that they view tariffs and the Can$/US$ exchange rate as the most important factors hindering the Bank's ability to control inflation.

May – **This is a quarterly report, so there will be no new data until July.**

April - 2025 – Q1 report has been released !

There is lots in this report if you really want to dig in !
https://www.bankofcanada.ca/2025/04/canadian-survey-of-consumer-expectations-first-quarter-of-2025/

BoC Expectations – cont. Q1 Update – May No Change



Optimistic (blue) vs Pessimistic (Yellow) spending expectations.

May – **This is a quarterly report, so there will be no new data until July.**

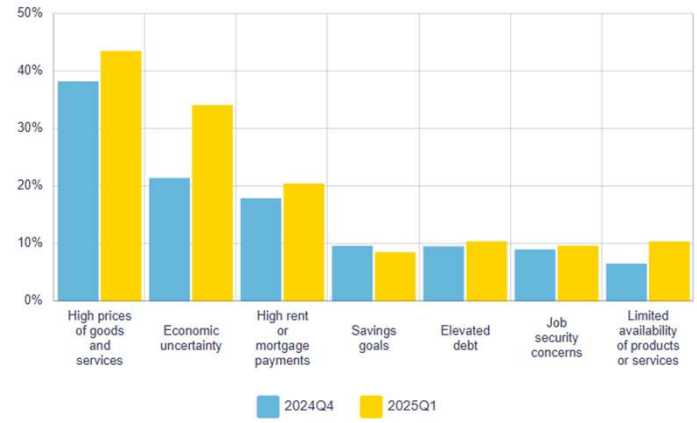
April - It is interesting that consumers expect spending to climb, but most were willing to compromise on eating out. **What this chart says is the 75 ish % expect to be unaffected or have not considered if they could be affected by changing economic conditions**.

There is lots in this report if you really want to dig in !
https://www.bankofcanada.ca/2025/04/canadian-survey-of-consumer-expectations-first-quarter-of-2025/

BoC Expectations – cont. Q1 Update – May No Change

Chart 5: High prices, uncertainty and housing costs continue to weigh on spending

Consider the total spending of all members of your household (including you) over the next 12 months. Do you expect your spending to be negatively, positively or not really affected by economic factors or personal circumstances? If negatively affected: Which of the following economic factors or personal circumstances do you expect will have the greatest negative impact on your spending over the next 12 months? (Share of respondents expecting their spending to be negatively affected by any factor; more than one option could be selected)

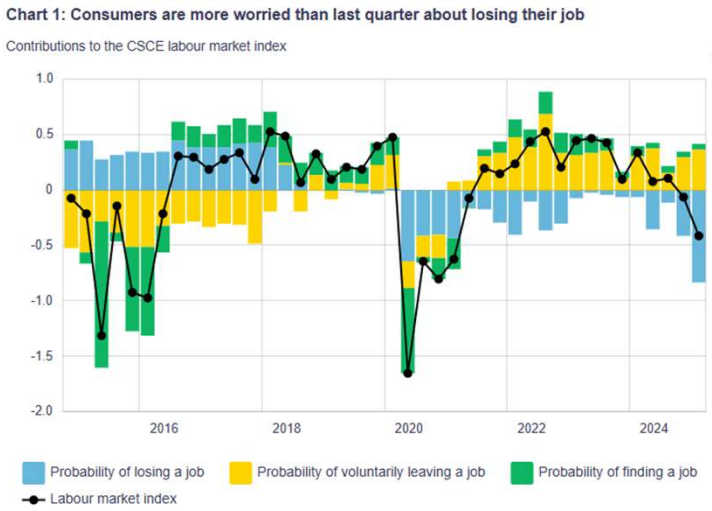


May – **This is a quarterly report, so there will be no new data until July.**

April - Consumers expect savings to go down, and expenses to go up.

https://www.bankofcanada.ca/2025/04/canadian-survey-of-consumer-expectations-first-quarter-of-2025/

BoC Expectations – cont. Q4 Update – May No Change



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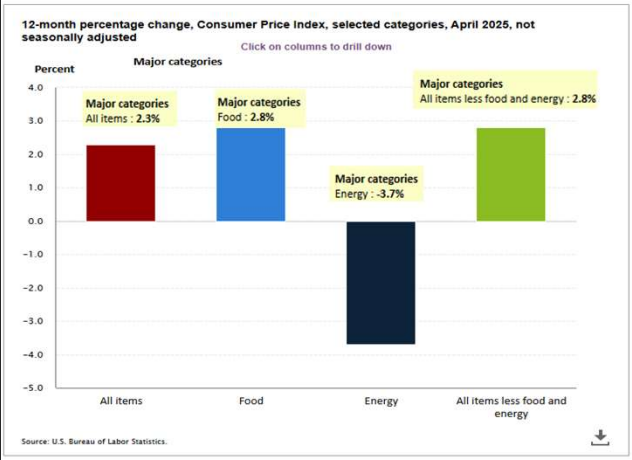
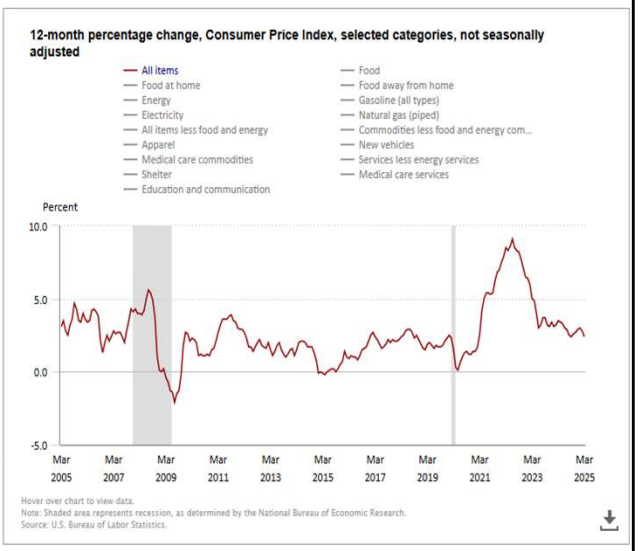
May – **This is a quarterly report, so there will be no new data until July.**

April – Consumers are expecting more job losses in the coming months due to trade conflicts. Job loss concerns so far, are muted. The labour loss data is noisy, so single month data points need to taken with a grain or two of salt. BoC interest rate decision made April 16th, was stand pat at 2.75%. It saw no immediate need to move on the media noises from the US.

There is lots in this report if you really want to dig in !
https://www.bankofcanada.ca/2025/04/canadian-survey-of-consumer-expectations-first-quarter-of-2025/

US Inflation Rate





All items : 2.3% was 2.8 %
All items less food and energy : 2.8 % Unchanged
Food : 2.8 was 3.0
Energy : -3.7 was -3.3

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May 22, 2025

May – Reviewing all the charts, food and energy declines pulled the average down, BUT the rest averages out - to no change !

So far, companies seem to be either eating the tariffs, or more likely they raised inventory in advance, anticipating them.
More companies are indicating prices increases are coming in June. Those will not show up until the July report.
If you go to the website, there is table that is MUCH easier to see the details.

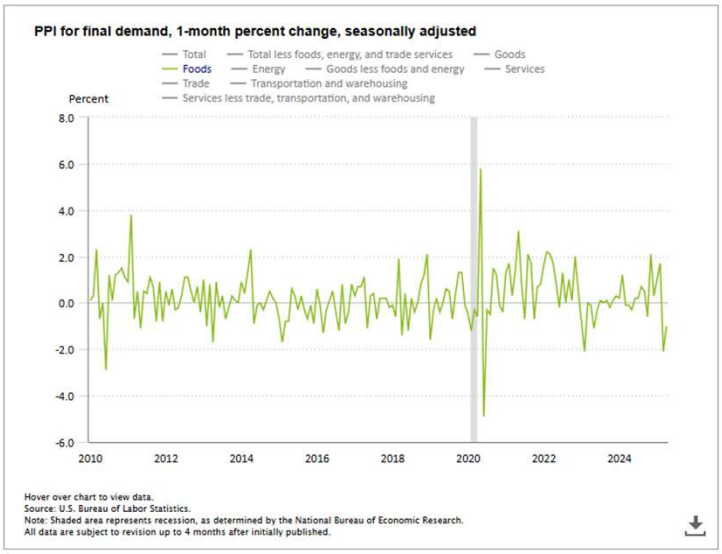
Lots of additional detail is located here – Each of the index items in the right hand cart above, has its own data.
The way you avoid muddying up the chart, is click once on the item you want to remove in the index, then click on the item you want to see.
https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm

The left chart is here
https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm#

Producer Price Index – Food

1-month percent change, seasonally adjusted

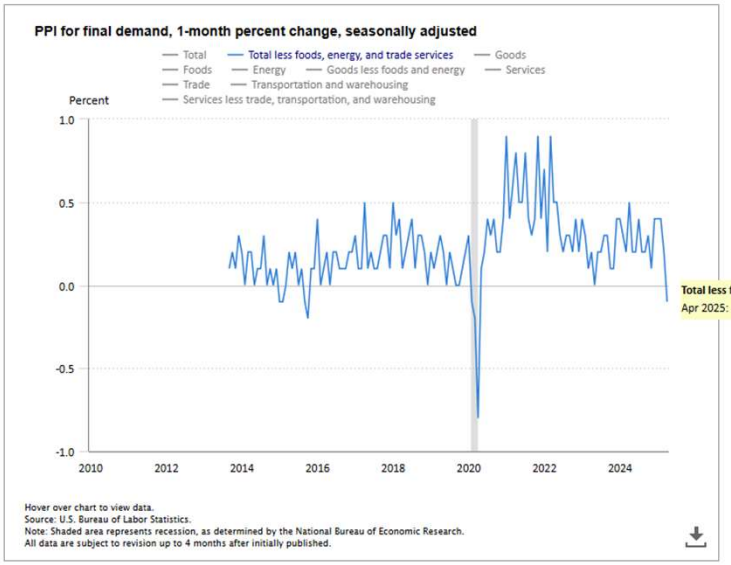
May -2.1% to -1.0



May – Food prices continue to drop slightly.
–Details are here >> https://www.bls.gov/charts/producer-price-index/final-demand-1-month-percent-change.htm#

Producer Price Index – Total

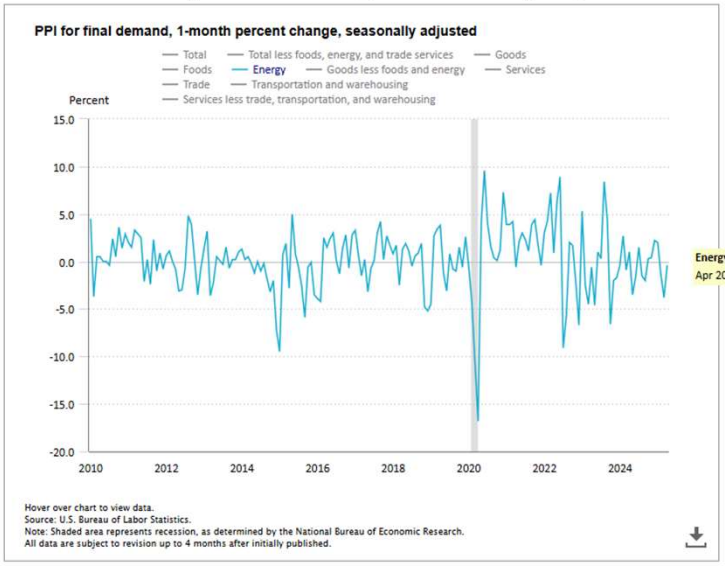
1-month percent change, seasonally adjusted



May – At the producer level, inflation is muted, which should be good for the near future. Tariffs, so far, have had no influence here !
https://www.bls.gov/charts/producer-price-index/final-demand-1-month-percent-change.htm#

Producer Price Index – Energy

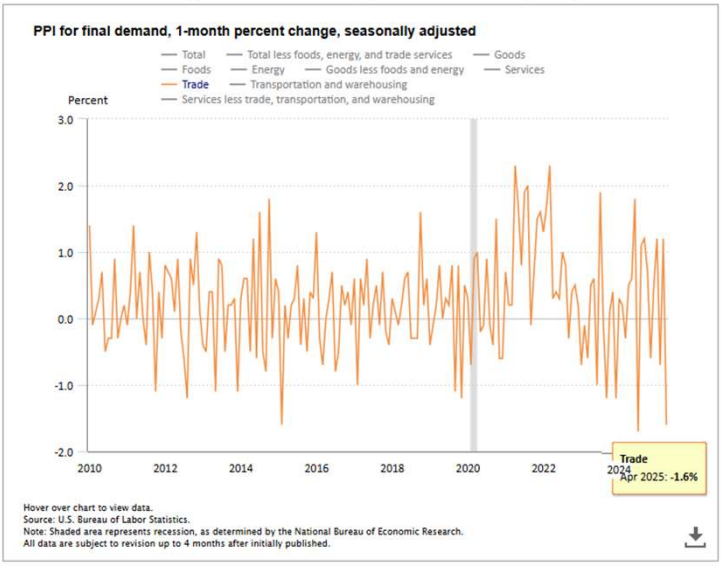
1-month percent change, seasonally adjusted



May – Energy prices are steady.
https://www.bls.gov/charts/producer-price-index/final-demand-1-month-percent-change.htm#

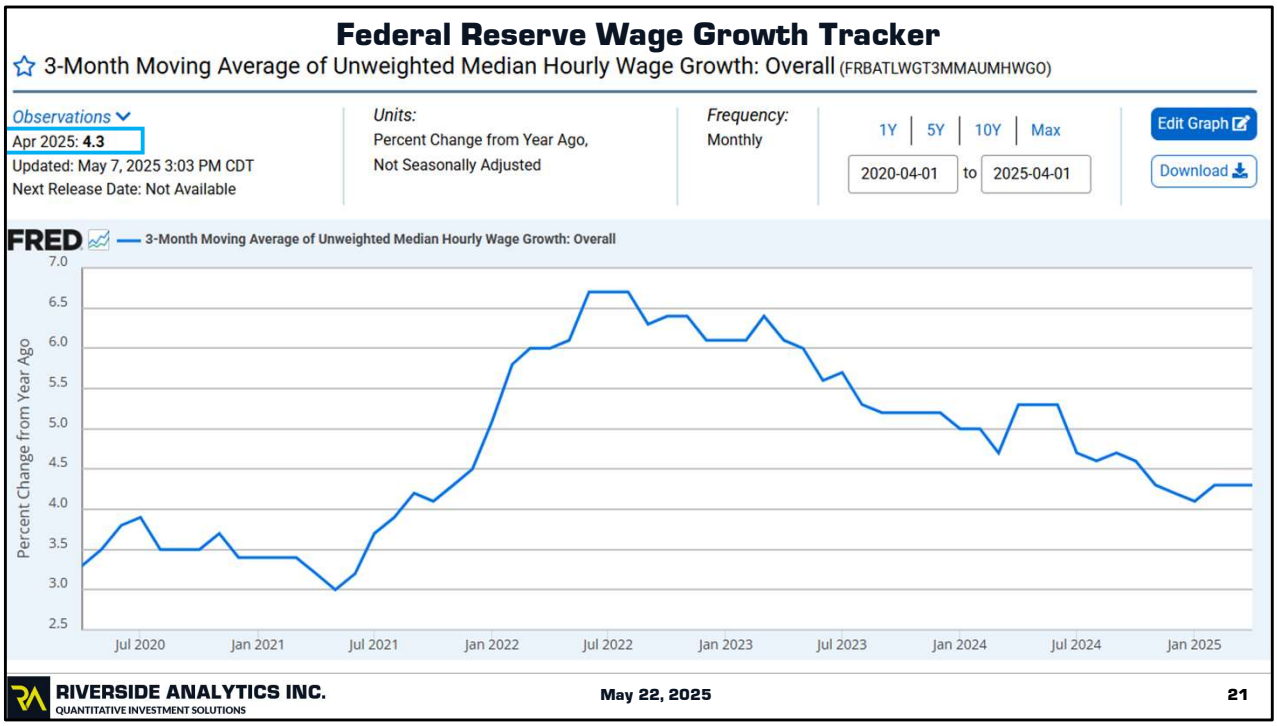
Producer Price Index – Trade

1-month percent change, seasonally adjusted



May – Same comment as last month - Nothing out of the ordinary ! We have been here before. 1% one way or the other is largely statistical noise.

https://www.bls.gov/charts/producer-price-index/final-demand-1-month-percent-change.htm#

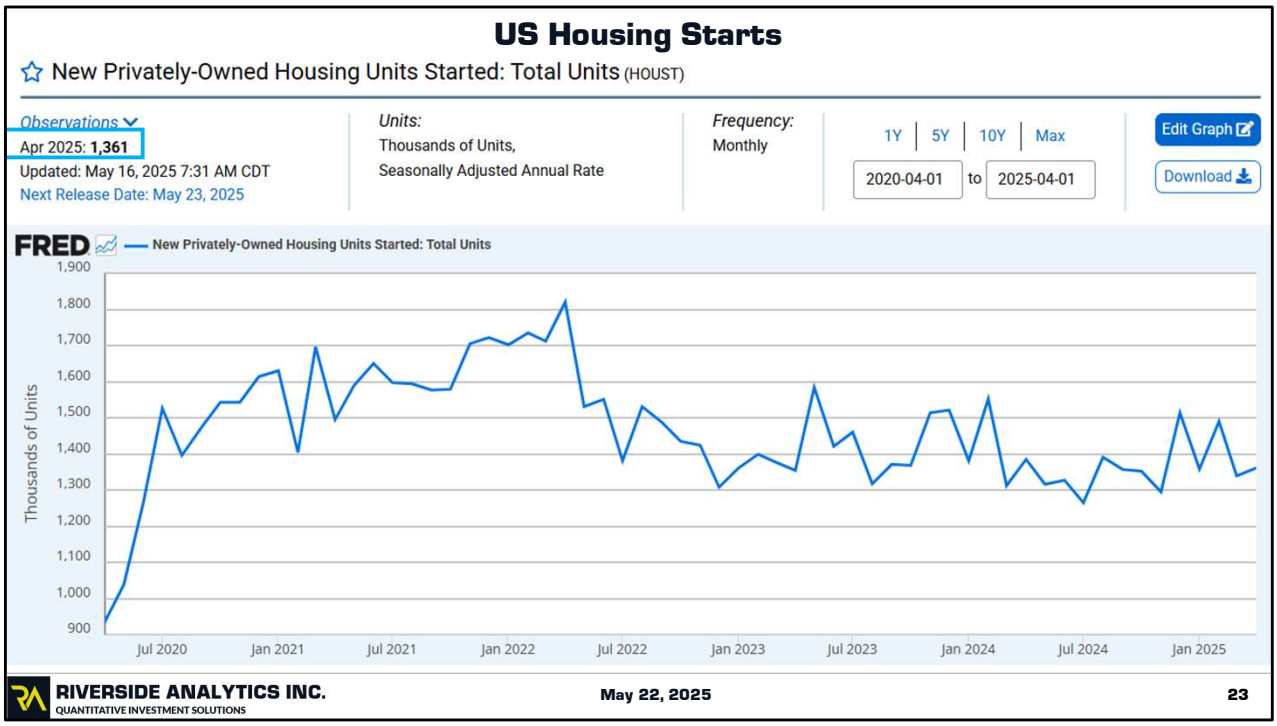


May – This is the third month of No change! Wages are growing faster than inflation.

https://fred.stlouisfed.org/series/FRBATLWGT3MMAUMHWGO

Leading Indicators

Housing Starts
Manufactures New Orders
Commodity Prices
Average Hours Worked

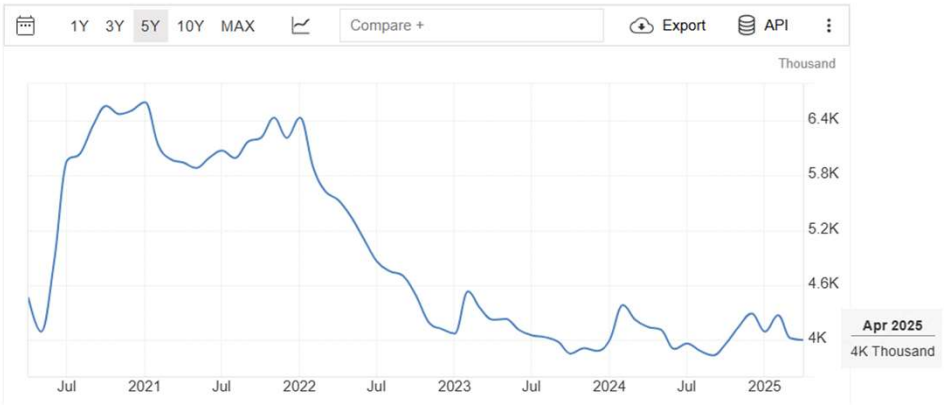


May – Another month of No changes of significance - More range bound housing starts.

Some builders are giving 5% commissions of real estate agents for a completed sale. They are pushing incentives to move units !

US Existing Home Sales

Existing home sales in the US declined 0.5% mom to a seasonally adjusted rate of 4.00 million in April 2025, the lowest in seven months, compared to 4.020 million in March and forecasts of 4.1 million, restrained by high mortgage rates. Sales dipped in the Northeast (-2%) and West (-3.9%), grew in the Midwest (2.1%) and were unchanged in the South. Total housing inventory was 1.45 million units, up 9% from March. The median existing-home price for all housing types was $414,000, up 1.8% from one year ago. "Home sales have been at 75% of normal or pre-pandemic activity for the past 3 years, even with 7 million jobs added to the economy. Pent-up housing demand continues to grow, though not realized. Any meaningful decline in mortgage rates will help release this demand. At the macro level, we are still in a mild seller's market. But with the highest inventory levels in nearly 5 years, consumers are in a better situation to negotiate for better deals", said NAR Chief Economist Yun. source: National Association of Realtors



May – same comment as April - another rangebound graph. Two years of very similar activity ! It is shaping up to be three spring peaks of 4.5 (2023), 4.4 (2024), and 4.3 (2025). There is a decent chance, summer a interest rate reduction, followed by similar a LATE fall reduction.

Housing affordability and higher interest rates is keeping sales muted.

From Trading Economics, who sourced it from National Association of Realtors

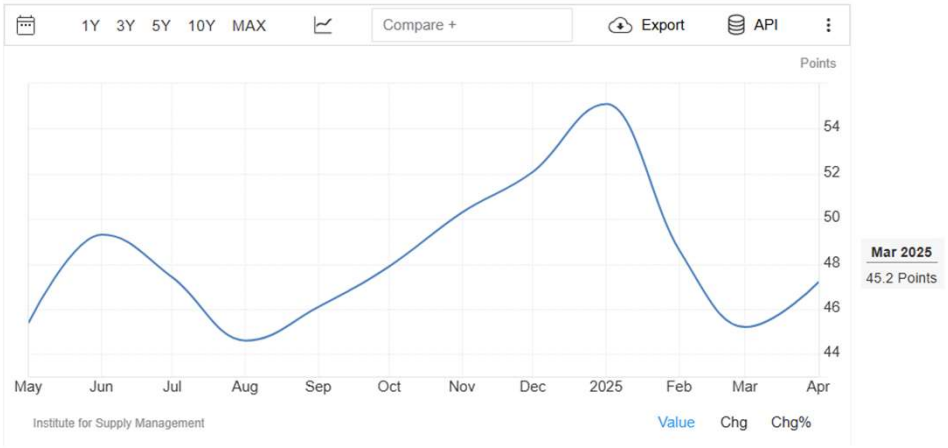


May –This is interesting. **After 2 years of no significant change, the MARCH data reported in MAY is showing a pop ! This is a 4 percent jump month over month ! There was strong demand for commercial aircraft, but activity elsewhere was muted. (Reuters – April 24th). I expect a return to its normal range in the coming months.**

I do not expect reshoring to happen in any significant way. It takes a long time to build a greenfield operation. The profit hit is huge.

ISM Manufacturing New Orders Index

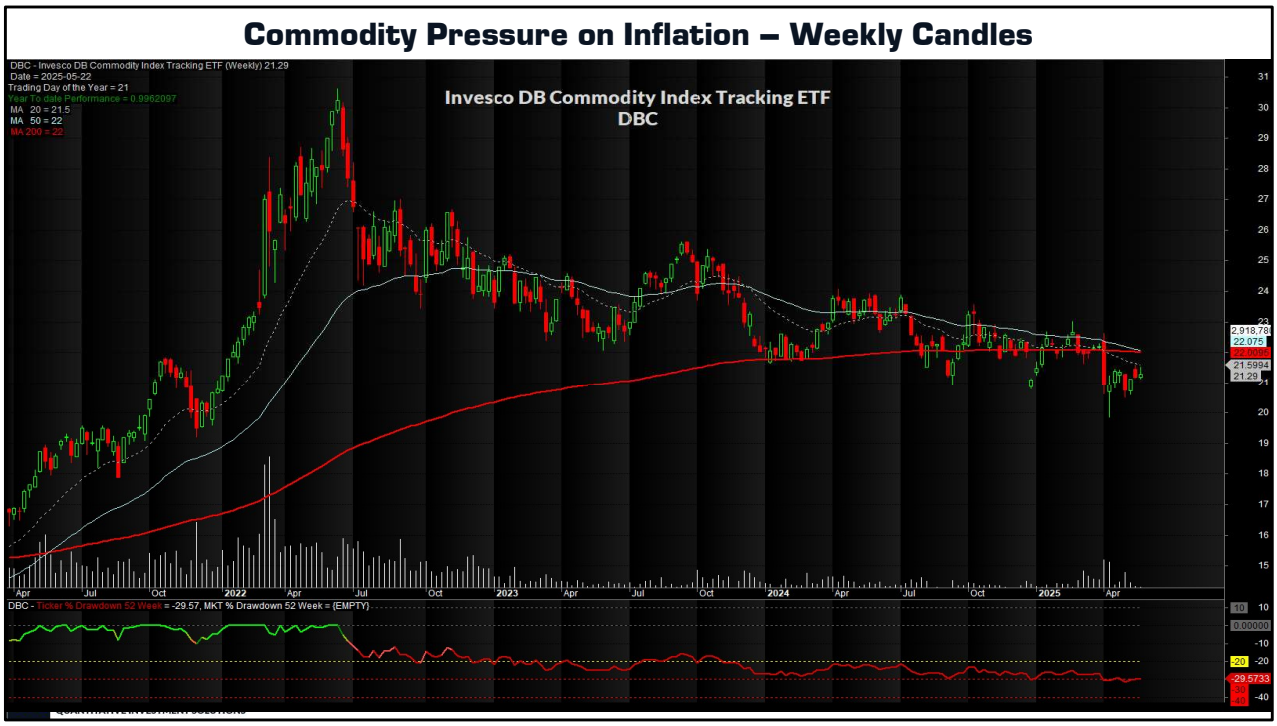
The ISM Manufacturing New Orders subindex in the United States decreased to a seven-month low of 45.20 points in March 2025 from 48.60 points in February. ISM Manufacturing New Orders in the United States averaged 55.44 points from 1950 until 2025, reaching an all time high of 82.60 points in June of 1950 and a record low of 24.20 points in June of 1980. source: Institute for Supply Management



May – New orders found a floor. Maybe, companies are beginning to ignore the White House, and just moving ahead. It seems that many of the shocking noises are turning out to be toothless, regardless of claims otherwise.

Source : Trading Economics
https://tradingeconomics.com/united-states/ism-manufacturing-new-orders

Commodity Pressure on Inflation – Weekly Candles



May – Since last month, this collection of commodities have remained in a trading range.

The 20, and 50 MA remain on the trend down, indicating a continuing slow decline on future inflation from carbon based energy, Gold, Silver, Aluminum, Zinc, Copper Grade A, Corn, Wheat, Soybeans, and Sugar.

The 200 MA is showing signs of having peaked and entering a slow decline.

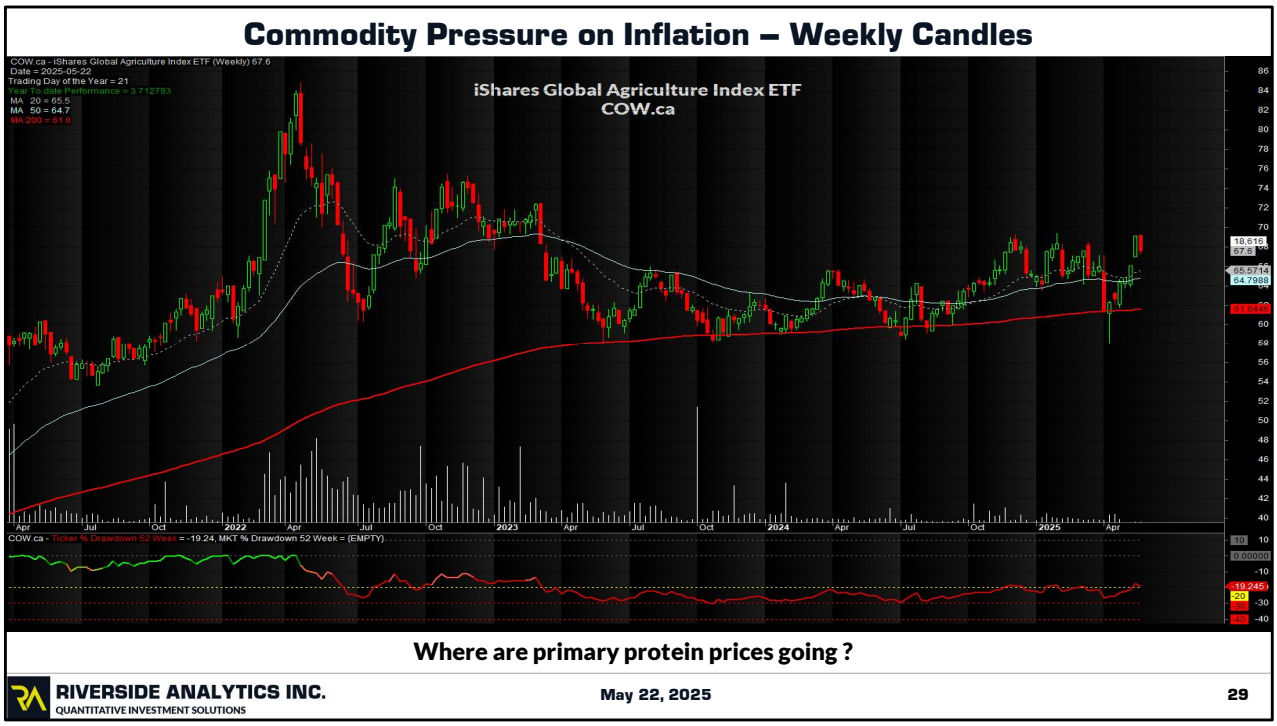
Commodity Pressure on Inflation – Weekly Candles



Agriculture inflation suggesting manufactured food prices unlikely to show any relief.

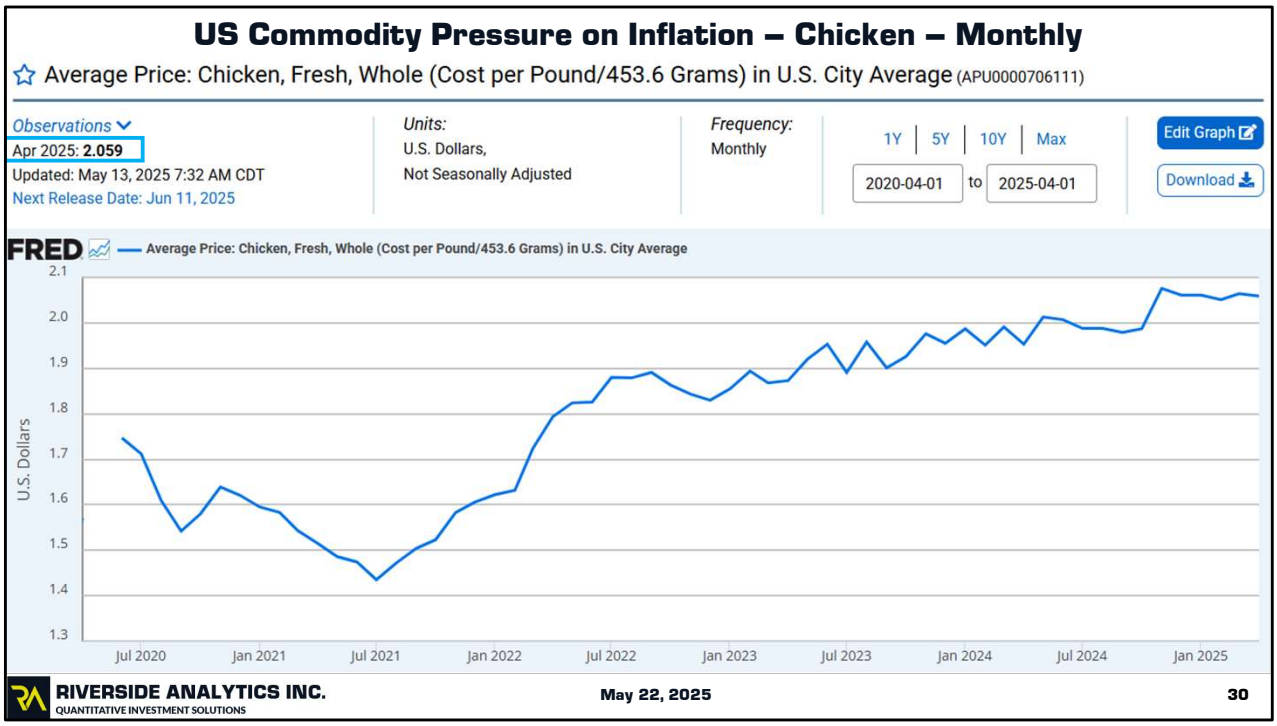
May – The trading range intact. Upward pressure on these items is muted.

The underlying index includes corn, soybeans, wheat, Kansas City wheat, sugar, cocoa, coffee, cotton, live cattle, feeder cattle, and lean hogs. The one good thing is that Y/Y comparisons are likely to be more favourable than 2024, thus the RATE of change should be lower for 2025.



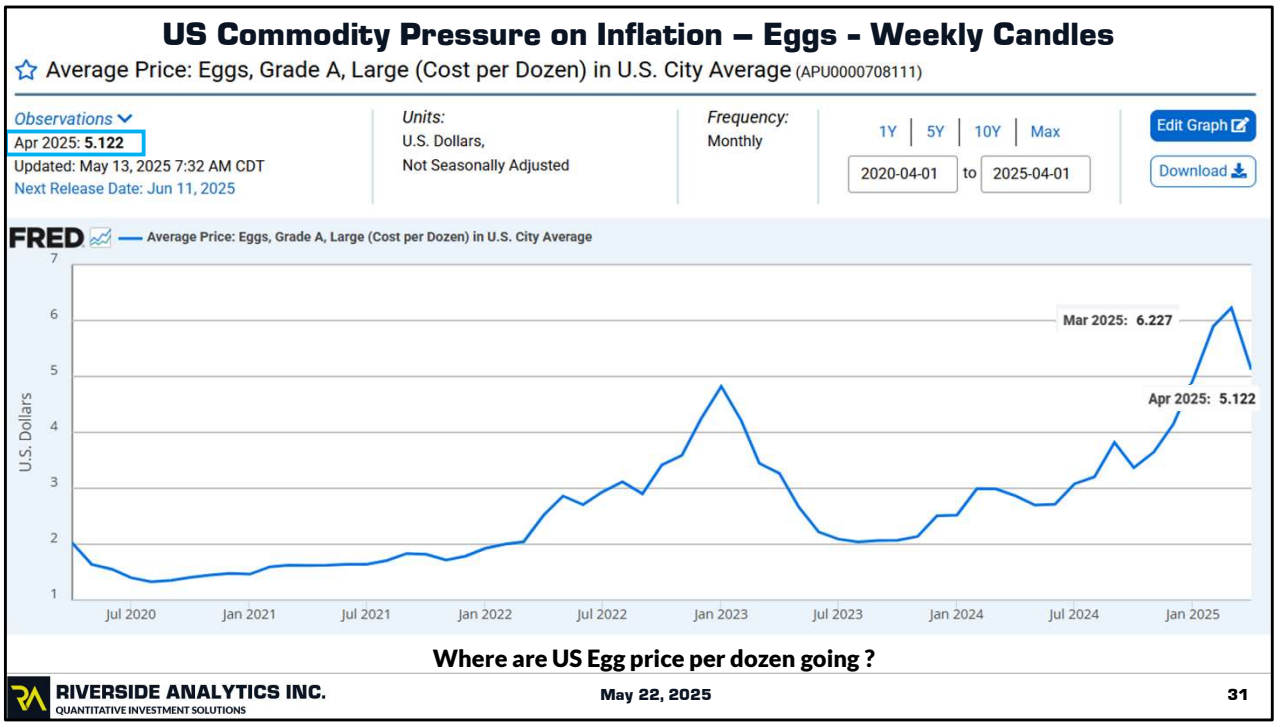
May – another trading range being maintained - price increases should be muted.

Consumers need protein in their diet, and typically make up about 1/3 of the calories they consume. This covers both Cattle and Pork.

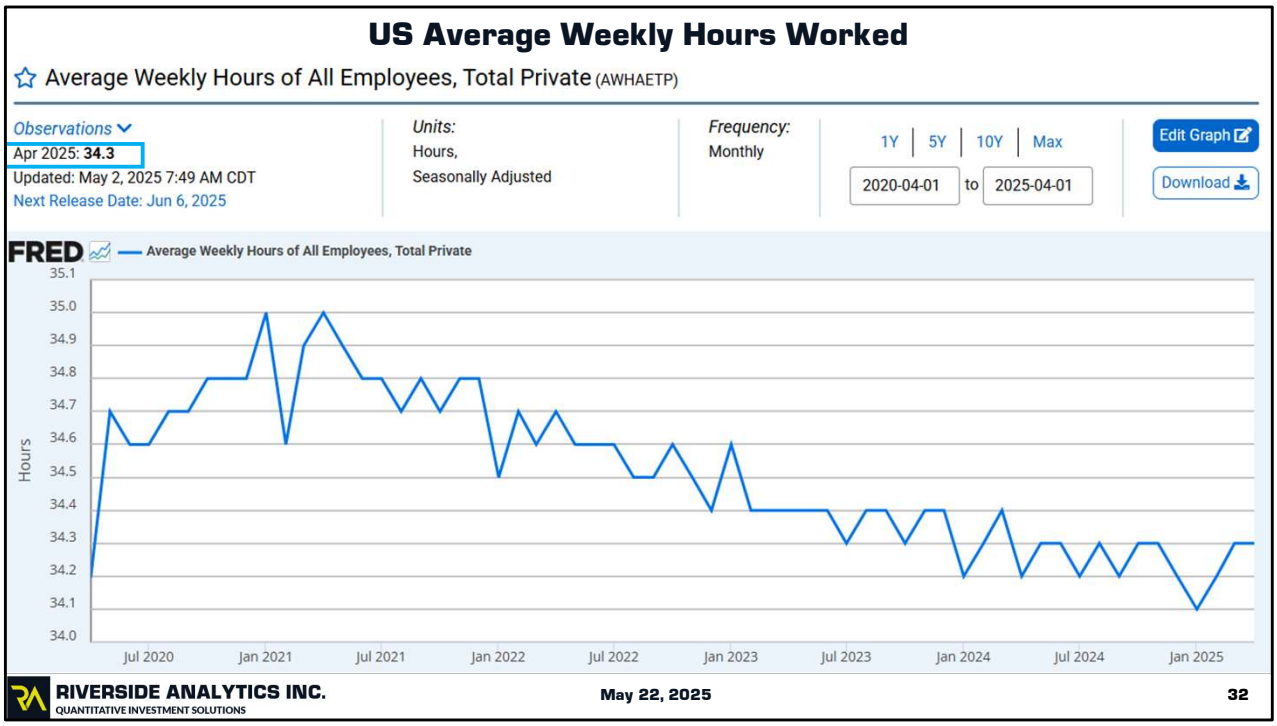


May – Once prices rise, they do not tend to come back down.
Bird flu has impacted egg prices in the US and has had upward pressure on chicken prices.

The jump in the chart to the right is November.

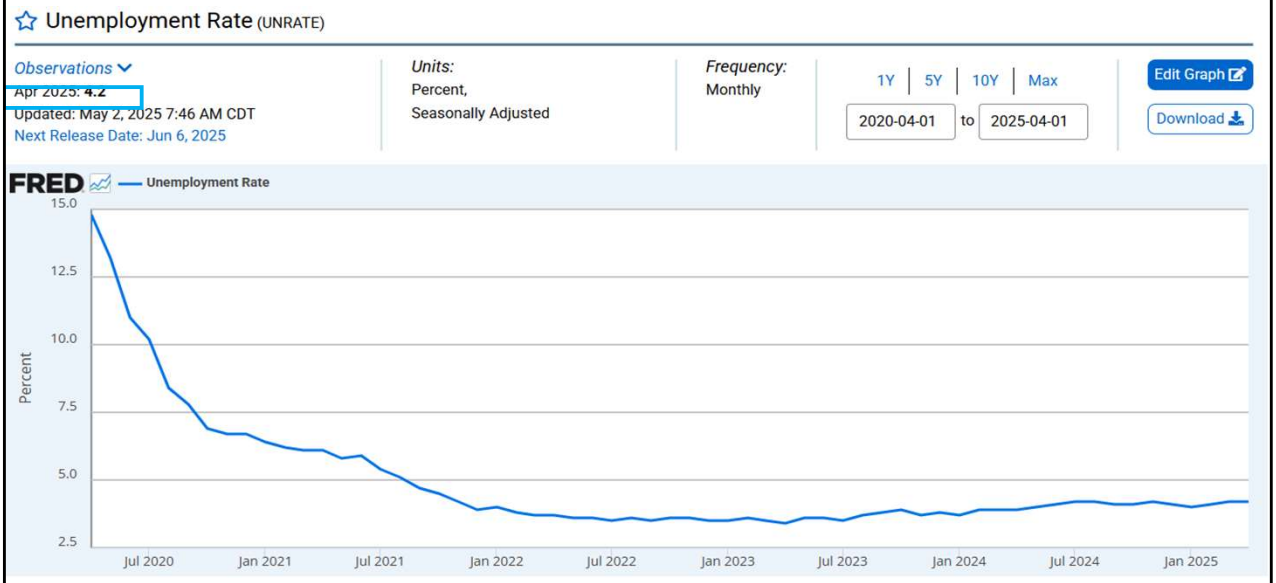


May – US egg prices peaked at $6.22 per dozen in March, is down about 18 percent by April month end.



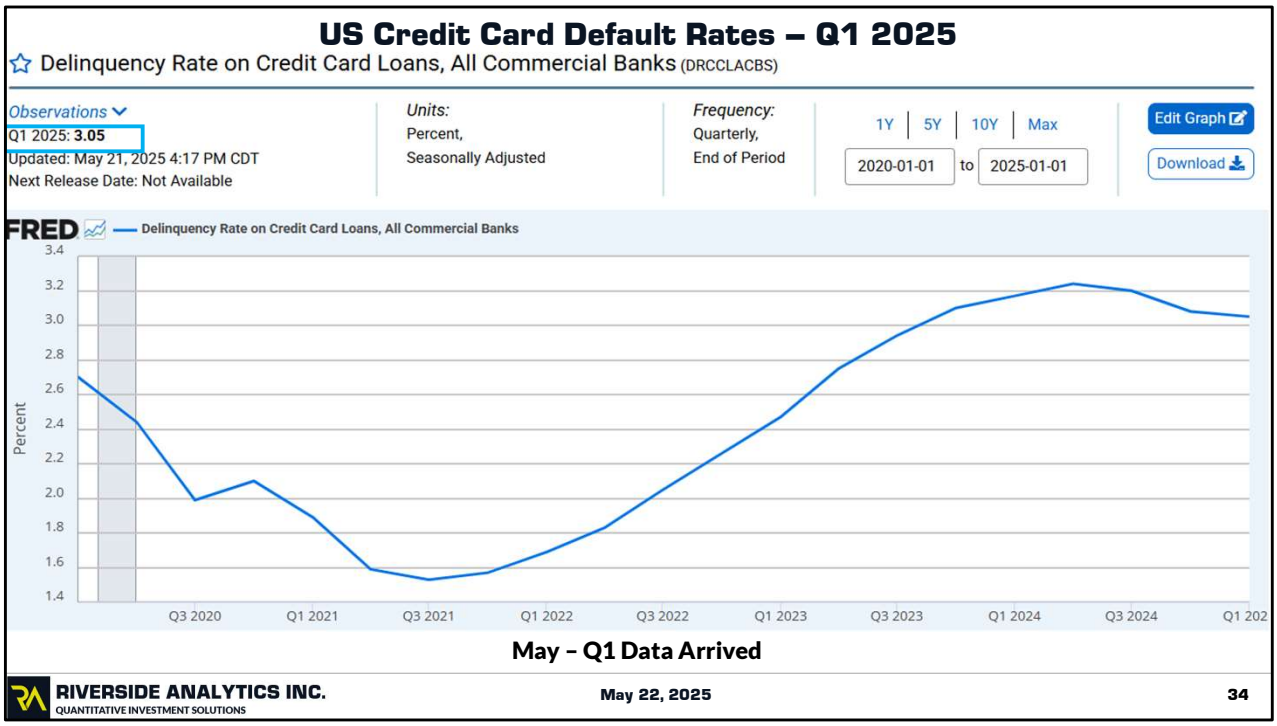
May – March was adjusted up by 1/10th, and April matched the adjusted value, a similar condition to last month.

US Unemployment Rate



April remains at 4.2 – Steady as she goes

May – No change from April… continuing statistical noise routine.



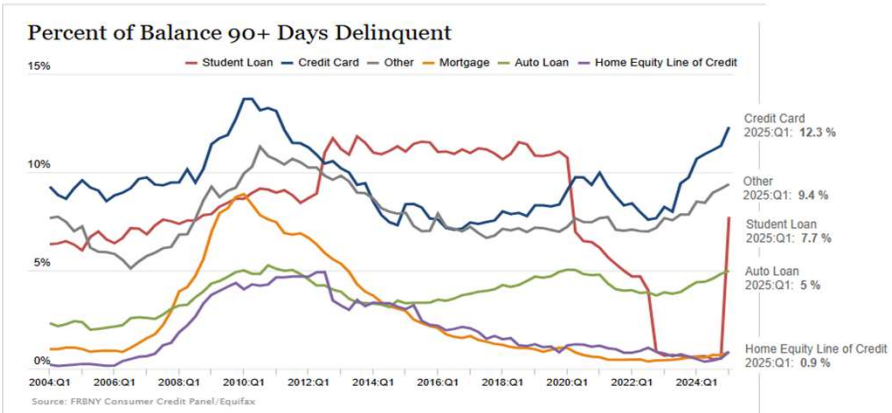
May – 2025 Q1 3.05 - 2024 Q4 3.08 is a decline from the 3.24 peak in Q2.

As you will see on the next slide, there is a difference between numbers of cards defaulting, and the value of the debt defaulting!

Delinquent loans are those past due thirty days or more and still accruing interest as well as those in nonaccrual status. They are measured as a percentage of end-of-period loans.

Credit Card Default Rates – NY Fed – 2025 Q1

US Household Debt Hits $18.20 Trillion



Aggregate delinquency rates increased in the first quarter of 2025. As of the end of March, 4.3 percent of outstanding debt was in some stage of delinquency, up from 3.6 percent in the third quarter. Transition into early delinquency held steady for nearly all debt types; the exception was for student loans, which saw a large uptick in the rate at which balances went from current to delinquent due to the resumption of reporting of delinquent student loans on credit reports after a nearly 5-year pause due to the pandemic. Transition rates into serious delinquency, defined as 90 or more days past due, remained stable for auto loans and credit cards, and saw increases for mortgages, HELOCs, and student loans.

Quarterly Report

May – 2025 Q1 data has been released.

Household Debt Hits $18.20 Trillion. Changes to the overall balances of debt are very small on a percent change basis.

Credit card balances fell by $29 billion from the previous quarter and stood at $1.18 trillion at the end of March 2025. Auto loan balances also declined by $13 billion, representing the second drop from one subsequent quarter since 2011, and totaled $1.64 trillion. Mortgage balances grew by $199 billion and stood at $12.80 trillion. HELOC balances rose by $6 billion to $402 billion, representing the twelfth consecutive quarterly increase. Student loan balances grew by $16 billion and now stand at $1.63 trillion. Other balances, which include retail cards and other consumer loans, fell by $12 billion.

November – Federal Reserve Bank of New York.
https://www.newyorkfed.org/microeconomics/hhdc.html

Another way to look at the credit card delinquency rate. About 47% of cardholders carry a month to month balance. If 11 percent of those are in trouble, this infers about 23 percent of those carrying a balance, are in serious trouble.

What is the difference between delinquency and charge-off?
Charge-offs are the value of loans and leases removed from the books and charged against loss reserves. Charge-off rates are annualized, net of recoveries. Delinquent loans and leases are those past due thirty days or more and still accruing interest as well as those in nonaccrual status

US Credit Card Outstanding Balances

Total outstanding credit card balances, 1999 to present



$1.182 trillion

This is costing the 47 % of card holders on average $120.60 a month in interest charges or $1447 / year.

Average Interest rate : 21.37%
New CC Offer Rates : 24.28%

Source: New York Fed Consumer Credit Panel/Equifax. Note: Values, which are in billions, are seasonally adjusted.

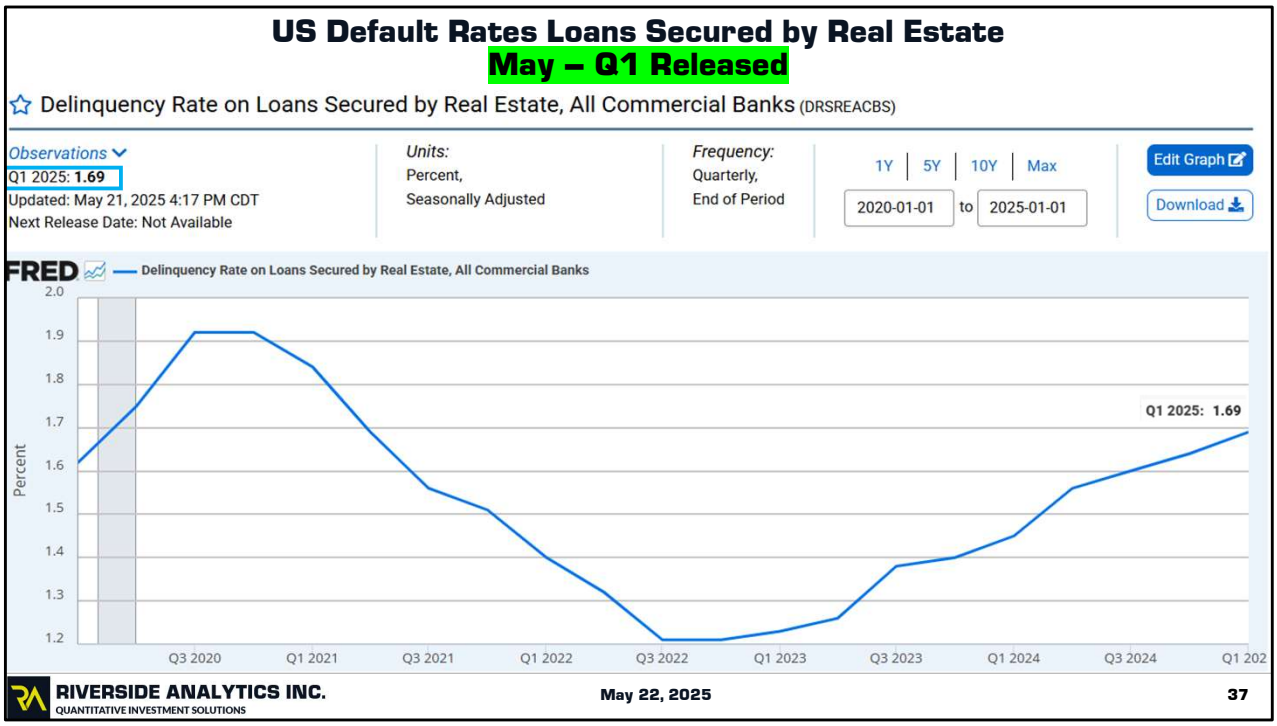
47% of card holders carry a balance month to month ! Average CC balance $7,321 in Q1 2025

May – "It isn't unusual for credit card debt to dip in Q1. That's happened in all but three years — 2000, 2001 and 2023 — since the report began in 1999. However, no one should expect this to be the part of a new downward trend for credit card debt. The last time we saw card debt decrease in Q2 of a year was 2020, when the pandemic was in full swing. Prior to that, it hadn't happened since 2012."
Source: Lending Tree.

About half the population is paying some stiff interest charges on rotating debt.

https://www.lendingtree.com/credit-cards/study/credit-card-debt-statistics/
Additional detail here > https://www.bankrate.com/credit-cards/news/credit-card-debt-survey/#many-carry-debt-for-more-than-a-year

US Default Rates Loans Secured by Real Estate
May – Q1 Released

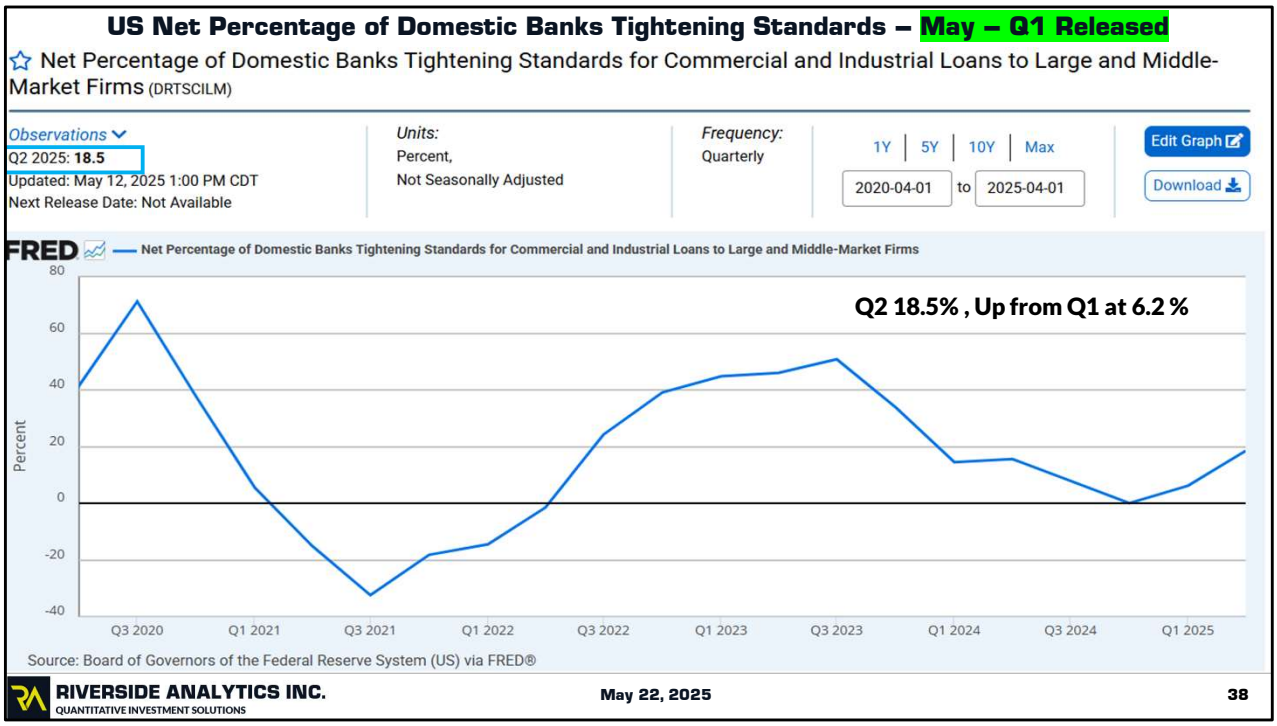


May – Up 9/100ths, a small movement !

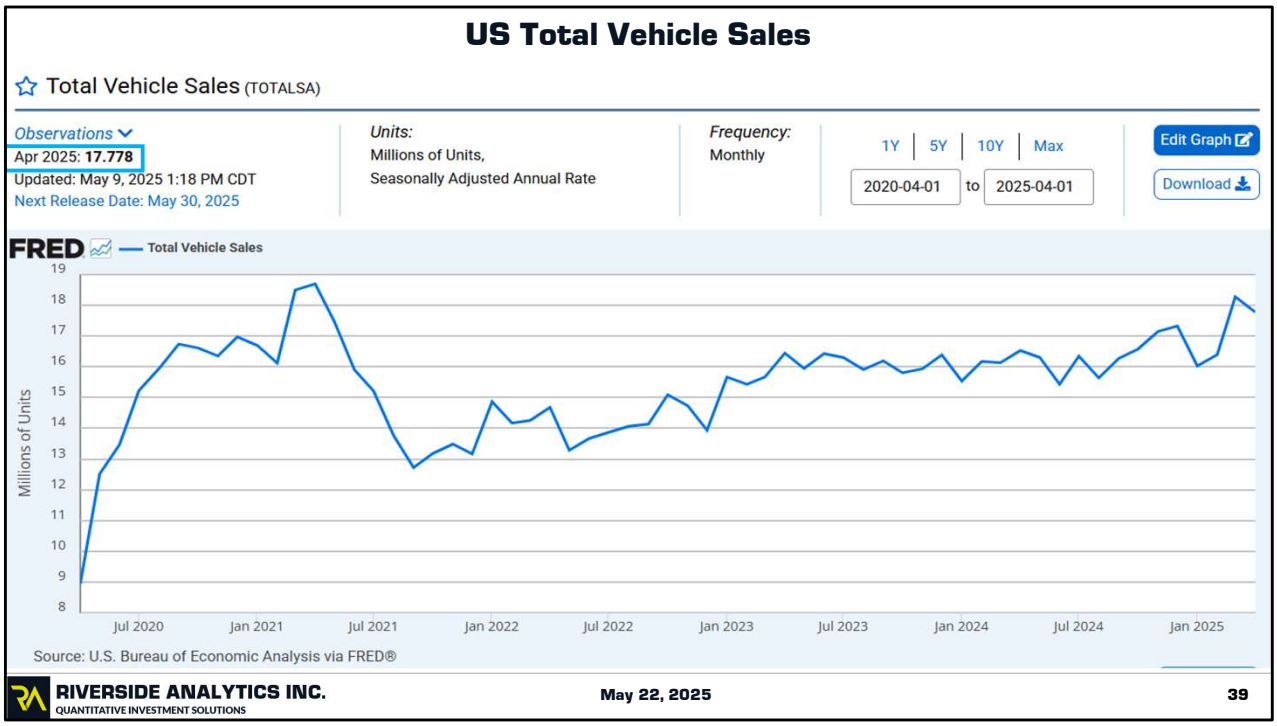
Q4 was 1.64

Only about 10 percent of US Real Estate mortgages are variable rates.

US Net Percentage of Domestic Banks Tightening Standards – May – Q1 Released

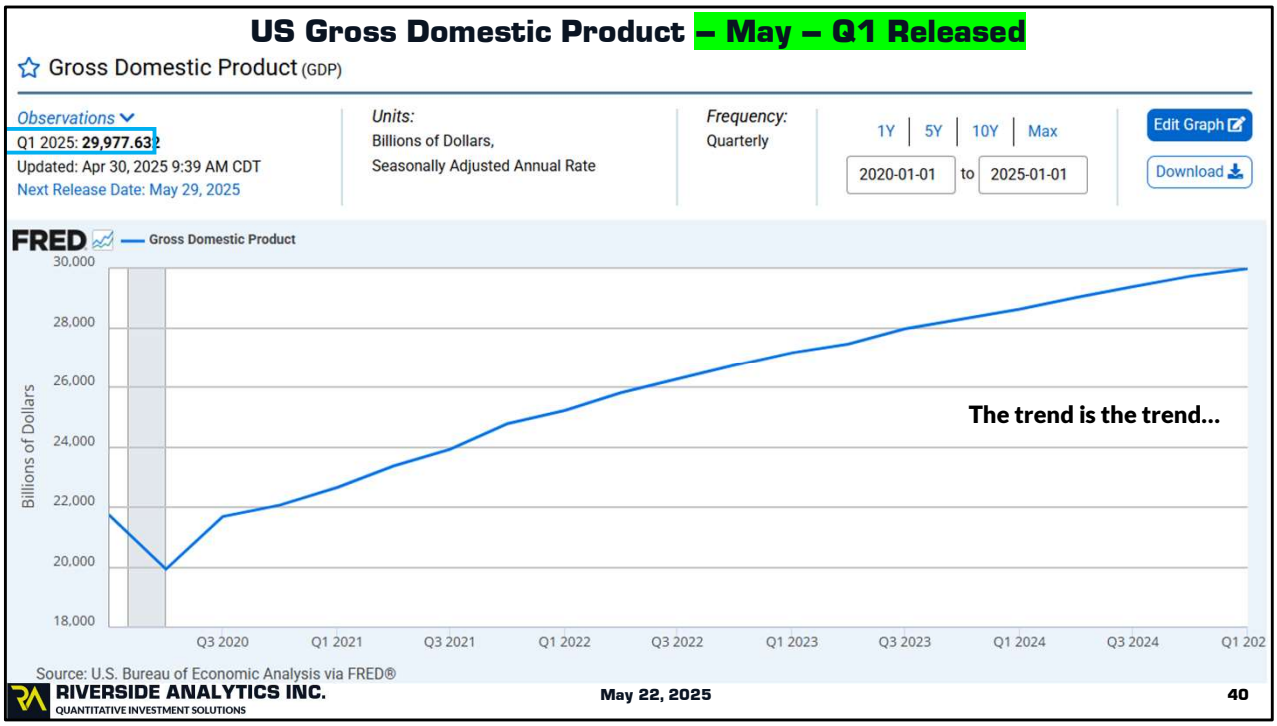


May – Q1 finished at 6.2, and Q2 has increased to 18.5. More banks are restricting access to debt !



May – April data is continuing the March pop. Buyers were reacting to tariffs, and are buying early to avoid them. Will the May data show a reversal? Next month we shall find out !

This month shows a decline from the annual rate of 18.2 in March to 17.8 million units.



May – Nothing to suggest any issues at this level caused by tariffs, but Q2 may be a little different ! I do not get that data until July !

This means any recession can not technically occur until after Q3 data is released -- at the earliest – Late October !

Q4 Update - 29,719 vs 29,700 - US economy is remains healthy, except existing home resales !

S&P 500 YEARLY RETURNS

AVERAGE YEAR vs YEAR #1 OF THE US PRESIDENTIAL CYCLE

US Presidential Election Cycle - S&P 500 Performance Analysis

	Jan%	Feb%	Mar%	Apr%	May%	Jun%	Jul%	Aug%	Sep%	Oct%	Nov%	Dec%	Yr. Profit%
Average Year 1	0.76	-1.66	0.61	2.45	1.90	0.56	2.28	-0.04	-1.52	-0.59	0.68	0.54	6.63
Average Year 2	0.47	0.01	0.11	0.26	-0.76	-1.32	1.01	-0.45	-1.48	2.16	2.03	1.19	3.11
Average Year 3	3.40	1.58	0.57	2.55	-0.17	2.07	1.24	-0.02	-1.08	0.84	-0.50	2.24	13.51
Average Year 4	0.05	-0.25	0.36	-0.12	-1.23	1.69	2.19	2.90	-0.50	-0.34	1.14	1.51	6.56
Democrats Avg Year 1	0.56	-1.64	1.14	3.79	2.72	1.06	2.71	1.04	-0.92	-0.70	1.25	0.71	12.89
Democrats Avg Year 2	0.46	-0.08	-1.38	1.29	-1.57	-0.25	1.80	-1.52	-0.46	1.85	1.61	2.72	3.29
Democrats Avg Year 3	2.25	0.52	0.28	2.46	0.23	1.08	2.53	-0.71	0.99	2.07	-0.18	2.60	14.68
Democrats Avg Year 4	0.32	-0.55	2.48	0.00	-0.23	2.72	0.78	1.08	0.64	1.64	0.64	0.27	9.77
Republicans Avg Year 1	1.00	-1.68	-0.03	0.86	0.95	-0.02	1.76	-1.33	-2.23	-0.45	0.00	0.33	-0.76
Republicans Avg Year 2	0.47	0.12	1.88	-0.96	0.19	-2.59	0.07	0.81	-2.67	2.50	2.48	-0.47	2.89
Republicans Avg Year 3	4.66	2.72	0.89	2.65	-0.61	3.16	-0.16	0.73	-3.34	-0.51	-0.85	1.84	12.23
Republicans Avg Year 4	-0.25	0.07	-1.96	-0.26	-2.33	0.57	3.73	4.88	-1.65	-2.32	1.63	2.75	3.35

May – under normal conditions, should be a decent month for first year Republicans.

CME FedWatch Tool

TARGET RATE PROBABILITIES AS OF April 18, 2025

FED FUND FUTURES												
ZQJ5	ZQK5	ZQM5	ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6
95.6713	95.6925	95.7600	95.8550	96.2000	96.2950	96.2575	96.3900	96.4800	96.5625	96.6300	96.6650	96.7325

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
5/7/2025					0.0%	0.0%	0.0%	0.0%	13.2%	86.8%
6/18/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.4%	54.2%	38.5%
7/30/2025	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	27.3%	47.5%	22.1%	0.0%
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.6%	7.8%	31.2%	42.6%	17.8%	0.0%
10/29/2025	0.0%	0.0%	0.0%	0.3%	4.7%	21.1%	37.6%	28.5%	7.7%	0.0%
12/10/2025	0.0%	0.0%	0.2%	3.2%	15.5%	32.0%	31.6%	14.8%	2.6%	0.0%
1/28/2026	0.0%	0.1%	1.1%	6.9%	20.5%	31.9%	26.6%	11.1%	1.8%	0.0%
3/18/2026	0.0%	0.5%	3.4%	12.4%	25.1%	29.8%	20.4%	7.4%	1.1%	0.0%
4/29/2026	0.1%	1.1%	5.2%	14.9%	26.0%	27.9%	17.8%	6.1%	0.9%	0.0%
6/17/2026	0.3%	1.8%	6.8%	16.8%	26.3%	26.2%	15.8%	5.3%	0.7%	0.0%
7/29/2026	0.5%	2.5%	8.3%	18.2%	26.3%	24.6%	14.2%	4.6%	0.6%	0.0%
9/16/2026	0.6%	2.7%	8.5%	18.4%	26.3%	24.4%	14.0%	4.5%	0.6%	0.0%
10/28/2026	0.5%	2.6%	8.4%	18.2%	26.1%	24.4%	14.3%	4.7%	0.7%	0.0%
12/9/2026	0.2%	1.0%	3.8%	10.5%	19.8%	25.7%	22.3%	12.2%	3.9%	0.5%

April – Nothing at this level to suggest changes in the foreseeable future. June OR July drops are a coin toss !

CME FedWatch Tool

TARGET RATE PROBABILITIES – Aggregated AS OF April 18, 2025

FED FUND FUTURES												
ZQJ5	ZQK5	ZQM5	ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6
95.6713	95.6925	95.7600	95.8550	96.2000	96.2950	96.2575	96.3900	96.4800	96.5625	96.6300	96.6650	96.7325

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES					
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450
5/7/2025	0.00 %	0.00 %	0.00 %	0.00 %	13.23 %	86.77 %
6/18/2025	0.00 %	0.00 %	0.00 %	0.00 %	68.90 %	31.10 %
7/30/2025	0.00 %	0.00 %	11.50 %	88.50 %	0.00 %	0.00 %
9/17/2025	0.00 %	0.00 %	30.84 %	69.16 %	0.00 %	0.00 %
10/29/2025	0.00 %	0.00 %	87.50 %	12.50 %	0.00 %	0.00 %
12/10/2025	0.00 %	53.61 %	46.39 %	0.00 %	0.00 %	0.00 %
1/28/2026	0.00 %	83.50 %	16.50 %	0.00 %	0.00 %	0.00 %
3/18/2026	23.84 %	76.16 %	0.00 %	0.00 %	0.00 %	0.00 %
4/29/2026	43.50 %	56.50 %	0.00 %	0.00 %	0.00 %	0.00 %
6/17/2026	60.53 %	39.47 %	0.00 %	0.00 %	0.00 %	0.00 %
7/29/2026	75.50 %	24.50 %	0.00 %	0.00 %	0.00 %	0.00 %
9/16/2026	77.71 %	22.29 %	0.00 %	0.00 %	0.00 %	0.00 %
10/28/2026	75.50 %	24.50 %	0.00 %	0.00 %	0.00 %	0.00 %
12/9/2026	0.00 %	96.59 %	3.41 %	0.00 %	0.00 %	0.00 %

The Fedwatch tool's "Aggregated" view compares the rates implied by CME's Fed Funds futures with the current target rate range as set by the Federal Reserve. As such, it provides a view into the cumulative number of hikes or cuts that the market is pricing by a certain point in the future. This is provided in addition to the traditional "Conditional" view of probabilities, familiar to long-term users of the FedWatch tool.

April – This looks like a full 100 point drop coming by the end of the year, 50 points during the summer, and another 50 points late in the year. That would could give housing a nice boost, if US avoids a recession. If workers start loosing jobs in a significant way, all bets are off !

The US export market relative to internal market is about 11 % of GDP. Other country tariffs are not going to have a huge impact. Combine an export decline, with a significant drop in external visitors, and consumers tightening their wallets due to negative news impacts on their sentiment, and we have the makings of a soft few quarters.

CME FedWatch Tool – Probabilities

TARGET RATE PROBABILITIES AS OF May 23, 2025

FED FUND FUTURES												
ZQK5	ZQM5	ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6
95.6713	95.6775	95.6825	95.7325	95.7825	95.8575	95.9775	96.0875	96.1525	96.2450	96.2975	96.3775	96.4475

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
6/18/2025					0.0%	0.0%	0.0%	0.0%	2.2%	97.8%
7/30/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	22.0%	77.6%
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	10.5%	47.9%	41.4%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	5.5%	29.7%	44.6%	20.1%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.1%	3.7%	21.5%	39.5%	28.4%	6.8%
1/28/2026	0.0%	0.0%	0.0%	0.0%	1.5%	11.0%	28.9%	35.0%	19.6%	4.0%
3/18/2026	0.0%	0.0%	0.0%	0.8%	6.4%	20.3%	32.0%	27.0%	11.5%	1.9%
4/29/2026	0.0%	0.0%	0.2%	2.4%	10.5%	23.7%	30.6%	22.5%	8.7%	1.4%
6/17/2026	0.0%	0.1%	1.1%	5.5%	15.5%	26.3%	27.5%	17.2%	5.9%	0.8%
7/29/2026	0.0%	0.3%	2.1%	7.9%	18.1%	26.6%	25.0%	14.5%	4.7%	0.6%
9/16/2026	0.1%	0.8%	3.5%	10.4%	20.2%	26.2%	22.5%	12.1%	3.7%	0.5%
10/28/2026	0.2%	1.2%	4.7%	12.0%	21.2%	25.6%	20.8%	10.7%	3.2%	0.4%
12/9/2026	0.4%	1.8%	5.9%	13.5%	21.9%	24.8%	19.1%	9.5%	2.7%	0.3%

May – Probabilities have changed ! Dates are pushed out further into the future compared to last month.

CME FedWatch Tool – Aggregated

TARGET RATE PROBABILITIES AS OF May 23, 2025

FED FUND FUTURES												
ZQK5	ZQM5	ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6
95.6713	95.6775	95.6825	95.7325	95.7825	95.8575	95.9775	96.0875	96.1525	96.2475	96.3025	96.3825	96.4500

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES					
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450
6/18/2025	0.00 %	0.00 %	0.00 %	0.00 %	2.22 %	97.78 %
7/30/2025	0.00 %	0.00 %	0.00 %	0.00 %	22.89 %	77.11 %
9/17/2025	0.00 %	0.00 %	0.00 %	0.00 %	69.58 %	30.42 %
10/29/2025	0.00 %	0.00 %	0.00 %	20.89 %	79.11 %	0.00 %
12/10/2025	0.00 %	0.00 %	0.00 %	86.82 %	13.18 %	0.00 %
1/28/2026	0.00 %	0.00 %	28.89 %	71.11 %	0.00 %	0.00 %
3/18/2026	0.00 %	0.00 %	81.96 %	18.04 %	0.00 %	0.00 %
4/29/2026	0.00 %	9.89 %	90.11 %	0.00 %	0.00 %	0.00 %
6/17/2026	0.00 %	49.51 %	50.49 %	0.00 %	0.00 %	0.00 %
7/29/2026	0.00 %	70.89 %	29.11 %	0.00 %	0.00 %	0.00 %
9/16/2026	0.00 %	95.28 %	4.72 %	0.00 %	0.00 %	0.00 %
10/28/2026	11.89 %	88.11 %	0.00 %	0.00 %	0.00 %	0.00 %
12/9/2026	28.80 %	71.20 %	0.00 %	0.00 %	0.00 %	0.00 %

The Fedwatch tool's "Aggregated" view compares the rates implied by CME's Fed Funds futures with the current target rate range as set by the Federal Reserve. As such, it provides a view into the cumulative number of hikes or cuts that the market is pricing by a certain point in the future. This is provided in addition to the traditional "Conditional" view of probabilities, familiar to long-term users of the FedWatch tool.

The July drop has been pushed back into Sept/Oct ! The Oct / Dec drop pushed out to Dec and March 2026

May – as we have seen in the report so far, the US economy seems to be doing just fine. There is no current reason not to push drops out further into the future, so as to not heat up inflation!

Canadian Charts

St Louis Fed has quite a number of charts of Canadian data !

Residential Property Prices

Unemployment rate

Consumer Price Index

Inverted Yield Curve

Gross Domestic Product

Cdn existing home sales

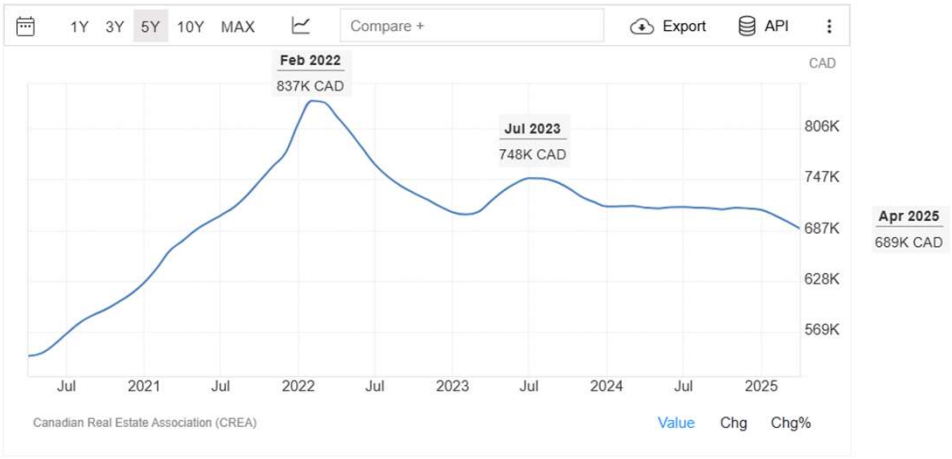
New Vehicle Sales

ST Louis Fed tracks a number of Canadian Metrics.

https://fred.stlouisfed.org/categories/32268

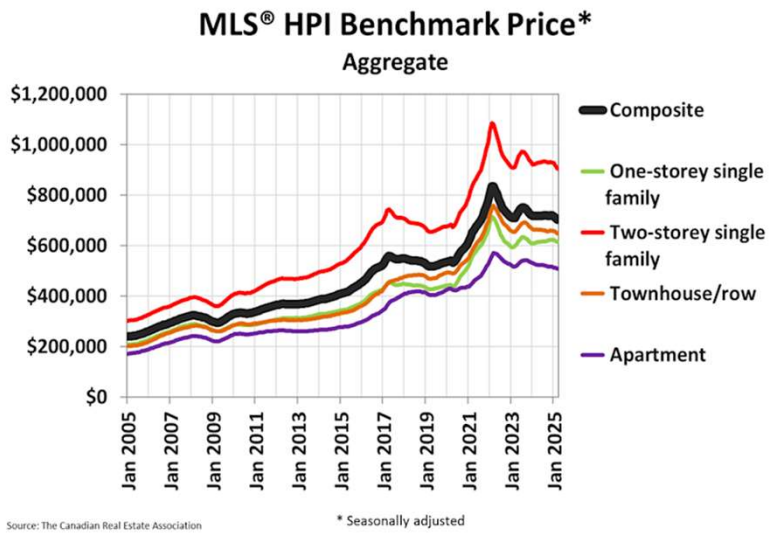
Average House Prices for Canada

Average House Prices in Canada decreased to 689200 CAD in April from 697600 CAD in March of 2025. Average House Prices in Canada averaged 472785.25 CAD from 2005 until 2025, reaching an all time high of 837300.00 CAD in February of 2022 and a record low of 243500.00 CAD in January of 2005. source: Canadian Real Estate Association (CREA)



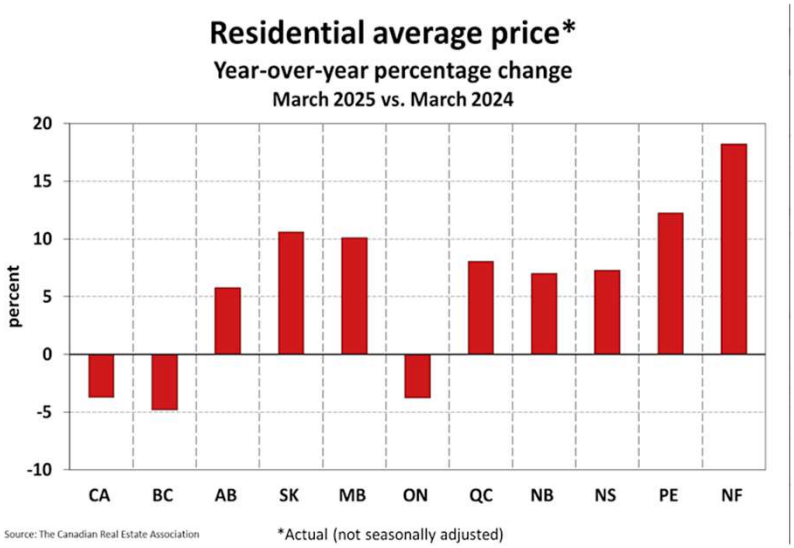
May – Last month reported number was 703K. It has been adjusted downward about 5K.
Source : Trading Economics

Average May – Some New Data !



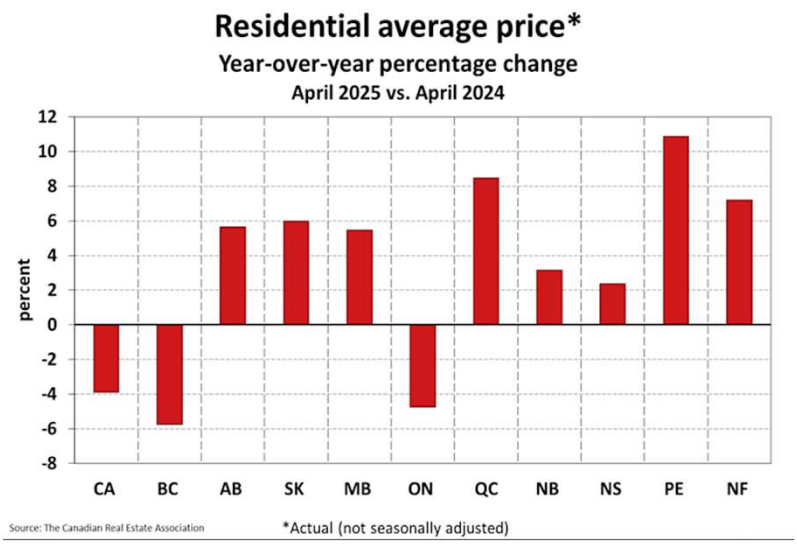
May – Quarterly report - A minor text update in the report indicates sales were unchanged between March and April.
Full report is here > https://creastats.crea.ca/en-CA/

Average House Prices for Canada – cont.
By Province – March



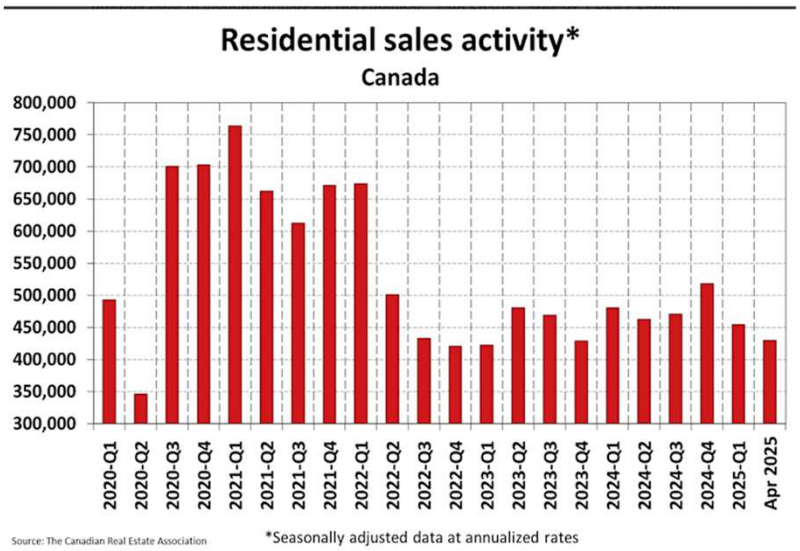
May – Quarterly report – New data released. Ontario and BC are leading prices down, while all other provinces continue higher. Newfoundland continues to lead with their price increases. Saskatchewan still running hot at over 10 % Y/Y.

Average House Prices for Canada – cont.
By Province – April



May – BC and Ontario continue to lead prices down.

Home Sales Activity for Canada



Source: The Canadian Real Estate Association

*Seasonally adjusted data at annualized rates

May – Quarterly report – Sales activity is slower than it has been since 2023 Q2, almost 2 years.

This is from The Canadian Real Estate Association.

Housing Starts - % Change – Canada

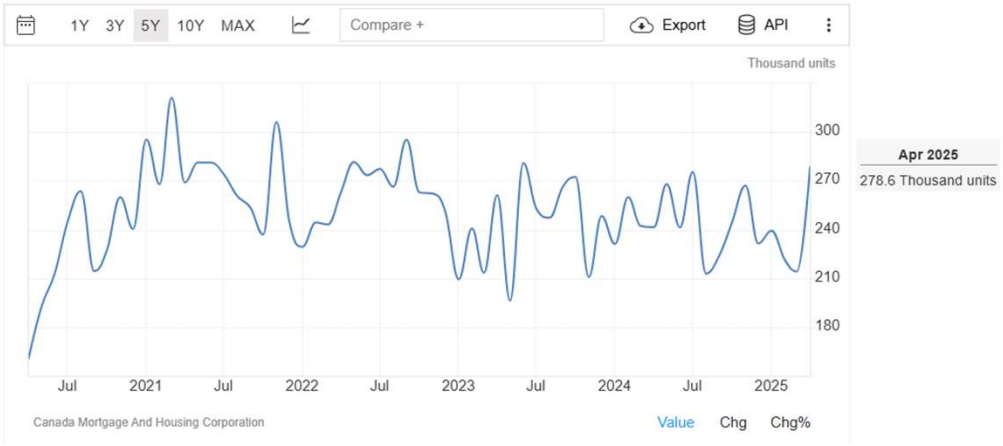
Housing starts in Canada jumped 30% month-over-month to 278,606 units in April 2025 from 214,205 units in March and well above market expectations of 227,500. Urban housing starts in areas with populations over 10,000 rose 28% to 259,788 units, compared to202,668 in the previous month. Rural housing starts also increased significantly, climbing from 10,870 to 18,818 units. On an annual basis, urban housing starts rose 17% to 21,720 units. Among major cities, Montréal posted the largest gain (64%) due to a sharp rise in multi-unit projects, while Vancouver saw a 6% increase for similar reasons. In contrast, Toronto experienced a 25% decline, driven by a drop in multi-unit starts. source: Canada Mortgage And Housing Corporation



May – That is a healthy bounce to start the new building year.

Source : Trading Economics

Housing Starts – 5 Year – Canada
6 Month Seasonally Adjusted Annual Rate



April - Trading Economics – Big picture

Housing Activity for GTA

Greater Toronto Area (GTA) Housing Market Overview

DATA FOR APRIL 2025

ALL PROPERTY TYPES	DETACHED	SEMI-DETACHED	FREEHOLD TOWNHOUSE	CONDO APARTMENT
$1,107,463 **Avg. Sold Price** ↑ 1.3% increase (1-month change) ↓ 4.2% decrease (12-month change)	$1,431,495 Avg. Sold Price ↓ 0.5% decrease (1-month change) ↓ 5.6% decrease (12-month change)	$1,088,848 Avg. Sold Price ↓ 2.1% decrease (1-month change) ↓ 4.5% decrease (12-month change)	$1,005,487 Avg. Sold Price ↑ 0.4% increase (1-month change) ↓ 3.8% decrease (12-month change)	$678,048 Avg. Sold Price ↓ 0.6% decrease (1-month change) ↓ 6.9% decrease (12-month change)
5,601 **Transactions (Buy/Sell)** ↑ 11.8% increase (1-month change) ↓ 21.3% decrease (12-month change)	2,556 Transactions (Buy/Sell) ↑ 18.6% increase (1-month change) ↓ 19.5% decrease (12-month change)	565 Transactions (Buy/Sell) ↑ 16.5% increase (1-month change) ↓ 8.9% decrease (12-month change)	571 Transactions (Buy/Sell) ↑ 13.1% increase (1-month change) ↓ 12.8% decrease (12-month change)	1,430 Transactions (Buy/Sell) ↑ 1.9% increase (1-month change) ↓ 29% decrease (12-month change)

https://wowa.ca/toronto-housing-market

May – Y/Y is down across the board. M/M is a mixed, prices are down, and units sold is up on a M/M basis !

WOWA - Housing Activity for GTA

Single-Family Detached Home Prices in the GTA



Statistics for April 2025

Average Price:	$1,431,495	↓ -5.6% from Apr. 2024
Units Sold:	2,556	↓ -19.5% from Apr. 2024
New Listings:	8,497	↑ 13.0% from Apr. 2024

Semi-Detached Home Prices in the GTA



Statistics for April 2025

Average Price:	$1,088,848	↓ -4.5% from Apr. 2024
Units Sold:	565	↓ -8.9% from Apr. 2024
New Listings:	1,449	↑ 29% from Apr. 2024

https://wowa.ca/toronto-housing-market

May – Similar to last month, Inventory is up, and Y/Y sales are down !

WOWA - Housing Activity for GTA

Townhouse Prices in the GTA



Statistics for April 2025

Average Price:	$1,005,487	↓ -3.8% from Apr. 2024
Units Sold:	571	↓ -12.8% from Apr. 2024
New Listings:	1,583	↑ 13.2% from Apr. 2024

Apartment Prices in the GTA



Statistics for April 2025

Average Price:	$678,048	↓ -6.9% from Apr. 2024
Units Sold:	1,430	↓ -29% from Apr. 2024
New Listings:	5,614	↑ 1.3% from Apr. 2024

https://wowa.ca/toronto-housing-market

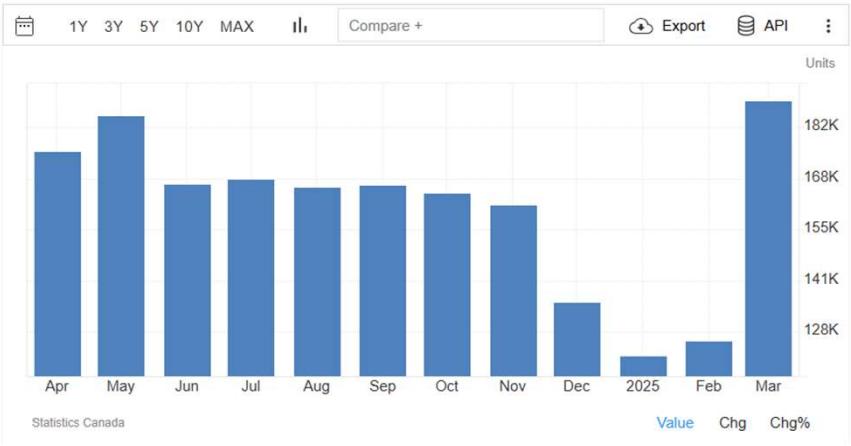
Canadian Housing Market Report April 2025

April – There is lots of data to explore here.

https://wowa.ca/reports/canada-housing-market

New Vehicle Sales Activity for Canada

Car Registrations in Canada increased to 189152 Units in March from 125402 Units in February of 2025, the highest level since June 2019. Car Registrations in Canada averaged 104046.82 Units from 1950 until 2025, reaching an all time high of 220858.00 Units in May of 2018 and a record low of 19807.00 Units in December of 1951. source: Statistics Canada



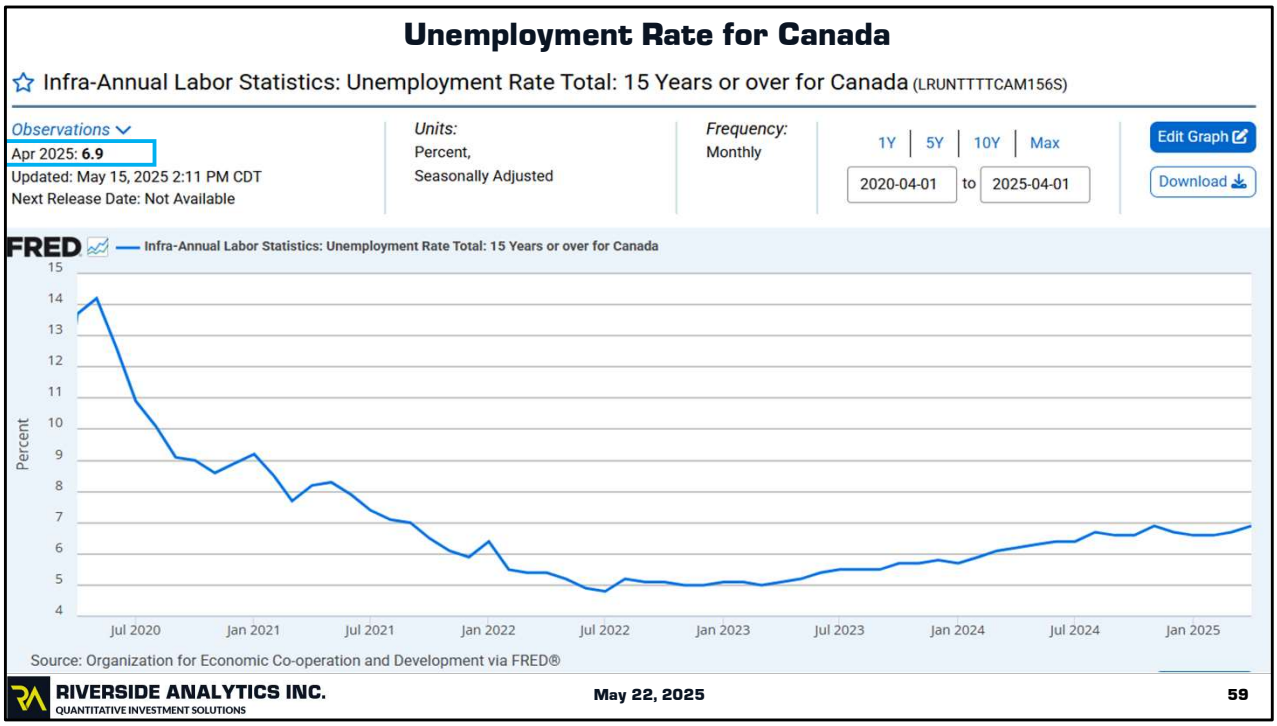
May - Trading Economics – Every January sales drop, then there is a rebound in February. It was a month late this year. This is perfectly normal.

New Vehicle Sales Activity for Canada – 5 Year Chart



It is normal that sales decline near calendar year end !
Higher highs, and higher lows is a good thing !

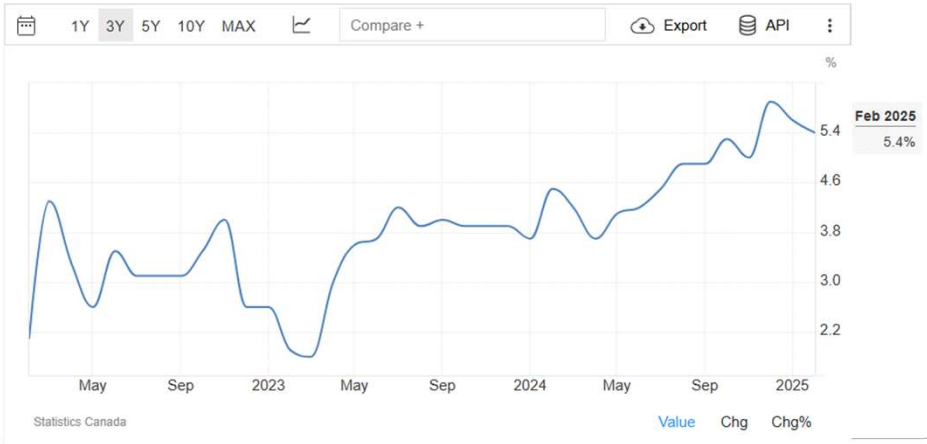
April - Trading Economics – Sales are following their normal patterns.



May - Last month was 6.7.
Source: https://fred.stlouisfed.org/series/LRUNTTTTCAM156S

Canada Average Weekly Earnings YOY – 3 Year Chart

Average weekly earnings of non-agricultural workers in Canada rose 5.4% year-on-year to C$1,298.22 in February 2025, following a 5.6% increase in January. The largest increases were recorded in finance and insurance (+12.7% to C$1,788.36); information and cultural industries (+8.0% to C$1,333.74); information and cultural industries (+7.9% to C$1,850.1); mining, quarrying and oil and gas extraction (+5.9% to C$2,429.2); and health and social assistance (+5.8% to C$1,156.67). Conversely, earnings decreased in real estate trade (-0.3% to C$733.33). source: Statistics Canada



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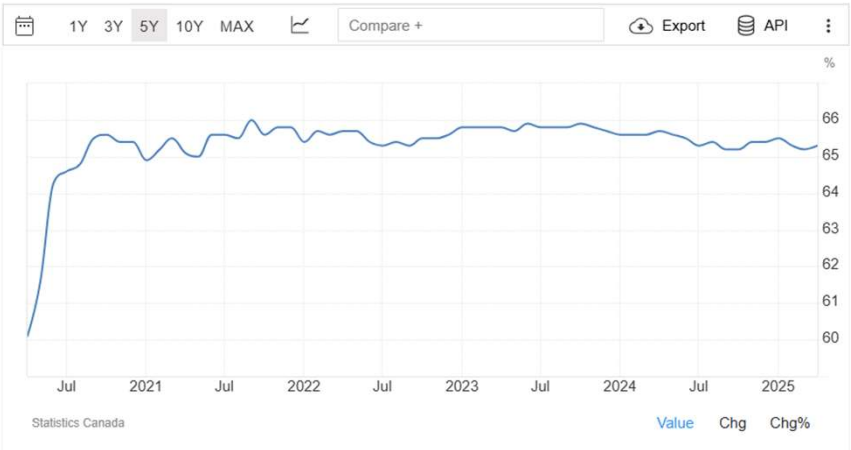
May - Last report was for January data at 5.5%
Workers are increasing wages faster than inflation is growing.

Source is Trading Economics

There are LOTs of charts in this category on the Trading Economics website.
https://tradingeconomics.com/canada/wage-growth

Participation Rate - Employed Persons for Canada

Labor Force Participation Rate in Canada increased to 65.30 percent in April from 65.20 percent in March of 2025. Labor Force Participation Rate in Canada averaged 65.73 percent from 1976 until 2025, reaching an all time high of 67.70 percent in December of 2003 and a record low of 60.10 percent in April of 2020. source: Statistics Canada



Number of employed persons in Canada on a percentage basis

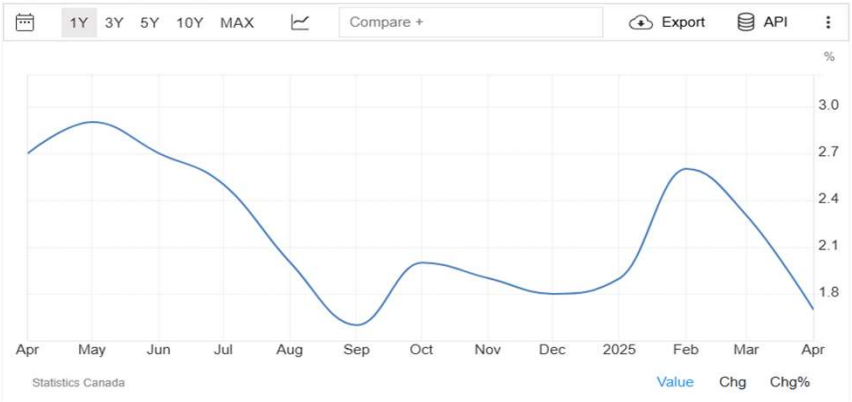
May – again, no meaningful change here.

Trading Economics > **https://tradingeconomics.com/canada/labor-force-participation-rate**

Details by age group are here >>
https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028702
The participation rates vary by age group. I would really like to see the 55 and over group broken into two pieces. 55 – 65, and 66 and over.

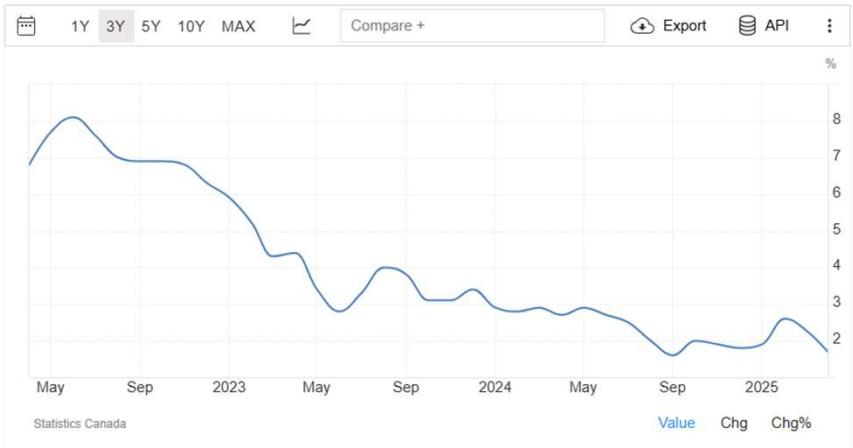
Consumer Price Index: Monthly Canada

The annual inflation rate in Canada fell to 1.7% in April of 2025 from 2.3% in the previous month, slightly above market expectations of 1.6%, but still reflecting the softest increase in consumer prices in seven months. The slowdown was driven by a decline in energy prices (-12.7% vs -0.3% in March) as the removal of the consumer carbon tax magnified the impact that OPEC oil output hikes had on energy prices. Consequently, prices fell for gasoline (-18.1% vs -1.6%) and natural gas (-14.1% vs 6.4%), lowering costs for transportation (-1.9% vs 1.2%). Also, inflation slowed for shelter (3.4% vs 3.9%). On the other hand, costs accelerated for travel tours (6.7%), groceries (3.8% vs 3.2%), household operations, furnishings, and equipment (1.1% vs 0.8%), and recreation, education, and reading (1.4% vs 0.9%). The trimmed-mean core CPI, which is closely followed by the BoC for underlying inflation, unexpectedly accelerated to 3.1%, the highest in two years. source: Statistics Canada



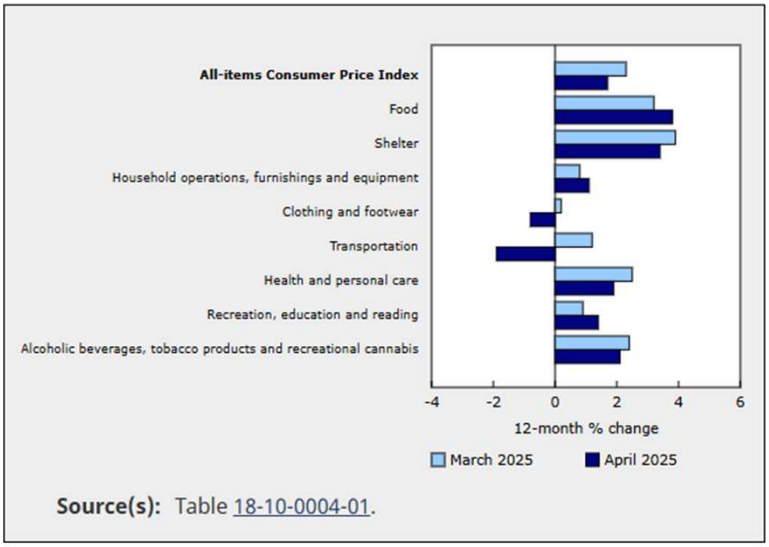
May – So far, Canada is doing a good job of keeping that under control, **but food is still climbing faster than the over all target rate of 2 percent or better, coming in at 3.8%**

Consumer Price Index: 3 Year View Canada



May – Inflation – long view

Consumer Price Index: Monthly Canada
12 Month % Change M/M

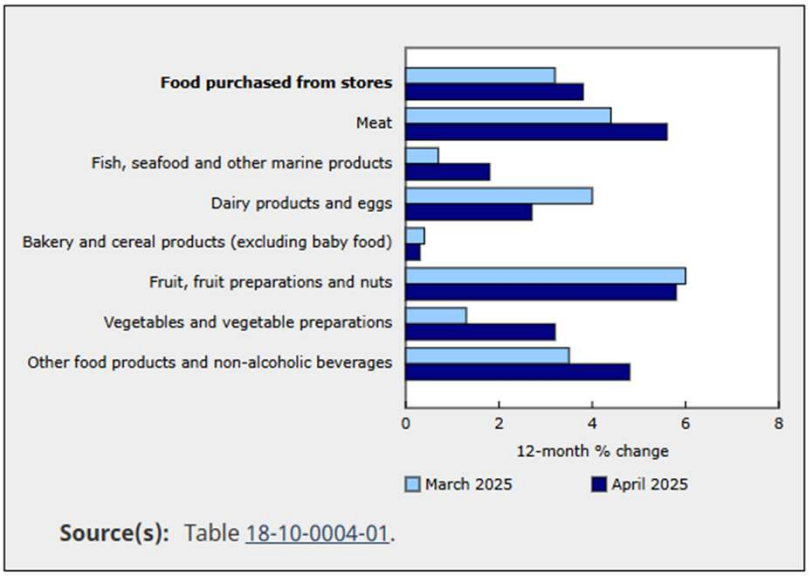


Source(s): Table 18-10-0004-01.

May – Food, and Shelter are hurting consumer wallets the worst.

Source : StatsCan - https://www150.statcan.gc.ca/n1/daily-quotidien/250520/cg-a002-eng.htm

Consumer Price Index: Food – Monthly Canada

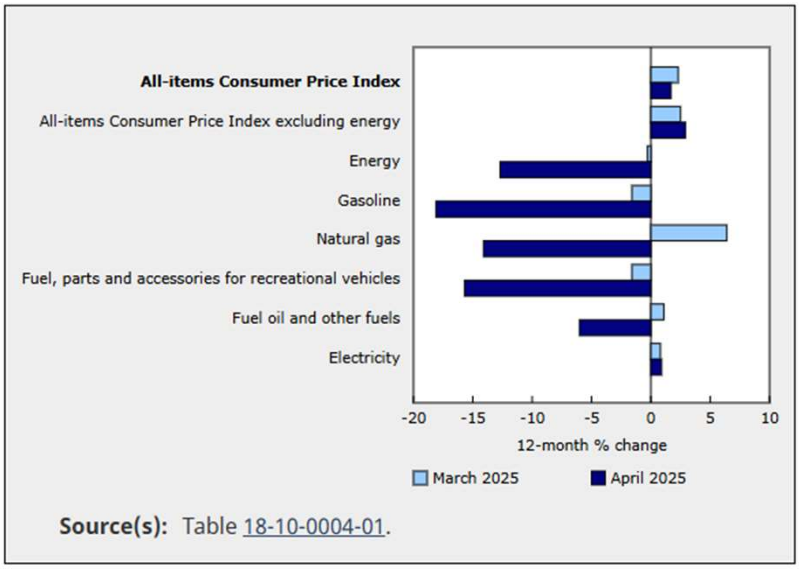


Source(s): Table 18-10-0004-01.

May – Fruits are up 5.8%, and Meat at 5.6%

Source : StatsCan - https://www150.statcan.gc.ca/n1/daily-quotidien/250520/cg-a004-eng.htm

Consumer Price Index: Energy



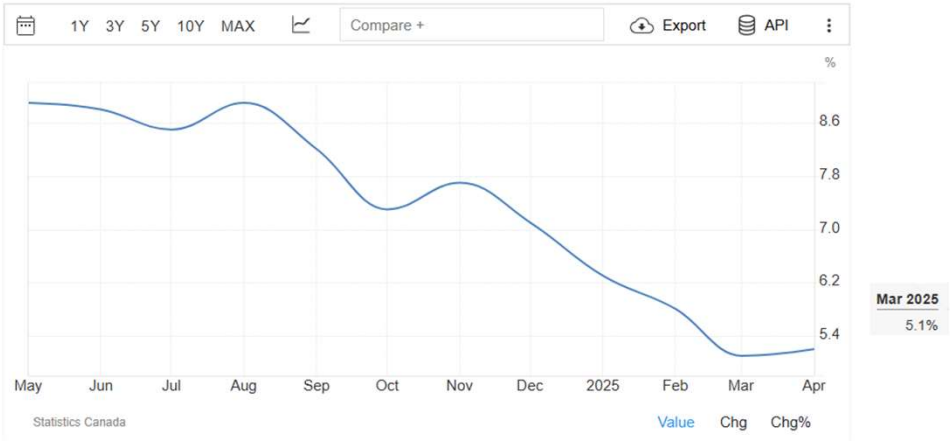
Source(s): Table 18-10-0004-01.

May – (StatsCan) – Energy prices are down nicely.

Source : https://www150.statcan.gc.ca/n1/daily-quotidien/250520/cg-a003-eng.htm

Consumer Price Index: Rent

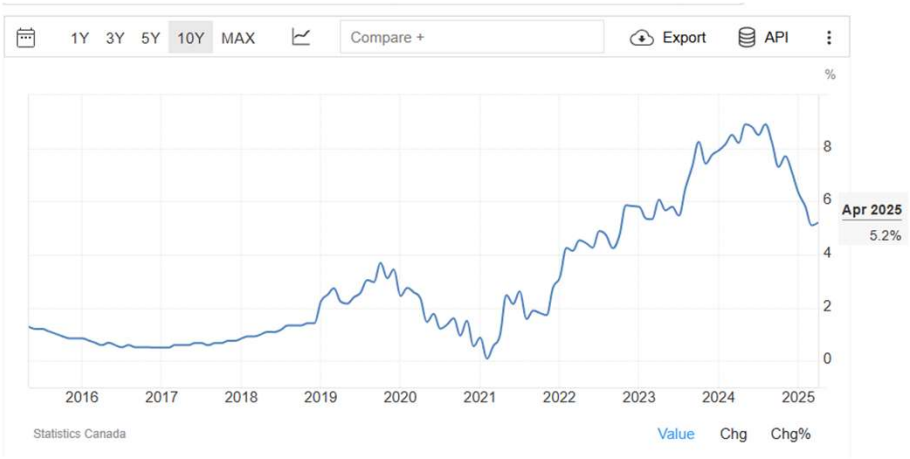
Rent Inflation in Canada increased to 5.20 percent in April from 5.10 percent in March of 2025. Rent Inflation in Canada averaged 2.79 percent from 1951 until 2025, reaching an all time high of 10.27 percent in September of 1982 and a record low of 0.00 percent in September of 1961. source: Statistics Canada



May – Rent Inflation has hit a sticky spot. It needs to drop in half from where it is now !

https://tradingeconomics.com/canada/rent-inflation

Consumer Price Index: Rent
10 year - Long Term View



April. Long view – 10 years !

https://tradingeconomics.com/canada/rent-inflation

Gasoline Prices – Canada Average



May – Dropping taxes had a nice effect on prices. Gas companies are soaking up some of those tax savings !

https://www.gasbuddy.com/charts
Gas tools > Gas Price Charts, Choose Canada Average, and Canadian c/L



May – Closed 3.10, barely budging from April

Canada 10 Years / Canada 3 Months Government Bond spread

The Canada 10 Years / Canada 3 Months Government Bond Spread reached a maximum value of 201.8 bp (27 March 2022) and a minimum value of -205.6 bp (20 December 2023).

Available Data Source: from 17 April 2015 to 23 May 2025



May - close is up 71.4 basis points from 47.7 in April.
https://www.worldgovernmentbonds.com/spread/canada-10-years-vs-canada-3-months/

Canada 10 Years / Canada 3 Months Government Bond spread
10 Year View



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May – 10 years of data.

https://www.worldgovernmentbonds.com/spread/canada-10-years-vs-canada-3-months/

Real Gross Domestic Product for Canada – May – Q1 Data Released
BoC Survey Results

1.1 What is your forecast for real GDP growth (year-over-year percentage change) in Canada?

	GDP growth in Canada (year-over-year % change)	
	End of 2025 (n = 26)	End of 2026 (n = 24)
25th percentile of responses	0.5	1.4
Median of responses	1.0	1.7
75th percentile of responses	1.3	1.9

Note: Respondents were asked to calculate the four-quarter (year-over-year) growth rate based on the end of Q4. GDP is gross domestic product.

May – **Q1 Data Released** - The Market Participants Survey results are based on questionnaire responses from about 30 financial market participants.

https://www.bankofcanada.ca/2025/04/market-participants-survey-first-quarter-of-2025/

Real Gross Domestic Product for Canada – May – Q1 Data Released
BoC Survey Results

1.6 What is the probability of the Canadian economy being in a recession in each of the following individual time frames?*

	Probability of a recession in Canada (%)			
	In 0 to 6 months (n = 24)	In 6 to 12 months (n = 24)	In 12 to 18 months (n = 24)	In 18 to 24 months (n = 22)
25th percentile of responses	25	30	24	11
Median of responses	38	40	30	20
75th percentile of responses	50	46	41	30

* A recession is defined as two consecutive quarters of negative economic growth, as measured by real gross domestic product.

May – **Q1 Data Released** – An interesting prediction – experts give the economy a 50 50 chance of no recession !

- The Market Participants Survey results are based on questionnaire responses from about 30 financial market participants.

https://www.bankofcanada.ca/2025/04/market-participants-survey-first-quarter-of-2025/

Real Gross Domestic Product for Canada – May – Q1 Released
I found some interesting BoC Survey Results

2.1 What is your forecast for the Bank of Canada's policy interest rate?

	Policy interest rate (%)			
	25th percentile of responses	Median of responses	75th percentile of responses	Number of responses
2025				
April	2.50	2.75	2.75	27
June	2.25	2.50	2.63	27
July	2.25	2.25	2.50	27
September	2.00	2.25	2.50	27
October	2.00	2.25	2.50	27
December	2.00	2.25	2.50	27
2026				
January	2.00	2.13	2.50	26
March	2.00	2.13	2.50	26
Q2	2.00	2.00	2.50	25
Q3	2.00	2.13	2.56	24
Q4	2.00	2.13	2.56	24

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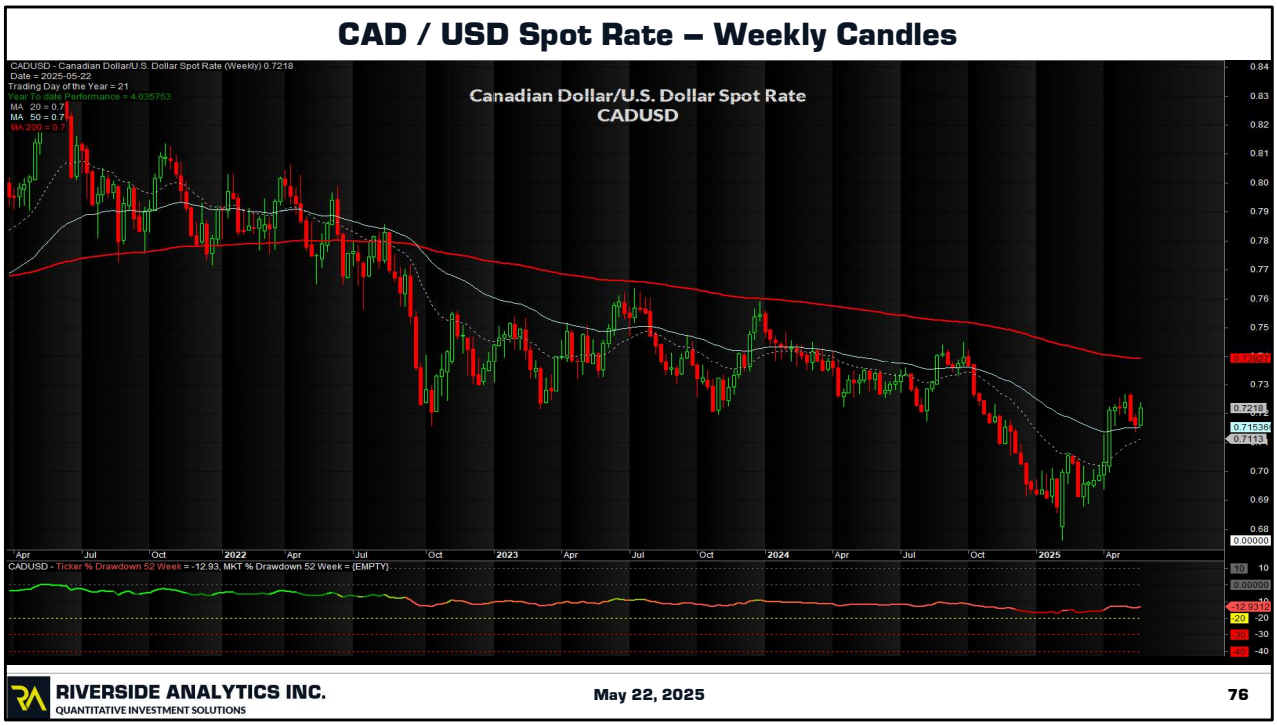
May – **They are expecting two more 25 point cuts this year, then stable for 2026.**

https://www.bankofcanada.ca/2025/04/market-participants-survey-first-quarter-of-2025/



May – Loonie has not done much in the last month !

Soft landing is a coin toss ?

Consumer sentiment has declined but Manufacturing New Orders is hanging in there nicely.

US economy – I see nothing to suggest it is in any serious trouble. Political noises likely to remain elevated. The 10 percent universal tariff is in place. Electronics exception is in place. Steel, aluminum, lumber is in place. US Tourism will be hit.

Yield spreads are steady. The economy itself is pretty happy.

The lowering of Canadian Interest rates maybe starting to help the market ! First timers are largely locked out. Affordability is key.
Housing market is challenging on both sides of the border. US resales remain very poor. This does not seem to harming the larger economy in Canada or the US.

Banks are well capitalized to weather repricing of mortgages. BoC reductions have achieved neutrality. 2025 likely sees 2, 25 point drops. 50 points would put retail 5 year mortgages close just above 4%.

Banks have been heavily building reserves for several years.
Q2 Canadian Banks – 4 of 6 banks set aside 1B against loan defaults! If the defaults do not occur, provisions will be taken into profit later

Canadian Total CPI is stabilizing UNDER 2% target. Shelter and food inflation remains high.

Expected interest rate reductions will be helpful in Canada, US likely pulls half the earlier predicted rate drops off the table.

Tariffs are interesting. Threaten… then pull them back a little later, declare a false victory.

US – China – US pulled back from the precipice - tariffs largely removed. It will take time to restart the shipping lanes.

Student loan repayments will constrain about 14 percent of household budgets. Not enough for a serious drag on the economy.
For all the noise in the media, the data really is not showing material impacts to the economy !

May – I get the feeling Markets are beginning to ignore Trump as much as possible. Ignore the noise, and pay attention to what is really important, mitigate as necessary.

Corporations are not going to reshore production. It takes years to make that happen, and if it did, it would be highly mechanized. The proposed job creation will not be substantive. Trades training to run the plants will be an issue. Never mind construction of power generation plants to run them.

Recession Risk Summary

- I look at all the data, and I see nothing material to suggest any significant trouble.
- Trumps on again off again tariffs are driving people crazy. Steel, Aluminum, and China are concerning
- CDN Inflation has stabilized, but core inflation running a little hotter than BoC would like. Shelter costs remain high.
- US inflation is stable. Chinese tariffs are going to hurt, if they trade goods. Trade recently unfrozen. The universal 10 percent tariff will lead to inflation increases in the coming quarters, unless reversed.
- Canadians with variable rate mortgages are seeing relief. Renter increases still excessive.
- CDN Interest rate likely cuts 25 points more, is good for borrowers, not so much for savers. BoC stood pat at 2.75 % on April 16th, June 4th is the next announcement.
- Unemployment is steady.
- Food price increases are running a little hot
- Gasoline prices dropped with the elimination of the carbon price tax. Save on gas, spend on food !
- Stock Market is in a rough spot. Industry level breadth remains very poor, SP500 trend (Bullish) / breadth (Neutral)
- US stock market health recovering from tariff hit
- Canadian new vehicle registrations remain steady.
- Credit card default rates are steady,
- Canadian mortgage renewals are being helped with interest rate reductions. Canada is proactive.
- CAD is improving. That will help mitigate import costs.
- US interest rates likely get 25 point drop in the summer, then again late fall – updated from last month.
- Expect some bumps, more mixed signals !
- Recessions tend to occur 5 to 7 months after the yield inversion fixes itself – Earliest call will be late October !
- United States-Mexico-Canada Agreement (USMCA) is protecting Canadians from many tariffs.
- There is nothing to suggest a recession is on the horizon, yet !!!


THAT'S IT FOR TODAY!
The End
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Good investing is <u>not</u> an "event" like finding the next growth opportunity or catching the next market turn. Rather, good investing is a disciplined process that converts research and training into a well-tested methodology, and then makes a habit of following that approach day after day.

John P. Hussman, Ph.D
President, Hussman Strategic Advisors