RIVERSIDE ANALYTICS INC

DATE: August 21, 2025

RIVERSIDE ANALYTICS INC
Wayne Yeo
Wayne.yeo@riversideanalyticsinc.com
www.riversideanalyticsinc.com

Economic Outlook

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- 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

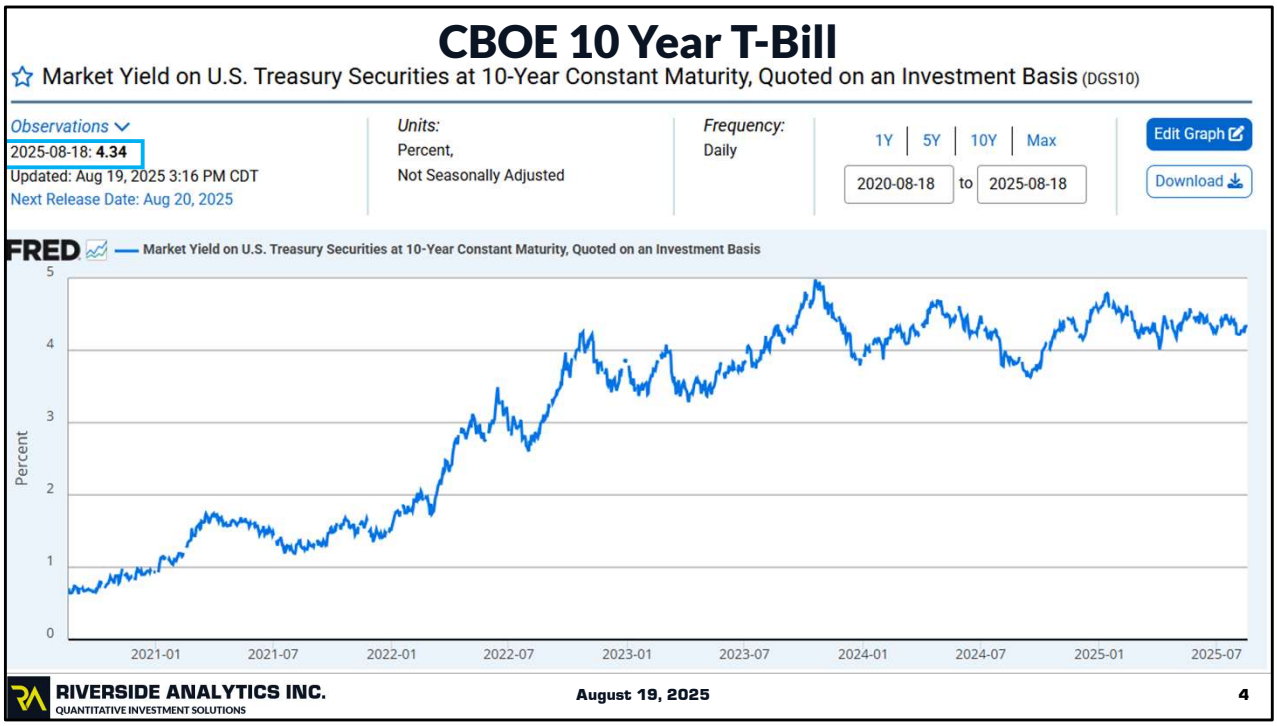
Indicator review

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

Please check the notes on each slide.

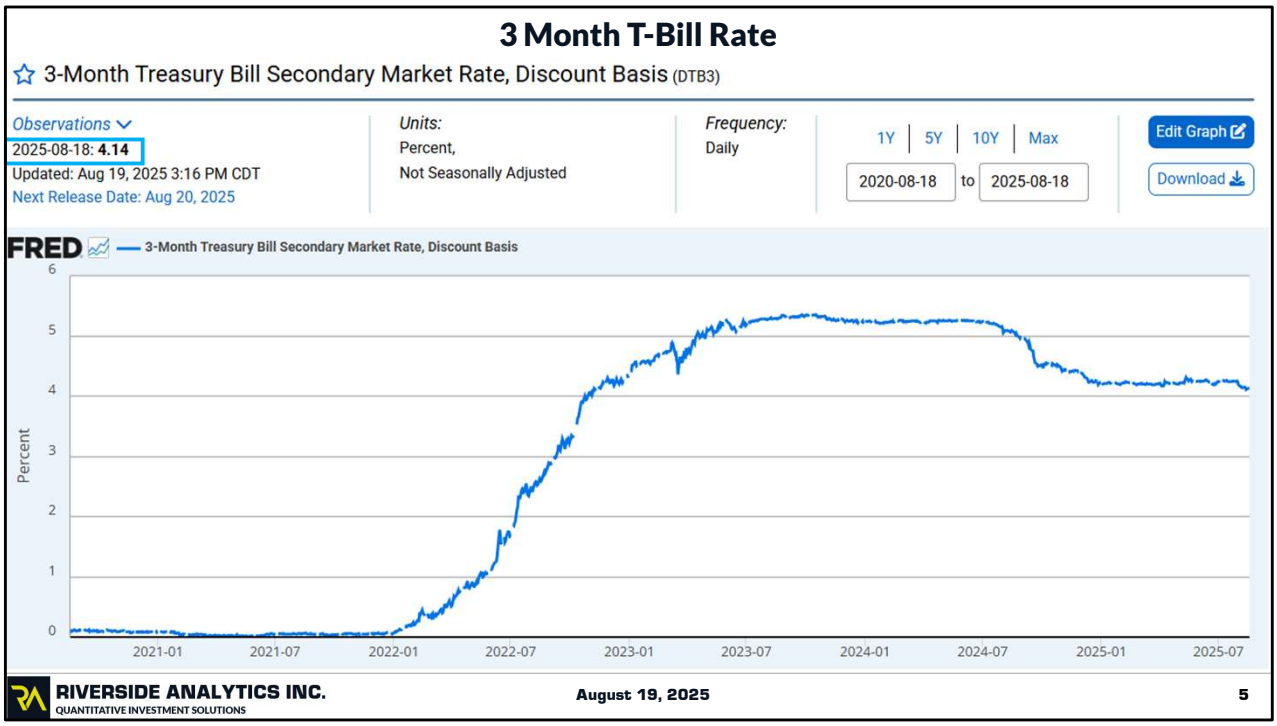
It's a steady as she goes report - mostly
No recession for at least 2 quarters - as US GDP very positive
Fedwatch tool is shifting
Check Producer Price Indices ! Inflation lives here !
Prediction – expect US retailers to increase prices Q3 and Q4

Ignore the noise, and pay attention to what is really important, mitigate as necessary.



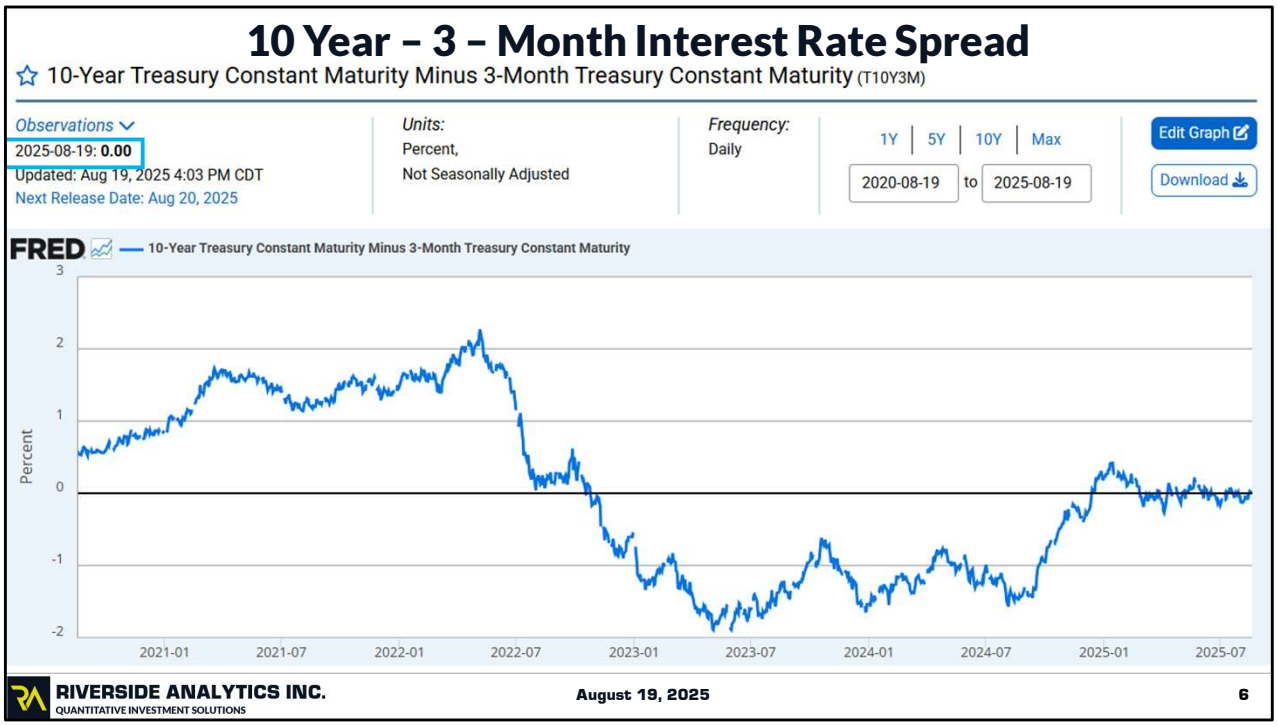
August – Last month was 4.35. Another Range bound it remains situation !

Source : Board of Governors of the Federal Reserve System (US) via FRED



August – Last month AND the month before, was 4.24. This month it dropped 1/10th to 4.14 !

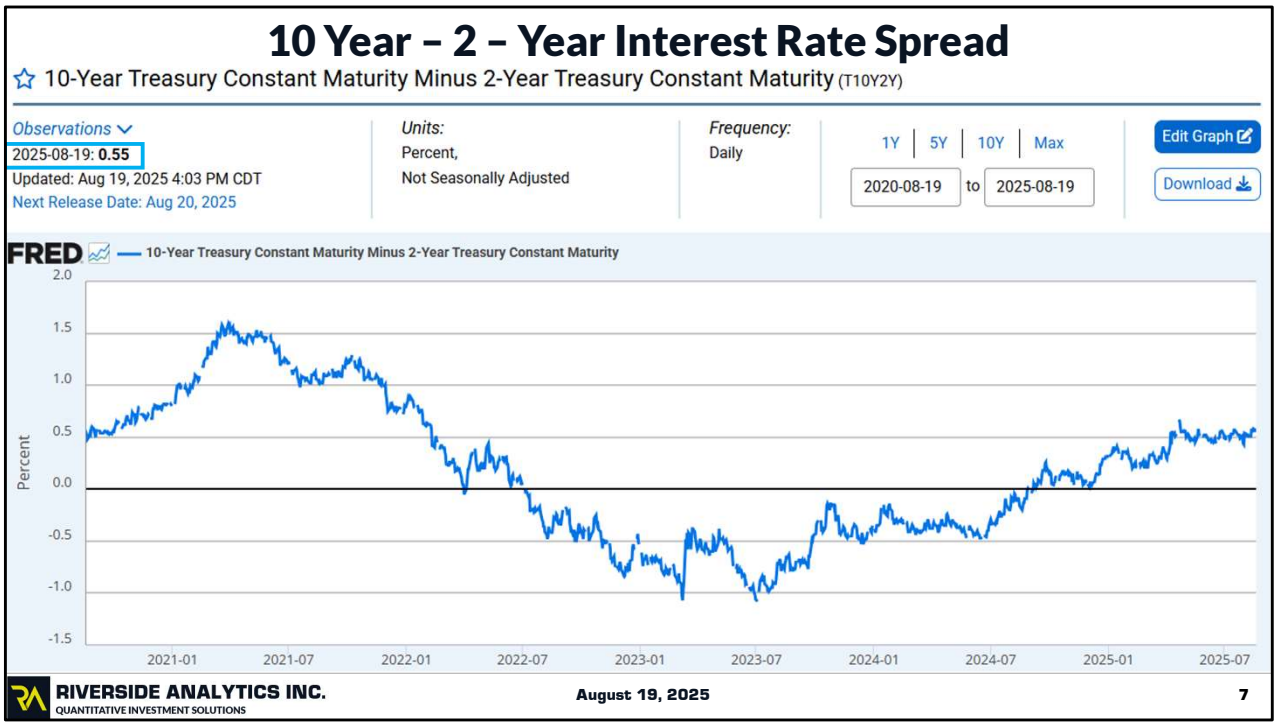
Source : Board of Governors of the Federal Reserve System (US) via FRED



August - Last month was -0.01. This month, up 1/10th ! Still flirting with zero since the beginning of March.

Based on previous Riverside analysis, a recession does not occur until AFTER the inversion as righted itself. **This is a very long drawn out righting ! It could go on all year !**

Last month my comment was - What I am super interested in, is the next quarterly US GDP number. Well, it turned out to be plus 3.0%. I will talk about why, when you get to that slide. It is not as positive as it appears !



August – last month was 0.52 – This has been tightly rangebound since April !

BoC Interest Rates
July 18



Weekly Wednesday, rates in percentage	CANSIM	2025-06-18	2025-06-25	2025-07-02	2025-07-09	2025-07-16
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	6.05	6.05	6.05	6.05	6.05
5-year	V80691335	6.09	6.09	6.09	6.09	6.09

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August 19, 2025
8

July 24th – Updated Prime not yet posted, but is not expected to change.

CIBC has 5 year fixed – 4.54 – Up 10 points, Royal – 4.52 – No Change, TD - 4.59 - No Change, and BMO - 4.64 – No Change,
BNS DROPPED to 5.40 from 6.09, DOWN 69 points. Nearly a percentage point above most of its competitors.

BoC Interest Rates
August 20 – No Changes !



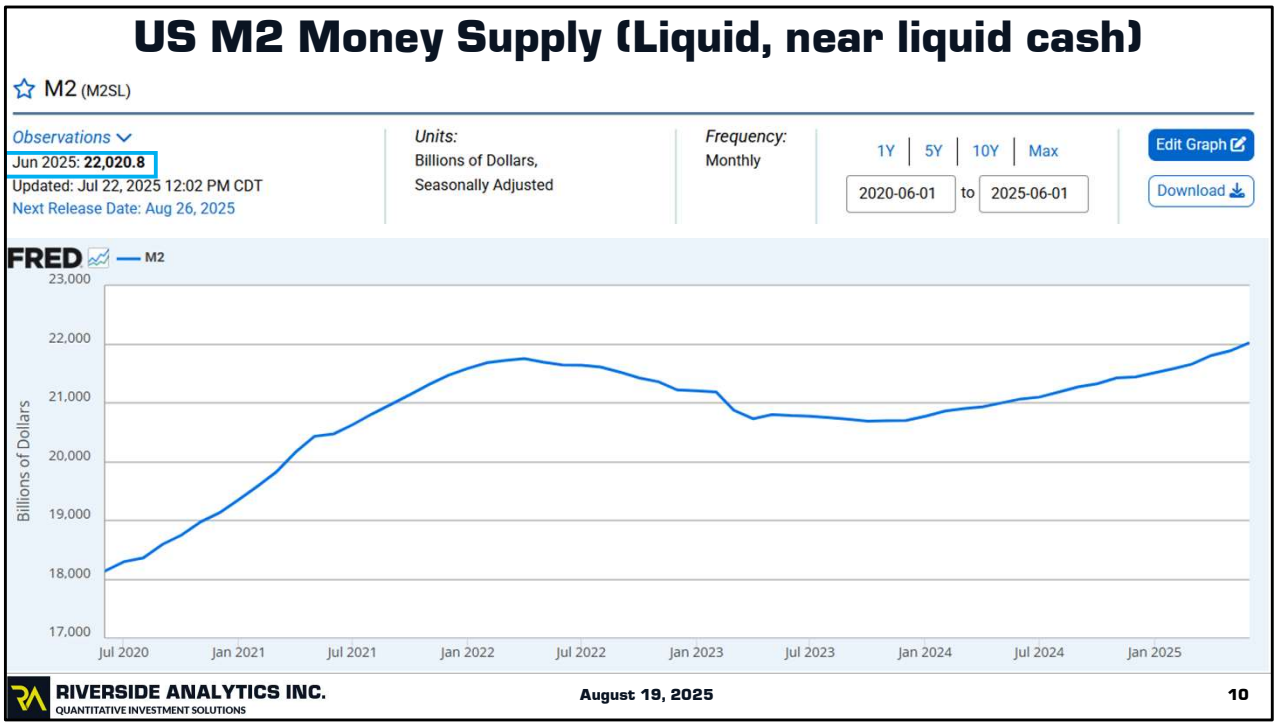
Weekly Wednesday, rates in percentage	CANSIM	2025-07-23	2025-07-30	2025-08-06	2025-08-13	2025-08-20
Prime rate[1]	V80691311	4.95	4.95	4.95	4.95	4.95
Conventional mortgage						
1-year	V80691333	6.09	6.09	6.09	6.09	6.09
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5-year	V80691335	6.09	6.09	6.09	6.09	6.09

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August 19, 2025
9

August – Same as last month.

CIBC has 5 year fixed – 4.54 – No change, Royal – 4.69 – Up 17 points, TD - 4.69 – Up 10 points, and BMO - 4.64 – No Change,
BNS DROPPED to 5.40 – No Change, still well above competitors.

One thing I heard from a real estate agent, is that TD is quick to respond to a brokers request for quote, but has trouble delivering the funds on time. Do not close a deal late in the day if you can help it !



August – Data ending June… May was 21,942.0 – M2 tends to lead inflation by about a year, to 2 years ! There is a significant lag between cause and affect.

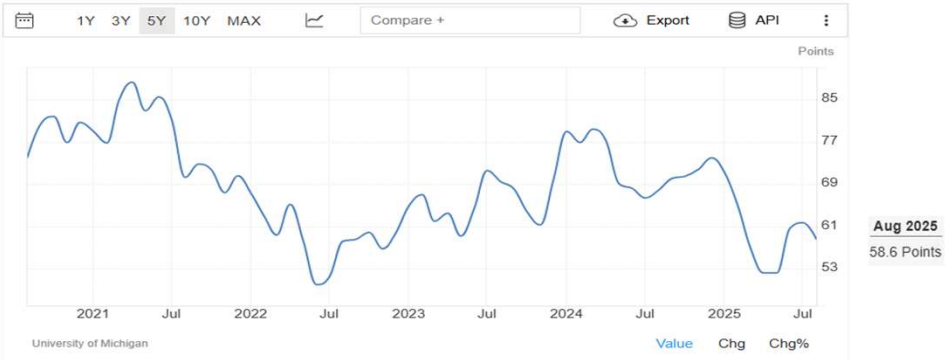
There is not always a cause and affect to the relationship. Quantitative Tightening helps combat inflation, and the US is executing this process now, and has been since 2002. This likely continues until the end of 2025. This helps offset inflationary aspects of M2 growth.

Source : https://fred.stlouisfed.org/series/M2SL

M2 consists of - Cash, checking deposits, and other deposits readily convertible to cash, such as CDs/GICs, are considered liquid money and are measured by the Fed's M2 money supply measurement.

UoM Sentiment Index

The University of Michigan consumer sentiment for the US dropped to 58.6 in August 2025, down from 61.7 in July and well below market expectations of 62, according to preliminary estimates. Consumer sentiment fell for the first time in four months, mainly due to growing inflation concerns and sharply worse buying conditions for durable goods. While expectations for future personal finances improved slightly, consumers still anticipate worsening inflation and unemployment ahead. The current conditions index deteriorated to 60.9 from 68 and the expectations gauge fell to 57.2 from 61.7. Meanwhile, year-ahead inflation expectations surged to 4.9% from 4.5% and the five-year expectations gauge edged up to 3.9% from 3.4%. This month ended two consecutive months of receding inflation for short-run expectations and three straight months for long-run expectations. Still, both readings remain well below the highs seen briefly in April and May 2025. source: University of Michigan

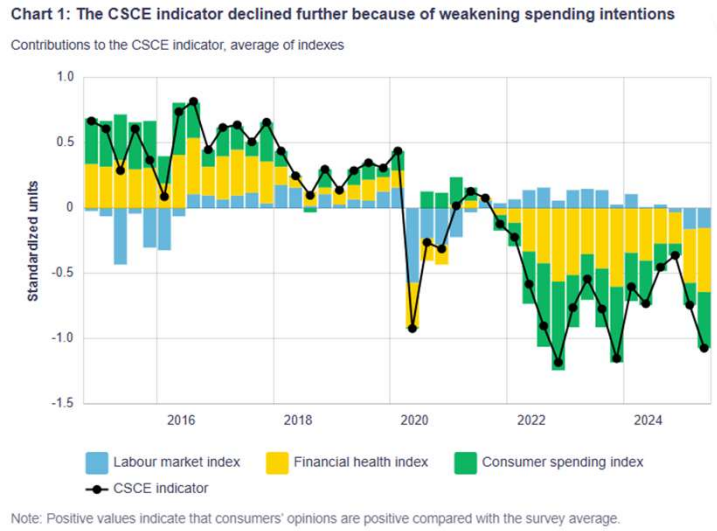


August – last month was 61.8. – so it was revised down by 1/10th !

I am expecting inflation to increase in the coming months as corporations decide to pass on at least some of the tariff costs. Average tariff by country is just north of 18 percent. Corporations start putting up poor profits, then the price increases become more certain.

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

BoC Consumer Sentiment – Q2 No Change



https://www.bankofcanada.ca/2025/07/canadian-survey-of-consumer-expectations-second-quarter-of-2025/

August – NO CHANGE - **This is a quarterly report – Q2. New data will not be out until late October, early November**

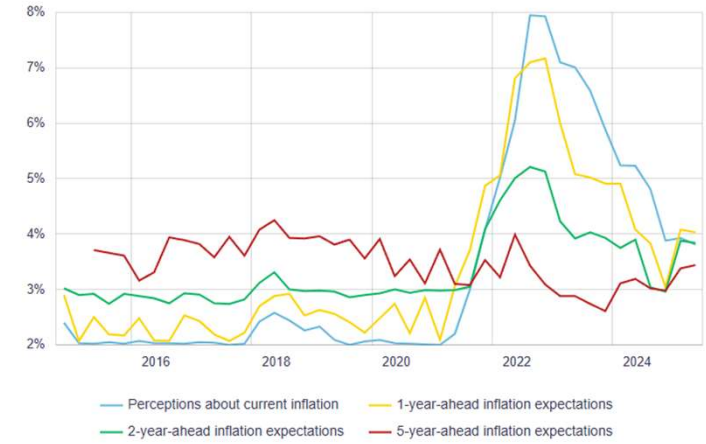
The trade conflict continues to weigh on consumers
The CSCE indicator summarizes the opinions of Canadian consumers about their spending plans, the labour market and their personal finances. This measure fell for the second consecutive quarter as the impact of tariffs and related uncertainty continued (Chart 1).2 Since the start of 2025, the decline in the indicator has been driven mainly by weaker spending intentions (Chart 1, green bars) and growing pessimism among Canadians about their financial health (Chart 1, yellow bars). This is particularly true for respondents in regions heavily dependent on trade with the United States.

There is lots in this report if you want to dig in !
https://www.bankofcanada.ca/2025/07/canadian-survey-of-consumer-expectations-second-quarter-of-2025/

BoC Inflation Expectations – Q2 No Change

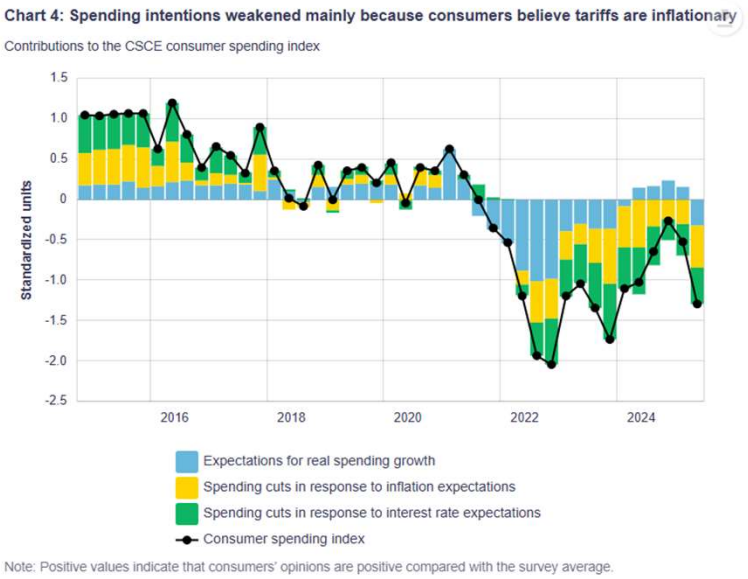
Chart 7: Consumers' expectations for short-term inflation have changed little since increasing notably last quarter

Inflation expectations for each horizon: What do you expect the rate of inflation (deflation) to be?
Perceptions about current inflation: What do you think the rate of inflation (deflation) was over the last 12 months?
(Interpolated median)



August – NO CHANGE - Consumers' expectations for short-term inflation are still above their pre-pandemic averages after having risen significantly last quarter (Chart 7, yellow and green lines). Similarly, expectations for inflation five years from now have also moved up since the start of the trade conflict; they remain around their pre-pandemic average (Chart 7, red line).

BoC Expectations Spending Plans – cont. Q2 No Change



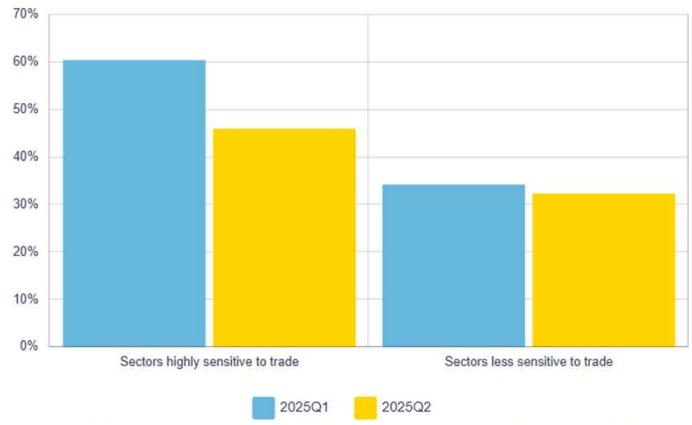
August – NO CHANGE - Consumers are increasingly cautious about their spending plans
This quarter, consumers showed greater caution in their spending decisions. The consumer spending index fell for the second consecutive quarter, with more consumers planning to cut spending in response to their inflation expectations (Chart 4). These expectations are being driven by consumers' belief that tariffs will put upward pressure on inflation. Survey results show that consumers plan to reduce their spending, mainly because of:

- economic uncertainty
- elevated housing costs
- high prices of many goods and services

BoC Expectations – Job Security – cont. Q2 No Change

Chart 3: Job security concerns have diminished the most among workers in sectors that rely on trade with the United States

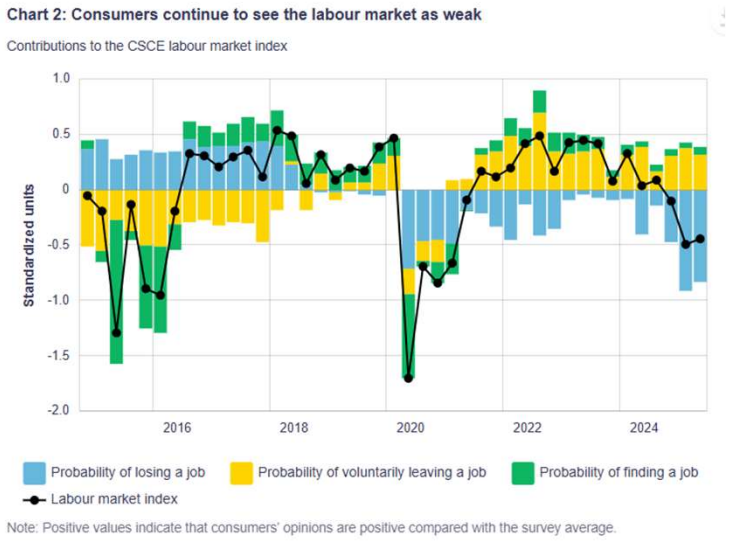
Share of workers citing weaker job security in response to trade tensions



Note: *Sectors highly sensitive to trade* includes agriculture and forestry, mining and oil and gas, and manufacturing sectors. These are sectors where more than 30% of jobs depend on exports to the United States. *Sectors less sensitive to trade* includes the public sector as well as all private sector industries in which no more than 30% of jobs depend on exports to the United States.

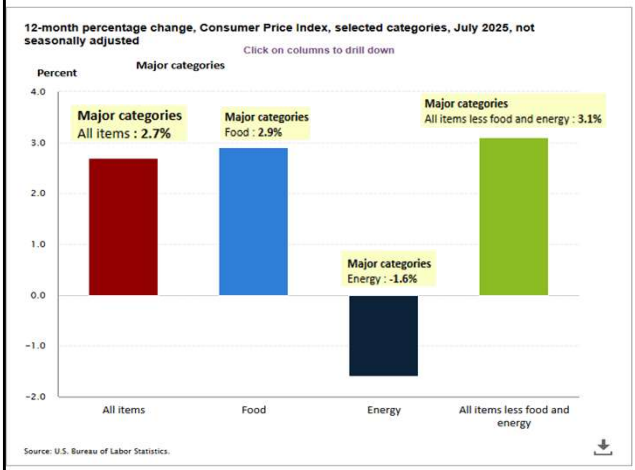
August – NO CHANGE - Against this backdrop of ongoing trade uncertainty, about two-thirds of consumers continue to expect the Canadian economy to fall into a recession over the next 12 months. In follow-up interviews, many consumers expressed the view that the trade conflict and the associated uncertainty are harming the economy. One person said, “Hard to predict what will happen with the tariff situation in the future, but I think with the way things are going to be, it seems like it won't get better until it gets really bad.”

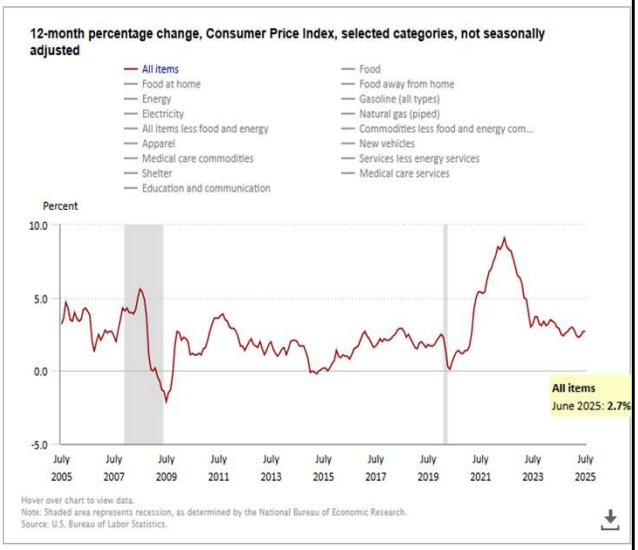
BoC Expectations – Labour Market – cont. Q2 No Change



August – NO CHANGE - The labour market index remained nearly unchanged after falling sharply in the first quarter of 2025 (Chart 2). Consumers, especially young people, continued to report a higher-than-average chance of losing their job. This elevated concern is largely because of the trade conflict with the United States. In follow-up interviews, an employee of a manufacturing company said, “Tariffs are impacting my job a little bit. They are affecting my industry a lot, and many companies are laying off their employees.”

US Inflation Rate





All items : 2.7% + 0.0%
Food : 2.9 - 0.1%
Energy : -1.6 - 0.8%
All items less food and energy : 3.1 % + 0.5

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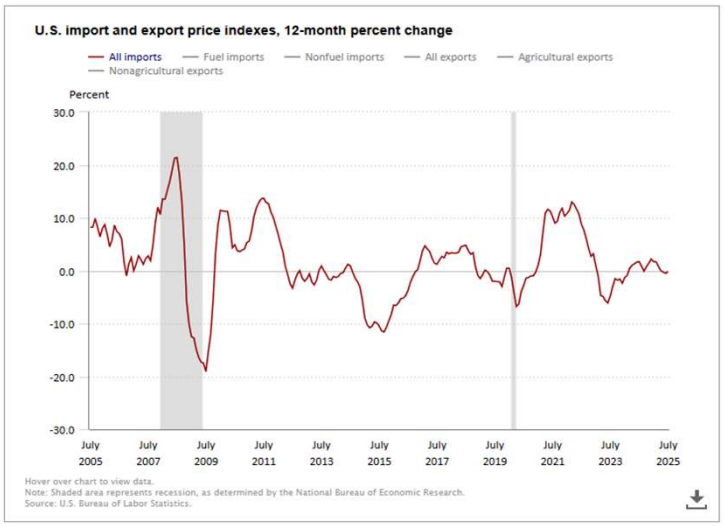
August 19, 2025

August – "All items" category went sideways – no change.

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#

U.S. Import and Export Price Indexes, 12-month-percent change



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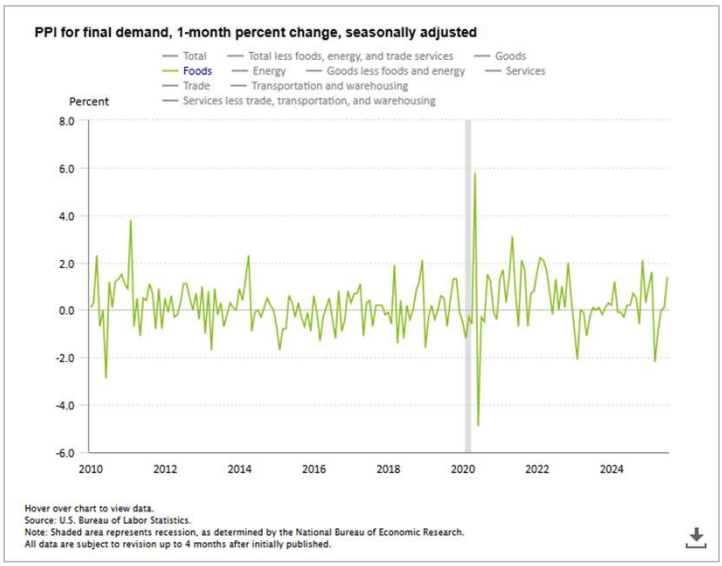
August 19, 2025

August – STILL Not much going on ! What I was interested here was something that tracked import prices. As is very clear, prices are pretty stable. It is what is happening at the point of import that becomes much more interesting, as that is where any tariffs are applied, prior to the product moving to the warehouses / factories.

Source : https://www.bls.gov/charts/import-export/us-import-and-export-price-indexes-12-month-percent-change.htm#
Source : https://www.bls.gov/mxp/

State of US Tariffs – Yale University >> https://budgetlab.yale.edu/research/state-us-tariffs-july-23-2025

Producer Price Index – Food
1-month percent change, seasonally adjusted



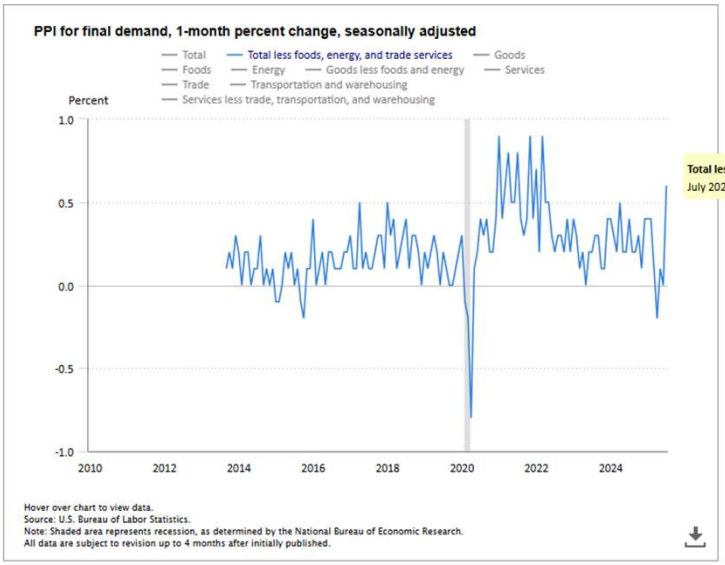
August – Food prices at the producer level jumped from 0.2 percent to 1.4 %. Within the normal monthly range. It will take a few months to see if it stays on the plus side of the ledger.

The Producer Price Index is a measure of the change in prices that domestic producers receive for their goods and services. The index is a measure of wholesale inflation and an indicator of the health of the economy.

– 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



7.2% Annual !

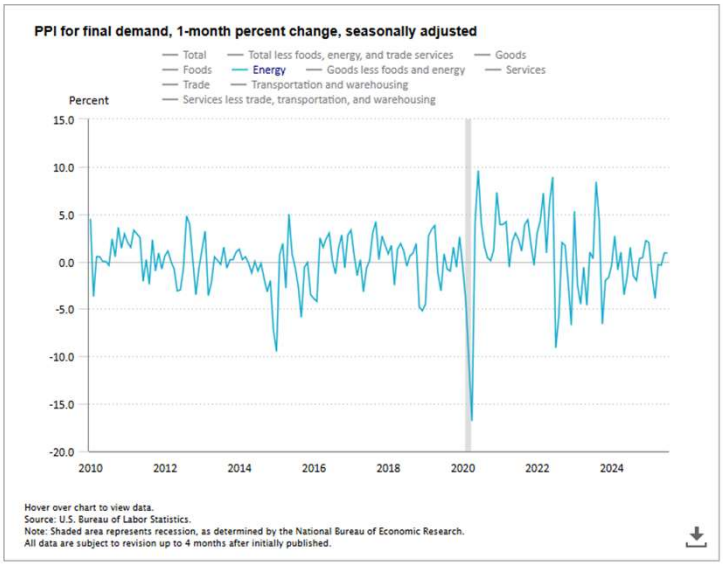
August – Last month was 0.0, this month is 0.6, and a jump above numbers since last May 2022

Tariffs tend to be one time price bumps that take a year to resolve themselves when the current year becomes the baseline year, 12 months hence.

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

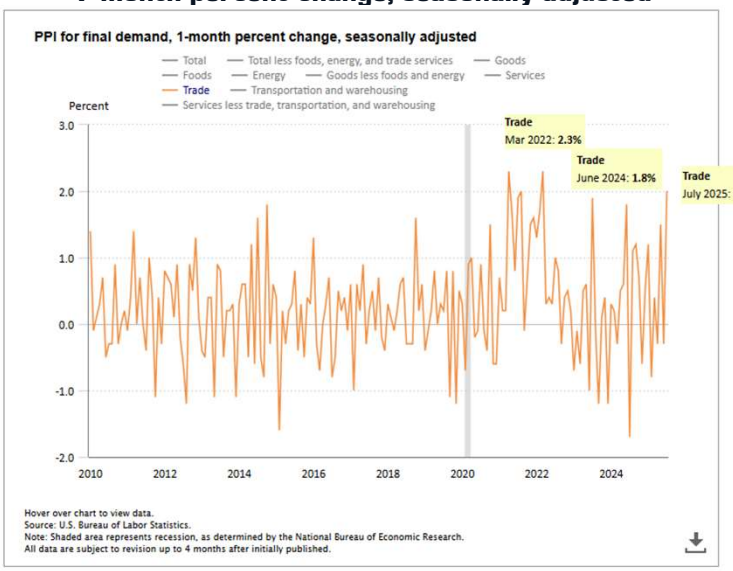


August – 0.6 > 0.9 Energy price changes at the producer level are not out of the ordinary.

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

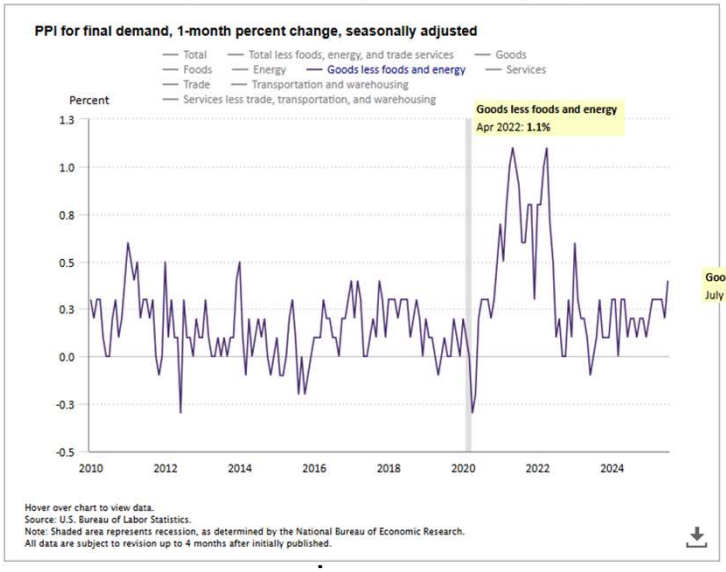


August – Went from 0.0 to 2.0 – a 24% annual rate of change for the month. Higher than it has been in 3 years. Now it is wait and see to determine if its going to stay high or this is just a flash in the pan.

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

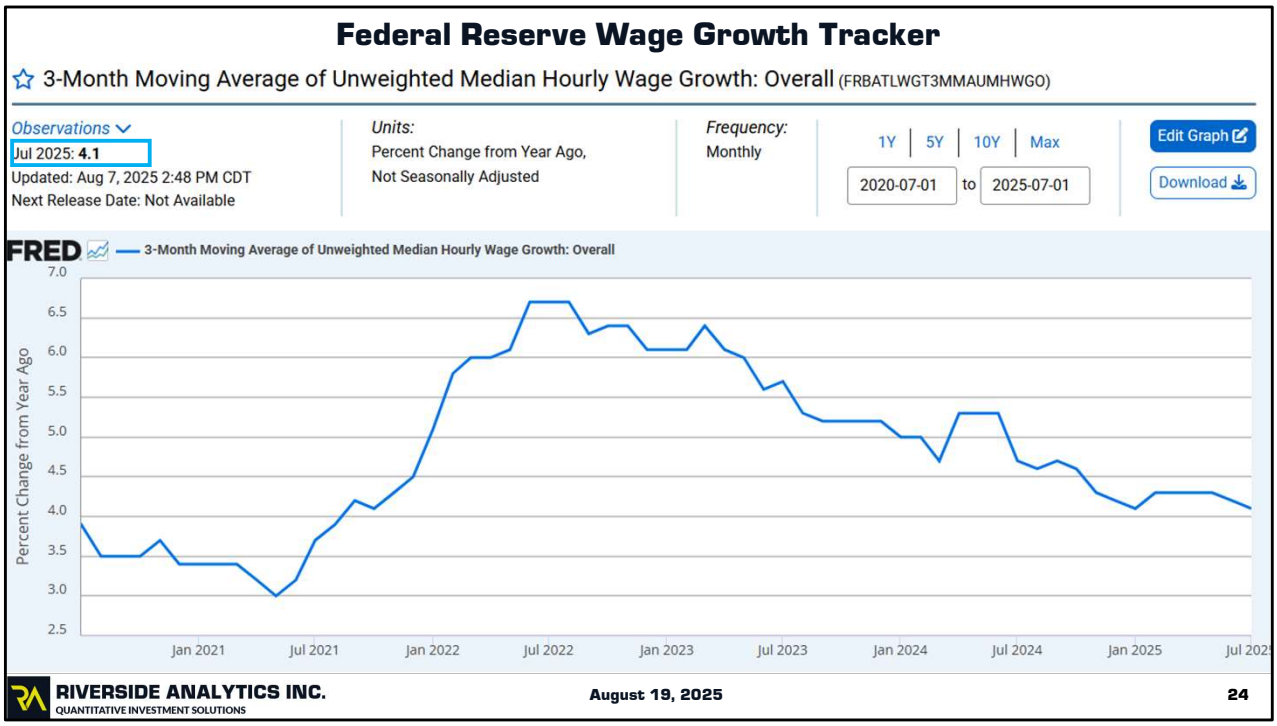
Producer Price Index – Goods less foods and energy

1-month percent change, seasonally adjusted



August – This is running at a 4.8% annual rate, likely foreshadowing higher inflation than the Fed would like to see. Pre-tariff inventory has been sold off, now the fun begins.

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

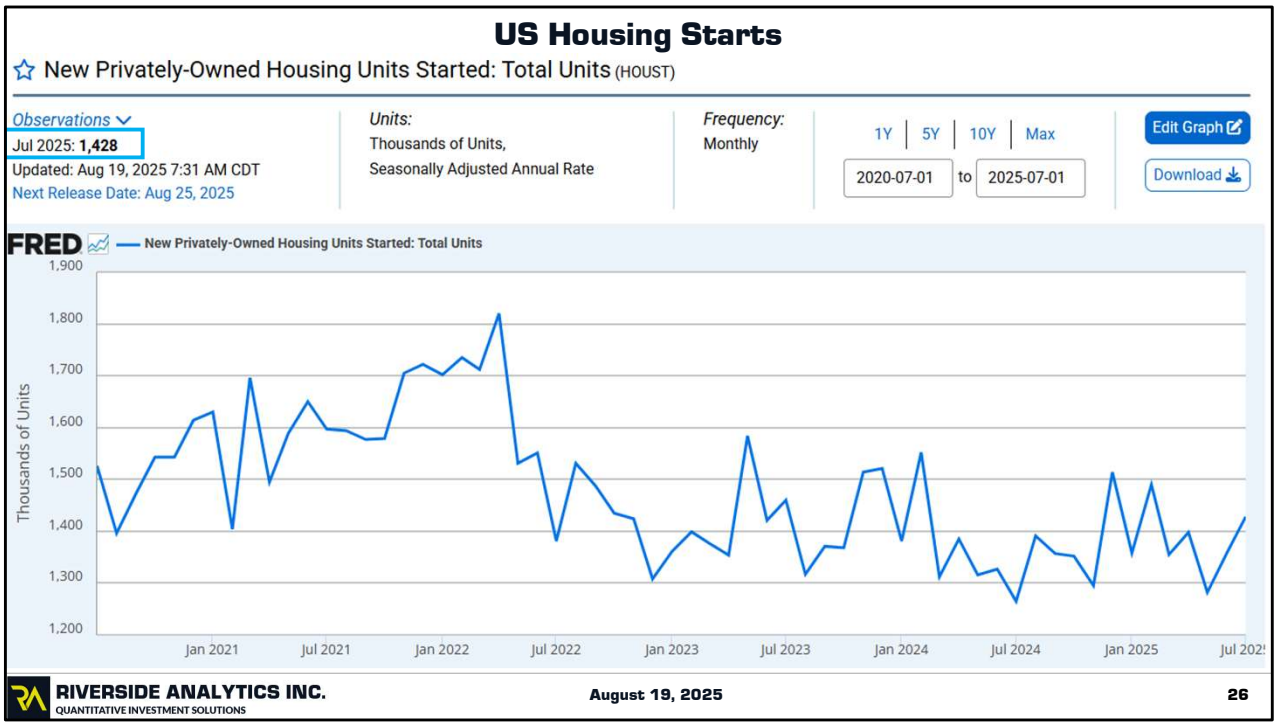


August– another 0.1 % tick down. On average, US wages continue to grow faster than inflation.

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

Leading Indicators

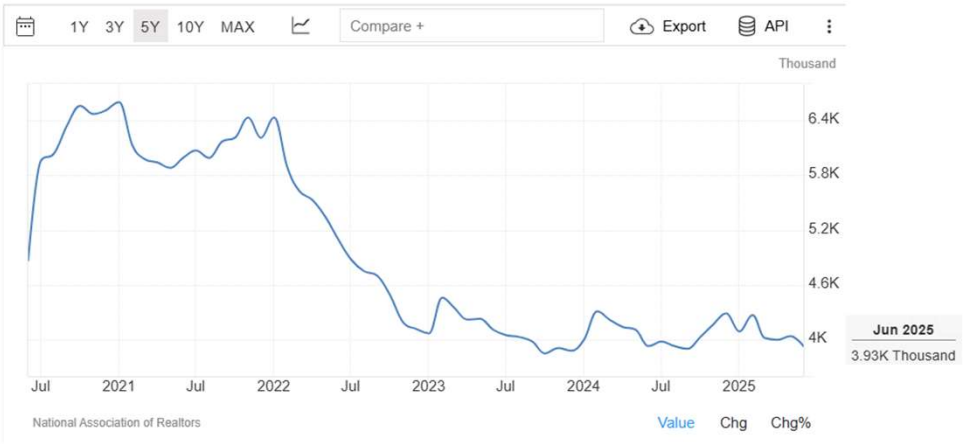
Housing Starts
Manufactures New Orders
Commodity Prices
Average Hours Worked



August – last month was1,321. It is back into the middle of reporting range for the past 3 years.

US Existing Home Sales – June Data

US existing-home sales fell 2.7% from the previous month to a seasonally adjusted annual rate of 3.93 million units in June 2025, down from 4.04 million in May and below market expectations of 4.01 million. This marked the lowest sales pace since September 2024, as the median home price climbed to $435,300, the highest ever recorded for June and the 24th consecutive year-over-year price increase. Sales of single-family homes declined by 3% to 3.57 million, while condominiums and co-ops held steady at 360,000 units. Regionally, sales dropped in the Northeast (-8%), Midwest (-4%), and South (-2.2%), but rose slightly in the West (1.4%). source: National Association of Realtors



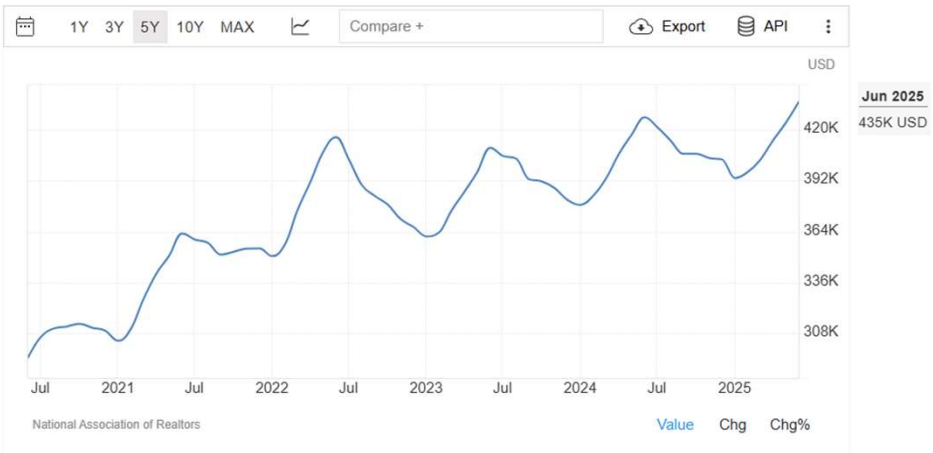
August – June Data ! Existing home sales are bouncing along the bottom the reporting range for the past 2 years.

Housing affordability and higher interest rates is keeping sales muted.

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

US Existing Home Sales Prices – June Data

Single Family Home Prices in the United States increased to 435300 USD in June from 423700 USD in May of 2025. Single Family Home Prices in the United States averaged 143995.22 USD from 1968 until 2025, reaching an all time high of 435300.00 USD in June of 2025 and a record low of 19700.00 USD in January of 1968. source: National Association of Realtors



August – last month was 423 USD. This month it is 435K. Translating this to CAD, is 605K. It is a national average.

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

More information about median home prices by state can be found here >> https://www.bankrate.com/real-estate/median-home-price/

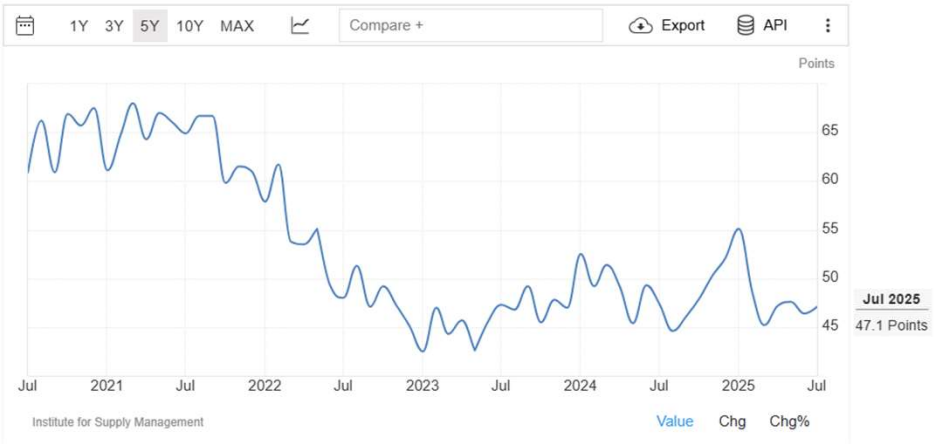
“Home prices generally rise over time, but they do fluctuate in the short-term. For example, seasonality plays a role: Prices will typically rise in spring, peak around June, then steadily drop during the fall and hit a low point mid-winter before the cycle starts again. In addition, prices can very quite widely from one geographic location to another, even within the same state or city.” Bankrate.com



August – last month was 642,036 – this is looking like it might have been a blip. Time will tell. Regardless manufacturing is doing just fine.

ISM Manufacturing New Orders Index

ISM Manufacturing New Orders in the United States increased to 47.10 points in July from 46.40 points in June of 2025. ISM Manufacturing New Orders in the United States averaged 55.41 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



August – 5 YEAR chart – This smooths out the annual chart. A range bound chart !

ISM offers a forward looking perspective vs US Manufacturing New orders reflects actual order volume.

“By monitoring the ISM manufacturing index, investors can better understand national economic trends and conditions. When the index is rising, investors anticipate a bullish stock market in reaction to higher corporate profits. The opposite is the case in the bond markets, which may fall as the ISM manufacturing index rises because of the sensitivity of bonds to inflation.”

“The monthly announcement of the ISM manufacturing index can greatly influence investor and business confidence. This is because the index is a survey of purchasing managers and supply management executives who are at the forefront of their companies' supply chains.” Quote Source : Investopedia. (https://www.investopedia.com/terms/i/ism-mfg.asp)

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

Commodity Pressure on Inflation – Weekly Candles



August – June's bump is continuing to unwind dropping under the 200 MA. No inflation pressure here !

The 20, and 50 MA settling into a sideways motion, indicating a floor is being built on future inflation from carbon based energy, Gold, Silver, Aluminum, Zinc, Copper Grade A, Corn, Wheat, Soybeans, and Sugar.

All three Mas are settling in to the 22 number.

Commodity Pressure on Inflation – Weekly Candles



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

August – Like the past couple months The trading range remains 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.

Commodity Pressure on Inflation – Weekly Candles



Where are primary protein prices going ?

August – same as last month - another trading range being maintained - price increases "should" be muted.
NOTE: This is a general commodities ETF… There are some break out slides coming further in the presentation.

Consumers need protein in their diet, and typically make up about 1/3 of the calories they consume. This also covers grains, oils, some specialized transportation AND Cattle and Pork. Protein is not the predominate category of this ETF !

Hot Rolled Steel – 1 Year

HRC Steel rose to 834 USD/T on August 20, 2025, up 0.24% from the previous day. Over the past month, HRC Steel's price has fallen 4.58%, but it is still 24.11% higher than a year ago, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.



Where are steel prices going ?

August – it is off its peaks, but likely stays much higher than pre-tariff. Steel manufacturers got their prezzy.

Source : https://tradingeconomics.com/commodity/hrc-steel

Hot Rolled Steel – Weekly Candles



August – This will be a one month only slide. The steel industry stocks got a nice bump after the tariffs but did not manage to break their highs from last 2024 !

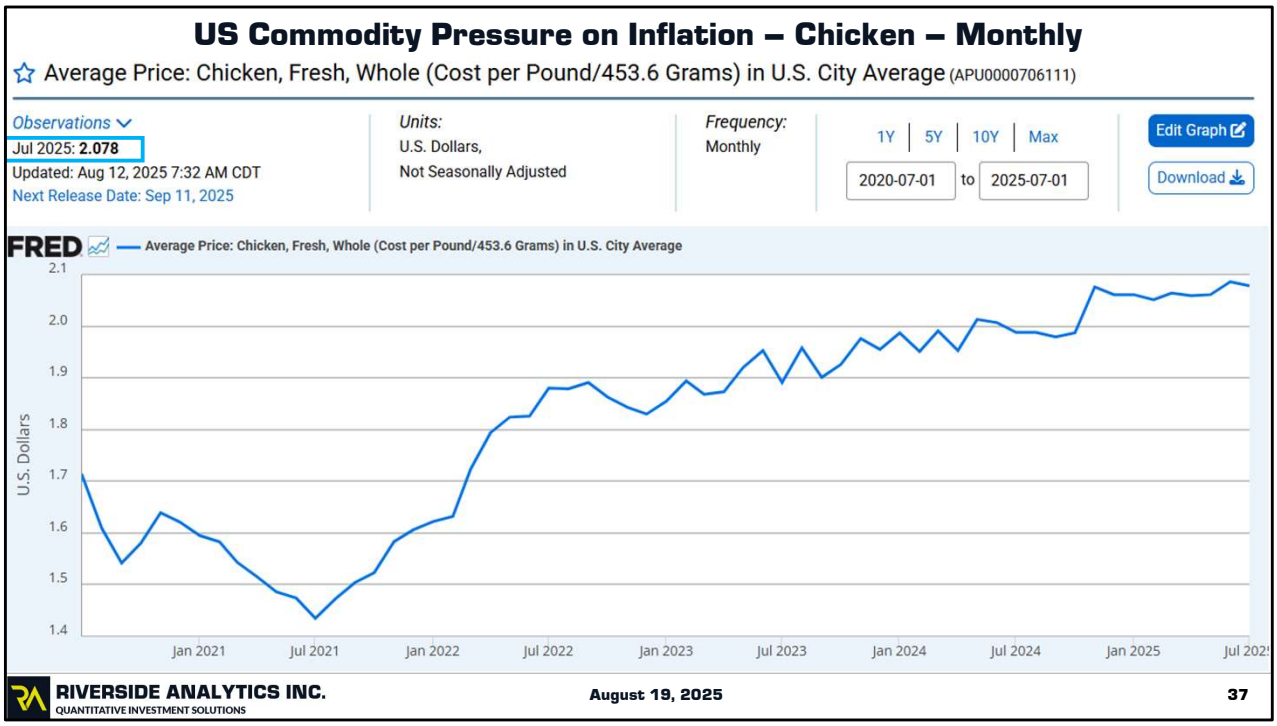
Aluminum – 1 Year

Aluminum futures fell to $2,560 per tonne, the lowest since the start of August as the outlook of muted demand offset the backdrop of slowing supply. Evidence that the Chinese manufacturing sector continued to slow dented buying activity for major base metals, with industrial production decelerating more than expected, while both the official and broader Caixin PMI surveys pointed to contractions for factories. Consumers' willingness to take advantage of looser monetary conditions were also tame, as new loans contracted and fixed asset investment slowed. Still, Chinese output is due to slow this year as the production pace is on pace to be bound by the annual cap of 45 million tons, mandated to cap overcapacity and pollution limits. This coincided with higher demand in the EU as members invest in defense. In the meantime, US President Trump added additional goods categories on the list of aluminum imports that are tariffed.



August – last month was 2657.3 – it is settling in to a new charting range.

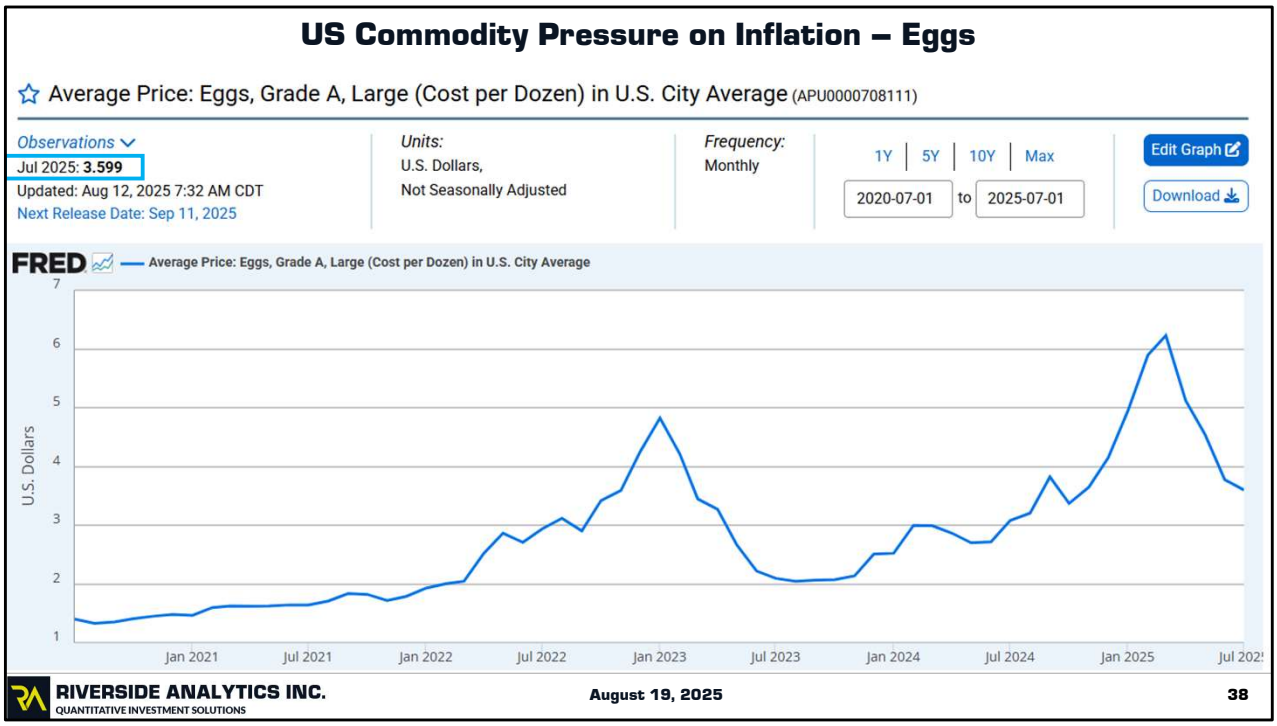
Source : https://tradingeconomics.com/commodity/aluminum



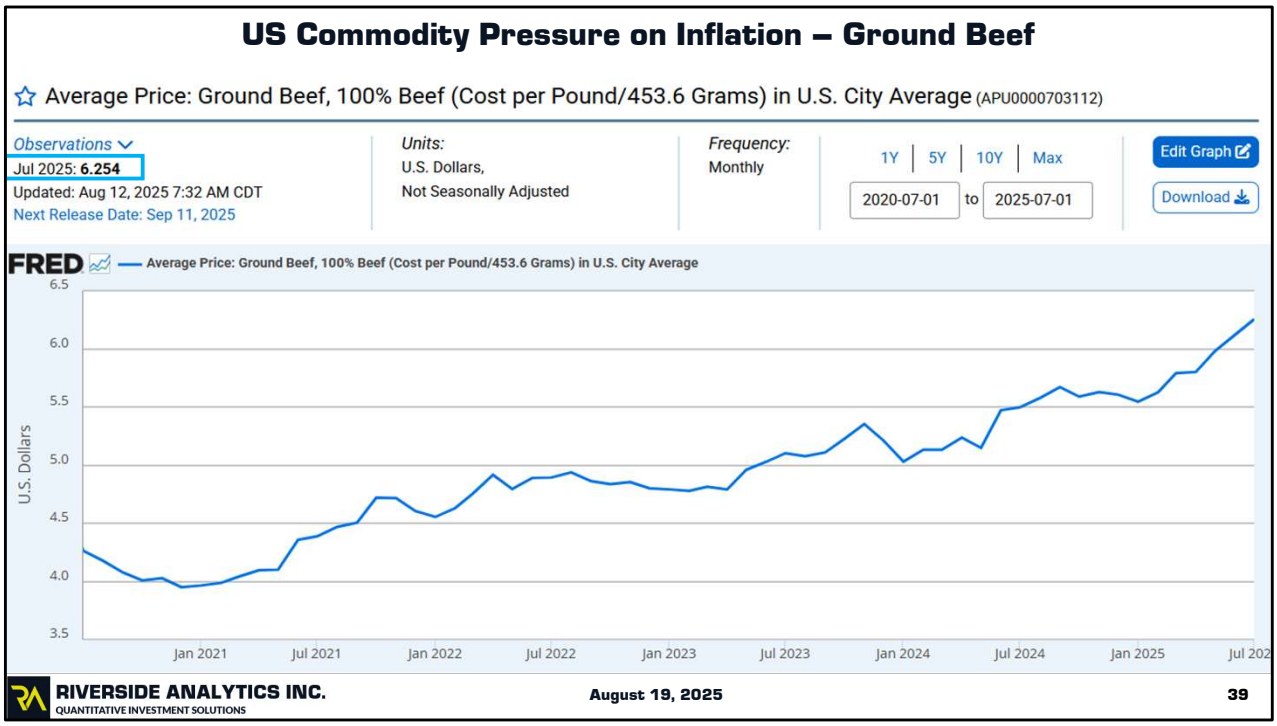
August– no significant change here – down a penny from last month.

The jump in the chart to the right is November.

Source : https://fred.stlouisfed.org/series/APU0000706111



August – Last month – 3.77 - US average egg prices peaked at $6.22 per dozen in March. The egg price bubble continues to unwind.

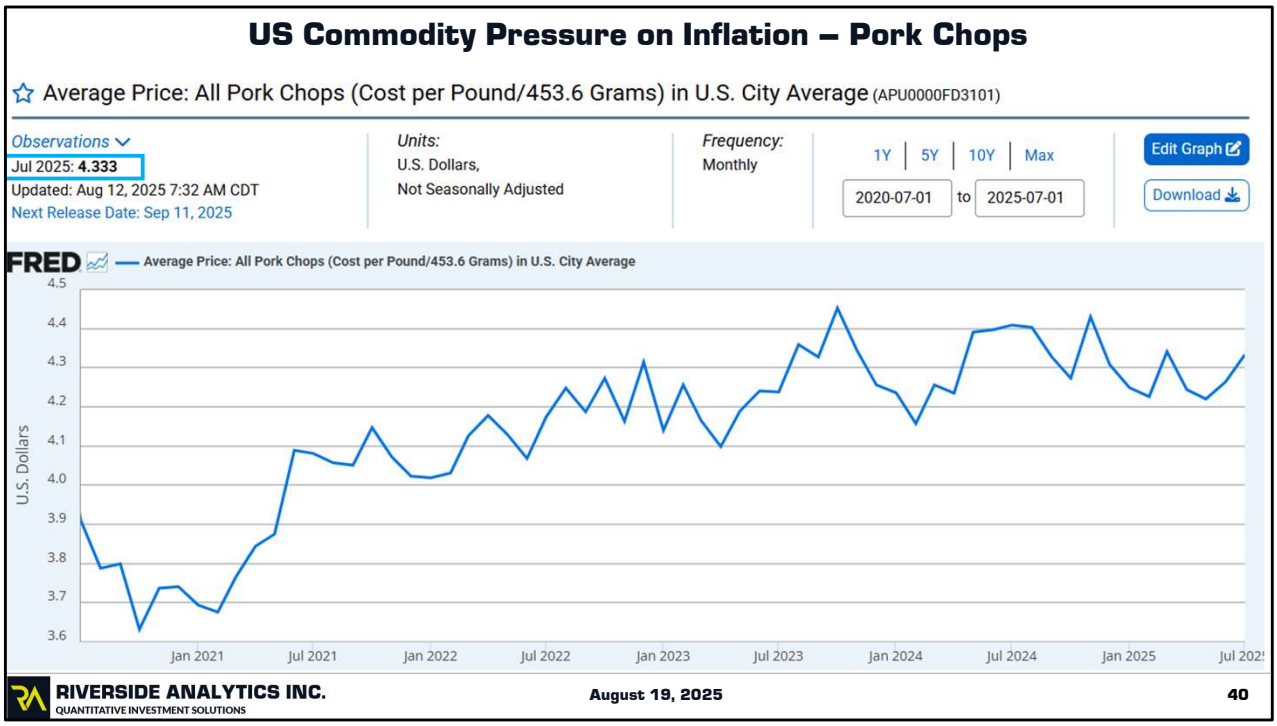


August – New this month. You are not imagining things ! This is a 46.6 percent increase from July 2020.

Canadian rates of change are similar .

I checked Statistics Canada. Ground beef was 9.48 in 2020 and is now 14.73, on average for an percentage increase of 55% (new price / old price times 100)

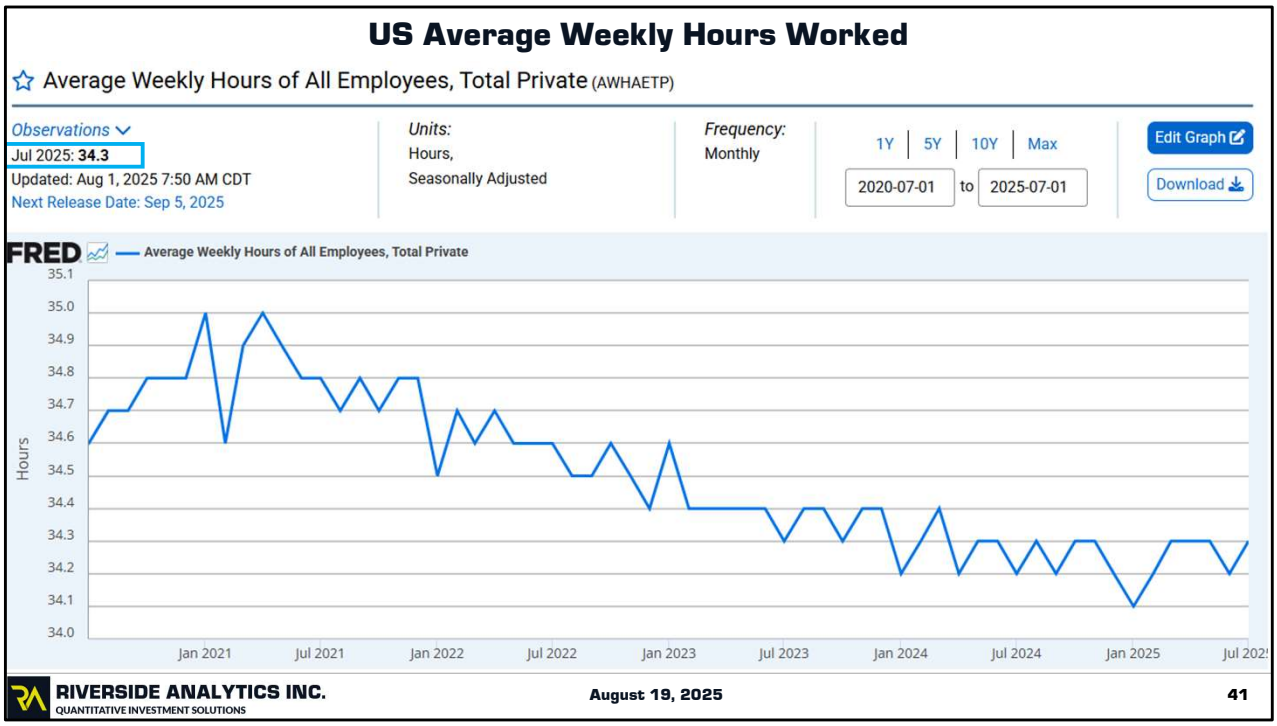
Statscan source : Monthly average retail prices for selected products



August – New this month. Pork chops have stayed in a price range since more or less since July 2022.

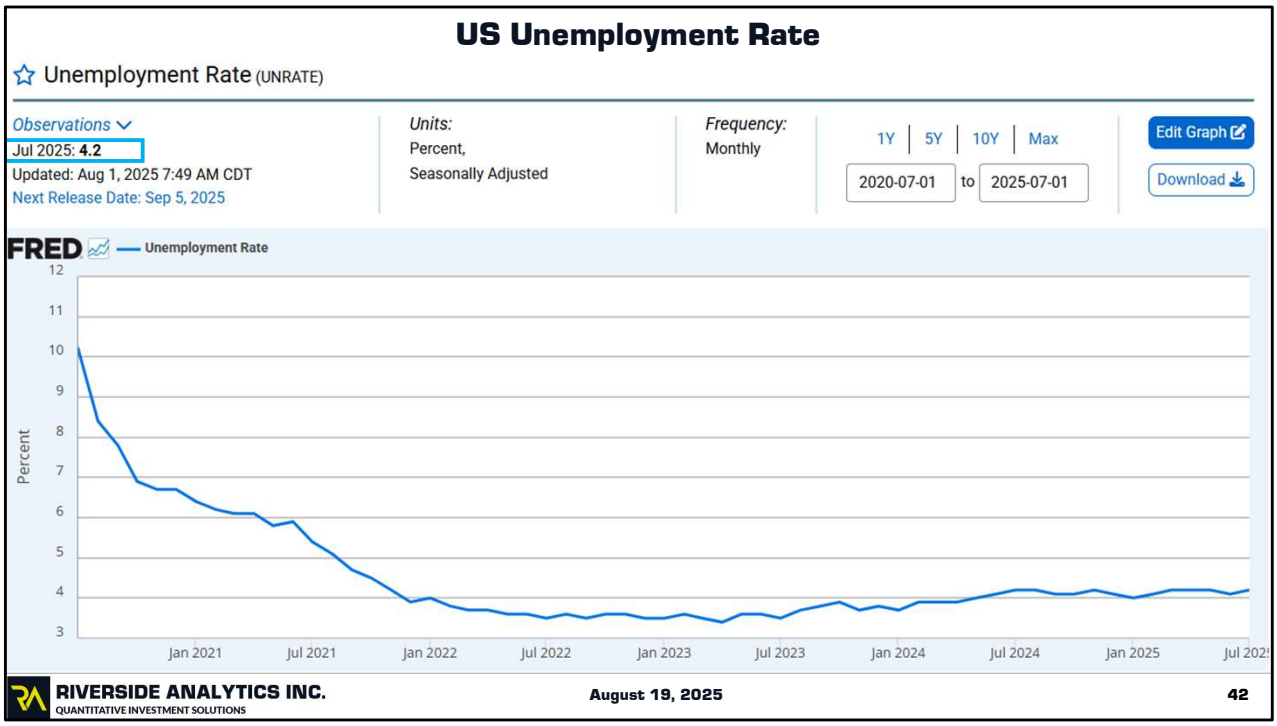
Canadian prices are very steady up only 7% in the past 5 years.

Statscan Source : Monthly average retail prices for selected products



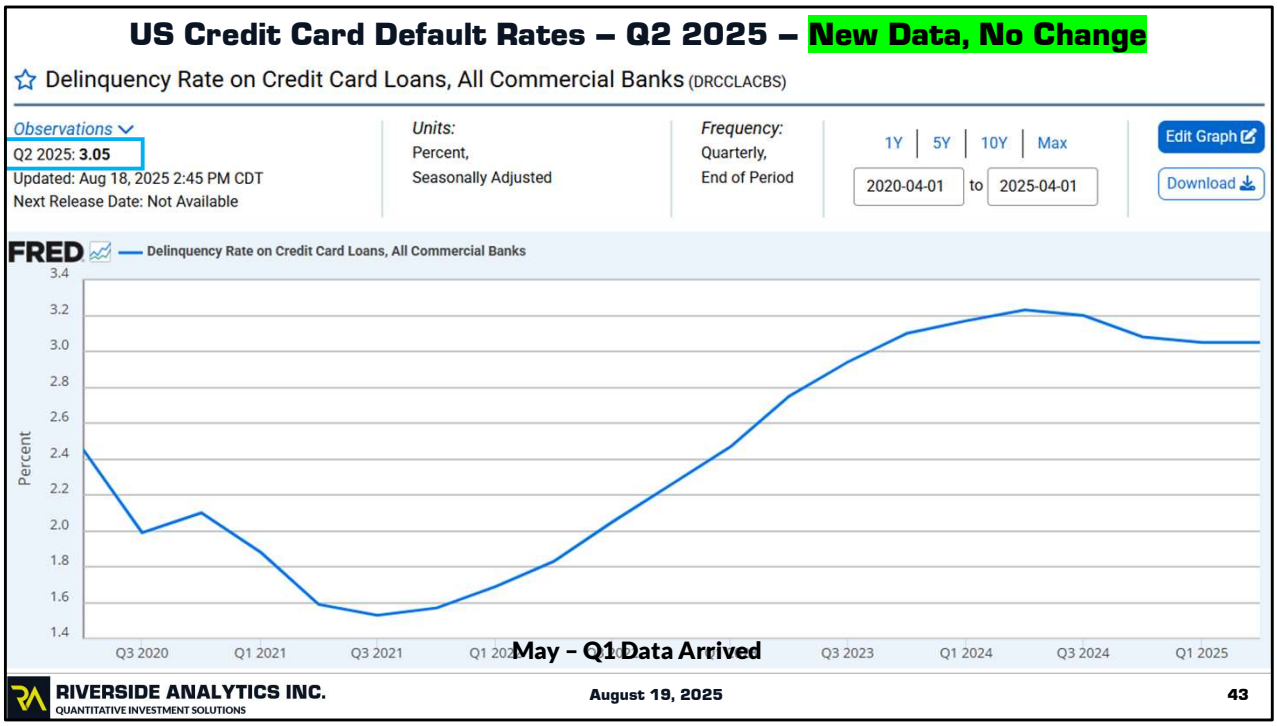
August – up a 1/10th this month… it has been wiggling near here for 2 years !

Source: https://fred.stlouisfed.org/series/AWHAETP



August – up 1/10th… essentially no change in 5 months.

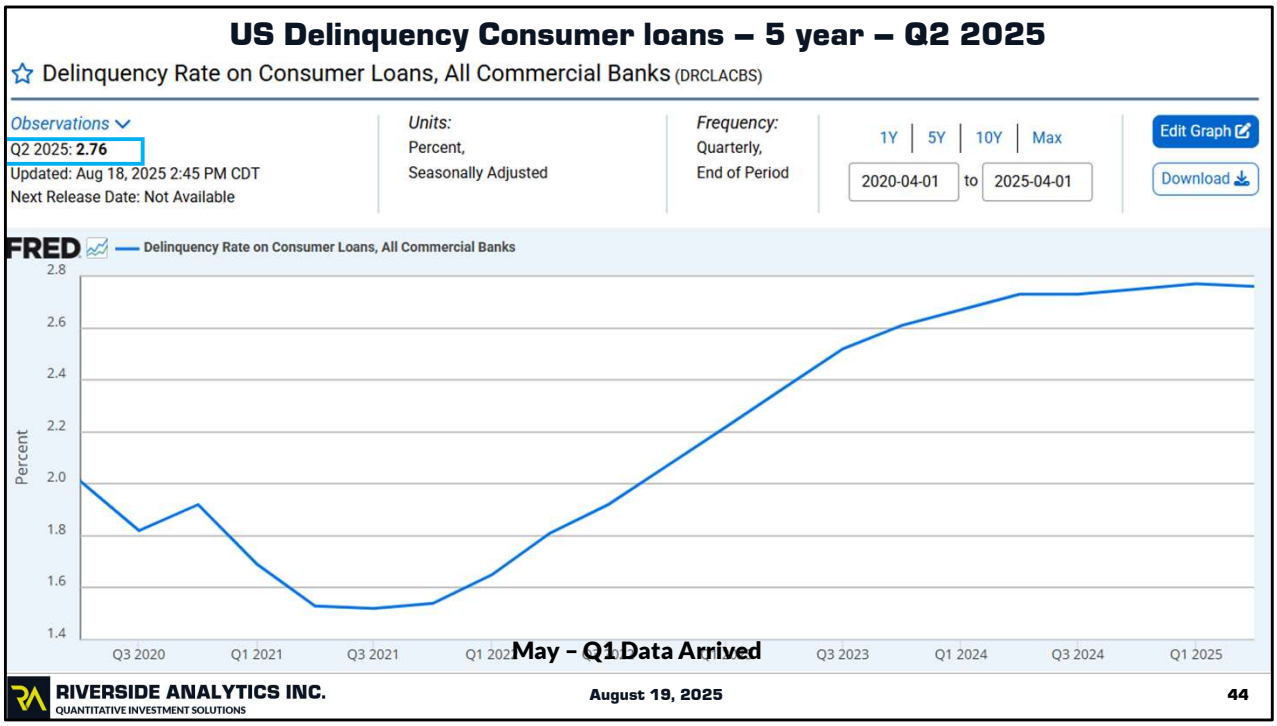
Source: [Unemployment Rate (UNRATE) | FRED | St. Louis Fed]



August – Q2 released, no change from Q1

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.

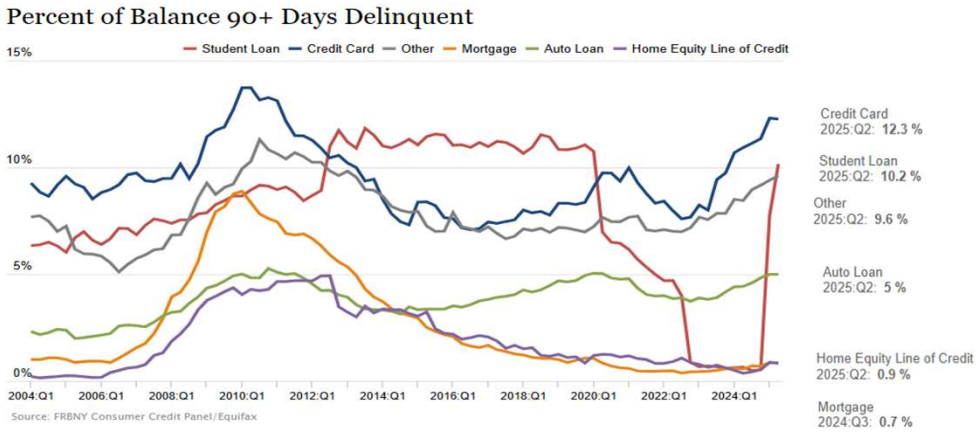


August – Q2 released – down 1/10th… essentially unchanged.

The rate of defaults is in the concerning area, and well above pre-covid levels. Interest rates and inflation is causing more consumers to struggle with their debt. Price increases to cover tariff costs is going to make this worse for the lower class citizens.

Credit Card Default Rates – NY Fed – Serious Delinquency – 2025 Q2 Released

US Household Debt Hits $18.39 Trillion Up from $18.20 T



Aggregate delinquency rates remained elevated in the second quarter of 2025. As of the end of June, 4.4% of outstanding debt was in some stage of delinquency, which is 0.1 percentage point higher than the first quarter. Transition into early delinquency held steady for nearly all debt types; the exception was for student loans, which saw another 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, were largely stable for auto loans and credit cards; edged up slightly for mortgages and HELOCs; and rose sharply for student loans.

August – Q2 Released- This is quarterly data, Only Student Loans changed from 7.7% to 10.2%

NOTE : Home Equity Revolving and Auto loan percents are the same.

Household Debt Hits $18.89 Trillion.

Balances

Mortgage balances shown on consumer credit reports grew by $131 billion during the second quarter of 2025 and totaled $12.94 trillion at the end of June. Balances on home equity lines of credit (HELOC) rose by $9 billion, the thirteenth consecutive quarterly increase. There is now $411 billion in outstanding HELOC balances, $94 billion above the low reached in the first quarter of 2022. Credit card balances rose by $27 billion during the second quarter and now total $1.21 trillion outstanding and are 5.87% above the level a year ago. Auto loan balances rose by $13 billion, and now stand at $1.66 trillion. Other balances, which include retail cards and consumer finance loans, were roughly unchanged

at $540 billion. Student loan balances edged up by $7 billion and now stand at $1.64 trillion. In total, non-housing balances increased by $45 billion, a 0.9% increase from 2025Q1.

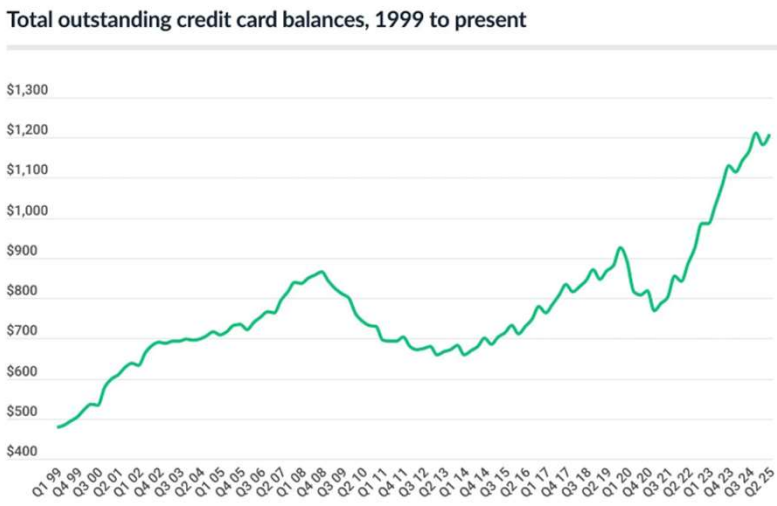
November – Federal Reserve Bank of New York.
https://www.newyorkfed.org/microeconomics/hhdc.html

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

Finally, if you really want to get into the weeds on this one >>
https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2025Q2

US Credit Card Outstanding Balances – Q2 Released



$1.209 trillion

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

Average Interest rate : 21.16%
New CC Offer Rates : 24.35%

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

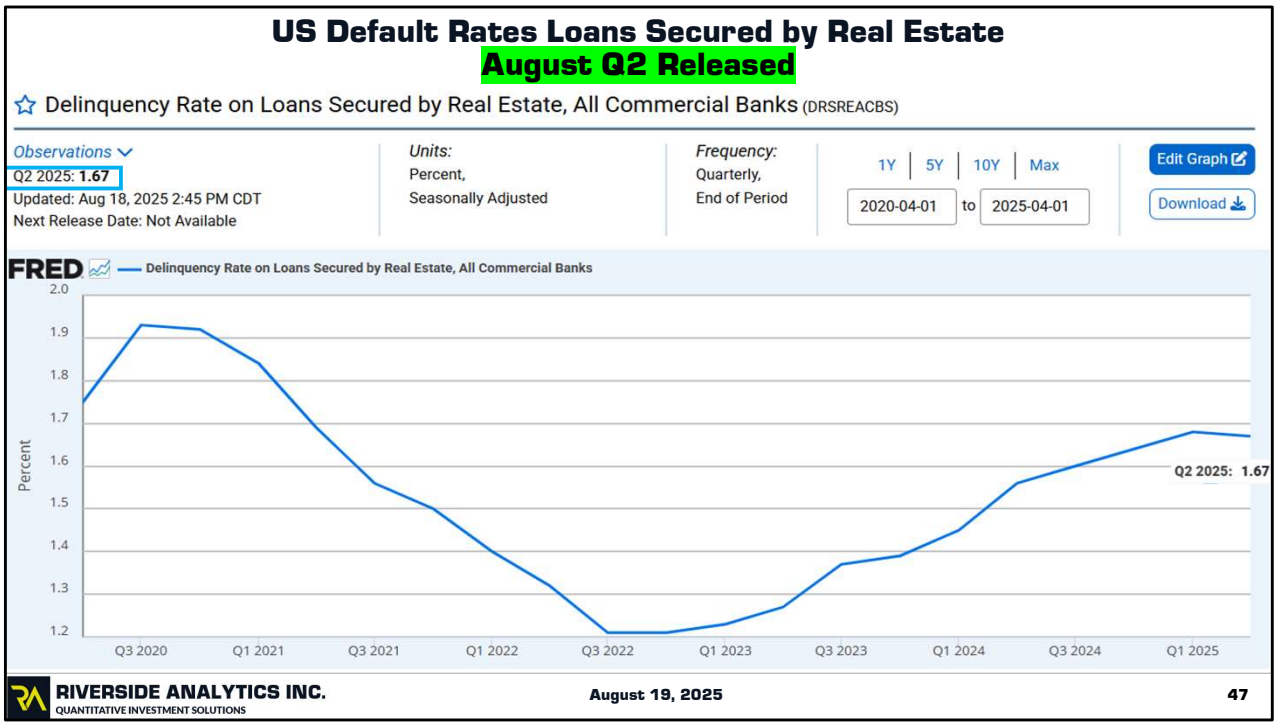
August – "It isn't unusual for credit card debt to rise in Q2. The last time we saw card debt decrease in Q2 of a year was 2020, when the pandemic was in full swing. Before that, it hadn't happened since 2012.

With this quarter's increase, credit card balances have risen by $439 billion since Q1 2021, when credit card debt bottomed out at $770 billion during the pandemic. That's a 57% increase in four years. Americans' credit card debt is $282 billion higher than the pre-pandemic record set in Q4 2019, when balances stood at $927 billion. (That's a 30% increase.) However, thanks to still-sky-high interest rates, stubborn inflation and myriad other economic factors, credit card balances are likely only going to climb."
Source: Lending Tree.

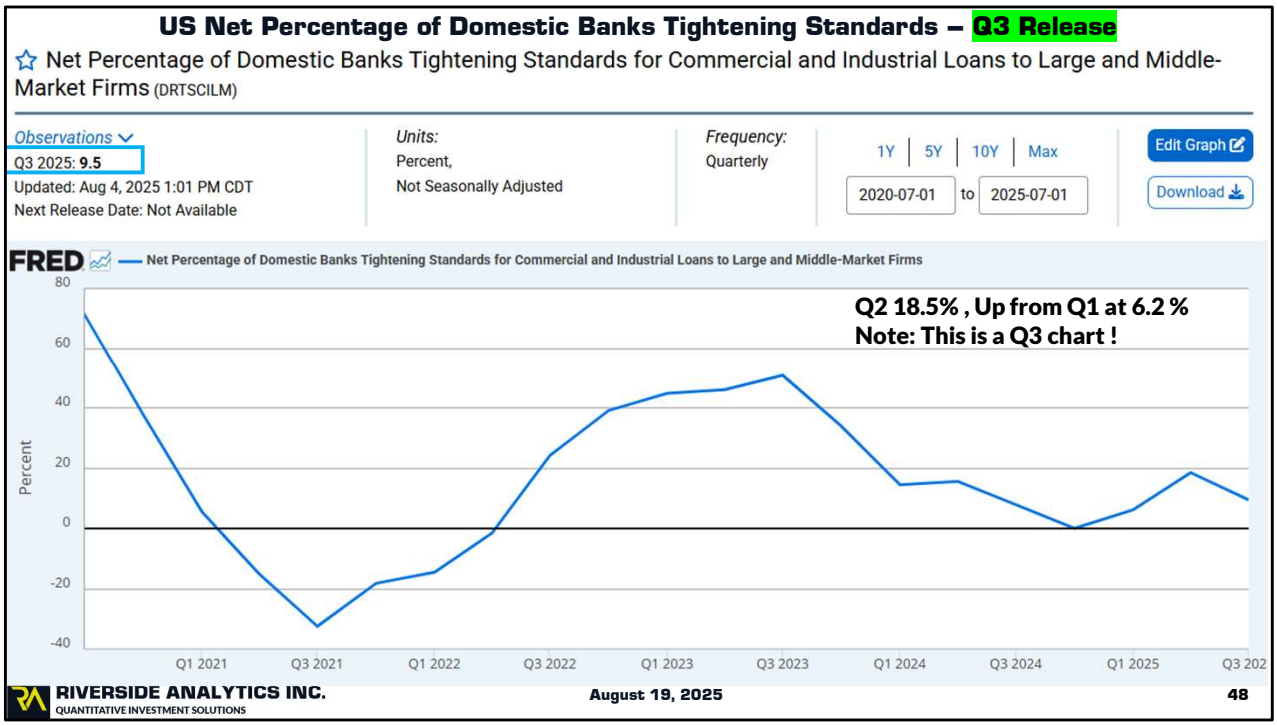
About half the population is paying some stiff interest charges on rotating debt.

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
August Q2 Released

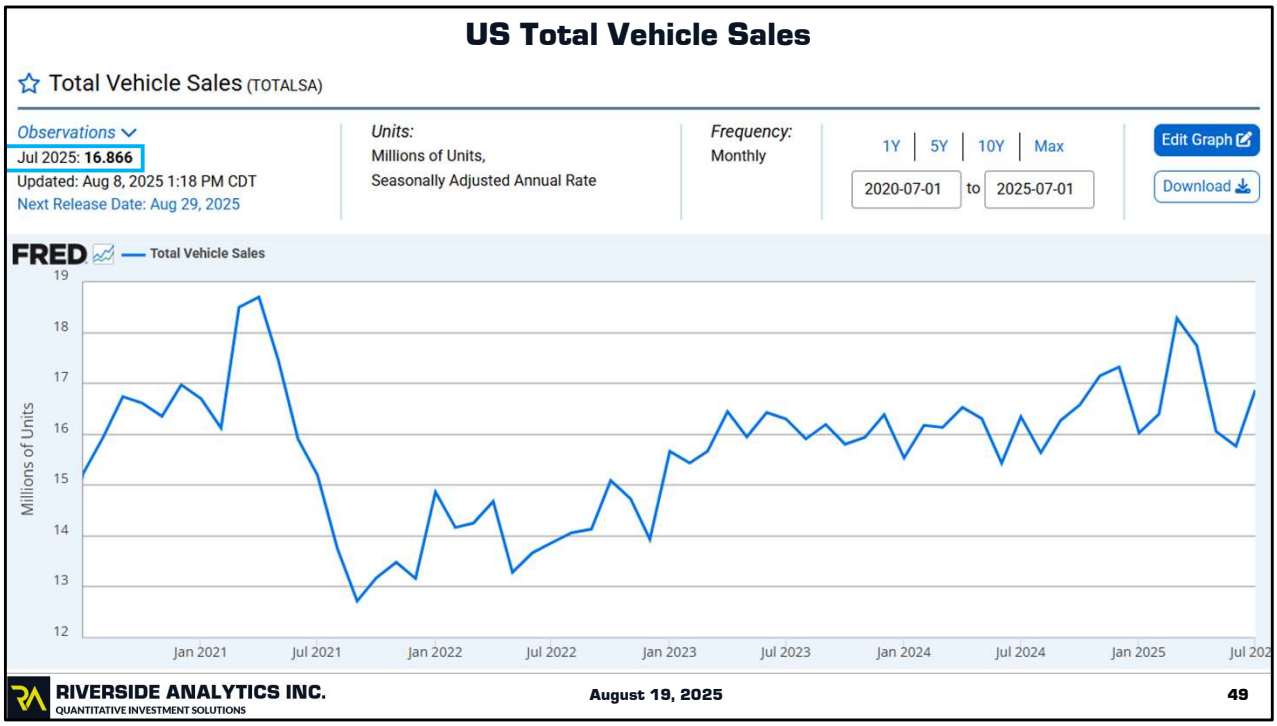


August – Q2 released
2024 Q4 was 1.64
Only about 10 percent of US Real Estate mortgages are variable rates.

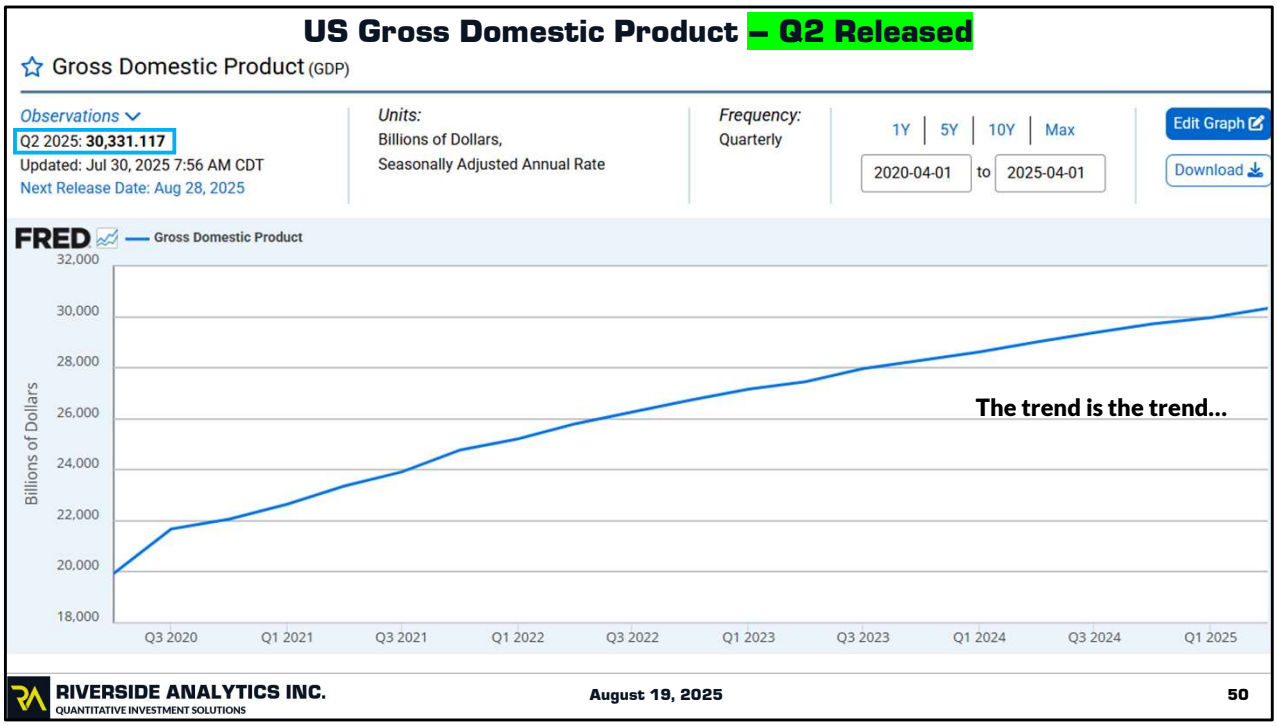


August – This is quarterly data, first bits of Q3 data showing up !

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



August – Last month was 15.77 – No signs of a slowdown here due to tariffs, or otherwise !

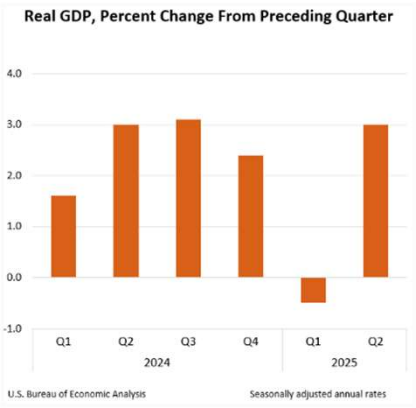


August – Q2 Released – Nothing to suggest any issues at this level caused by tariffs, will Q3 may be a little different ! I do not get that data until late October !

US GDP – Percent Change – Q2 Released

Q2 2025 (Adv)	+3.0%
Q1 2025	-0.5%

Real gross domestic product (GDP) increased at an annual rate of 3.0 percent in the second quarter of 2025 (April, May, and June), according to the advance estimate released by the U.S. Bureau of Economic Analysis. In the first quarter, real GDP decreased 0.5 percent. The increase in real GDP in the second quarter primarily reflected a decrease in imports, which are a subtraction in the calculation of GDP, and an increase in consumer spending. These movements were partly offset by decreases in investment and exports.



August – Q2 – It was strong due to heavy influence of lack of imports as businesses worked down inventories brought in early in preparation for tariffs. That influence is done, as companies must prepare for fall and winter sales. I am expecting Q3 data to be much softer, and with higher consumer prices.

Source : The Bureau of Economic Analysis of the United States Department of Commerce

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

August –September, and October tend to be a poor performers for first year Republicans.

CME FedWatch Tool

TARGET RATE PROBABILITIES AS OF July 22, 2025

FED FUND FUTURES												
ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6
95.6713	95.6825	95.7475	95.8350	95.9550	96.0725	96.1450	96.2450	96.3100	96.4050	96.4950	96.5550	96.6475

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES													
MEETING DATE	100-125	125-150	150-175	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
7/30/2025									0.0%	0.0%	0.0%	0.0%	4.7%	95.3%
9/17/2025				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	57.0%	40.3%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	30.5%	48.4%	19.6%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	22.3%	43.4%	27.8%	5.6%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	10.4%	31.6%	36.5%	17.9%	3.1%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	6.7%	23.7%	34.7%	24.8%	8.6%	1.2%
4/29/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	2.7%	13.0%	27.8%	31.0%	18.8%	5.8%	0.7%
6/17/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	1.6%	8.7%	21.7%	29.7%	23.9%	11.2%	2.8%	0.3%
7/29/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	4.3%	13.6%	24.7%	27.5%	19.1%	8.1%	1.9%	0.2%
9/16/2026	0.0%	0.0%	0.0%	0.0%	0.1%	1.1%	5.4%	14.9%	25.0%	26.5%	17.8%	7.4%	1.7%	0.2%
10/28/2026	0.0%	0.0%	0.0%	0.0%	0.5%	3.0%	9.7%	19.5%	25.7%	22.6%	13.1%	4.8%	1.0%	0.1%
12/9/2026	0.2%	1.2%	4.8%	12.3%	21.2%	24.9%	20.0%	10.9%	3.8%	0.8%	0.1%	0.0%	0.0%	0.0%

July – Conditional probabilities are meh, for the foreseeable future ! Aggregates are more interesting !

CME FedWatch Tool

TARGET RATE PROBABILITIES – Aggregated AS OF July 22, 2025

FED FUND FUTURES												
ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6
95.6713	95.6825	95.7475	95.8350	95.9550	96.0725	96.1450	96.2450	96.3100	96.4050	96.4950	96.5550	96.6475

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES							
MEETING DATE	200-225	225-250	300-325	325-350	350-375	375-400	400-425	425-450
7/30/2025	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	4.65 %	95.35 %
9/17/2025	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	62.34 %	37.66 %
10/29/2025	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	13.65 %	86.35 %	0.00 %
12/10/2025	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	85.36 %	14.64 %	0.00 %
1/28/2026	0.00 %	0.00 %	0.00 %	0.00 %	29.65 %	70.35 %	0.00 %	0.00 %
3/18/2026	0.00 %	0.00 %	0.00 %	0.00 %	92.41 %	7.59 %	0.00 %	0.00 %
4/29/2026	0.00 %	0.00 %	0.00 %	29.65 %	70.35 %	0.00 %	0.00 %	0.00 %
6/17/2026	0.00 %	0.00 %	0.00 %	88.24 %	11.76 %	0.00 %	0.00 %	0.00 %
7/29/2026	0.00 %	0.00 %	25.65 %	74.35 %	0.00 %	0.00 %	0.00 %	0.00 %
9/16/2026	0.00 %	0.00 %	37.26 %	62.74 %	0.00 %	0.00 %	0.00 %	0.00 %
10/28/2026	0.00 %	0.00 %	82.65 %	17.35 %	0.00 %	0.00 %	0.00 %	0.00 %
12/9/2026	9.56 %	90.44 %	0.00 %	0.00 %	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.

July – October probabilities increased to 86% from 77%. December is shaping up to be the second quarter point drop of the year.

The third drop is predicted drop is in March of 2026, rather than April.

Not much change for 2025.

CME FedWatch Tool – Probabilities

TARGET RATE PROBABILITIES AS OF August 21, 2025

FED FUND FUTURES											
ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6
95.6713	95.7475	95.8625	95.9725	96.0925	96.1625	96.2625	96.3150	96.3975	96.4775	96.5425	96.6275	96.7075

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
9/17/2025						0.0%	0.0%	0.0%	0.0%	73.5%	26.5%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	34.6%	51.4%	14.1%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	24.8%	46.6%	24.6%	4.0%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.0%	34.5%	36.9%	15.5%	2.2%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	5.8%	23.4%	35.7%	25.6%	8.5%	1.0%
4/29/2026	0.0%	0.0%	0.0%	0.0%	1.9%	11.6%	27.5%	32.4%	19.9%	6.0%	0.7%
6/17/2026	0.0%	0.0%	0.0%	1.1%	7.5%	20.8%	30.3%	25.2%	11.9%	2.9%	0.3%
7/29/2026	0.0%	0.0%	0.4%	3.3%	12.1%	24.0%	28.5%	20.6%	8.8%	2.0%	0.2%
9/16/2026	0.0%	0.2%	1.5%	6.8%	16.9%	25.8%	25.4%	15.9%	6.1%	1.3%	0.1%
10/28/2026	0.0%	0.4%	2.7%	8.9%	18.7%	25.7%	23.4%	13.8%	5.1%	1.0%	0.1%
12/9/2026	0.1%	0.9%	4.0%	11.0%	20.2%	25.2%	21.4%	12.0%	4.2%	0.8%	0.1%

August – a decent probability September will see a 25 point drop in interest rates. Based on what I reported previously on the PPI indexes, this is not likely warranted, BUT, the Fed is MAY interested in pacifying the White House, at least marginally ! Regardless, the Powell Trump “discussions”, even if only via the media, are interesting to watch.

CME FedWatch Tool – Aggregated

TARGET RATE PROBABILITIES AS OF August 21, 2025

FED FUND FUTURES											
ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6
95.6713	95.7475	95.8625	95.9725	96.0925	96.1650	96.2625	96.3175	96.3975	96.4775	96.5425	96.6275	96.7075

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES					
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450
9/17/2025	0.00 %	0.00 %	0.00 %	0.00 %	73.47 %	26.53 %
10/29/2025	0.00 %	0.00 %	0.00 %	20.50 %	79.50 %	0.00 %
12/10/2025	0.00 %	0.00 %	0.00 %	93.32 %	6.68 %	0.00 %
1/28/2026	0.00 %	0.00 %	36.50 %	63.50 %	0.00 %	0.00 %
3/18/2026	0.00 %	0.00 %	89.40 %	10.60 %	0.00 %	0.00 %
4/29/2026	0.00 %	22.50 %	77.50 %	0.00 %	0.00 %	0.00 %
6/17/2026	0.00 %	80.29 %	19.71 %	0.00 %	0.00 %	0.00 %
7/29/2026	14.50 %	85.50 %	0.00 %	0.00 %	0.00 %	0.00 %
9/16/2026	54.46 %	45.54 %	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	96.64 %	3.36 %	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.

No significant changes from last month.

RIVERSIDE ANALYTICS INC.
QUANTITATIVE INVESTMENT SOLUTIONS

August 19, 2025

56

August – Aggregate is in agreement with target rates. It is still calling for a December or January drop of 25 points, then another 25 points in March or April. If business finally passes on tariff costs to the consumer, January and beyond likely moves further out.

Pacify the White House, or investors. This next few months will not be boring in the Fed Watch observation department !

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

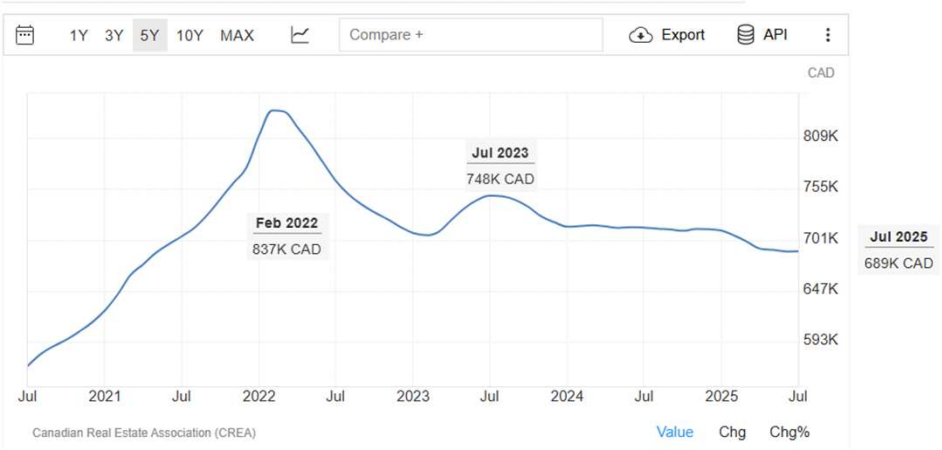
New Vehicle Sales

ST Louis Fed tracks a number of Canadian Metrics.

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

Average House Prices for Canada

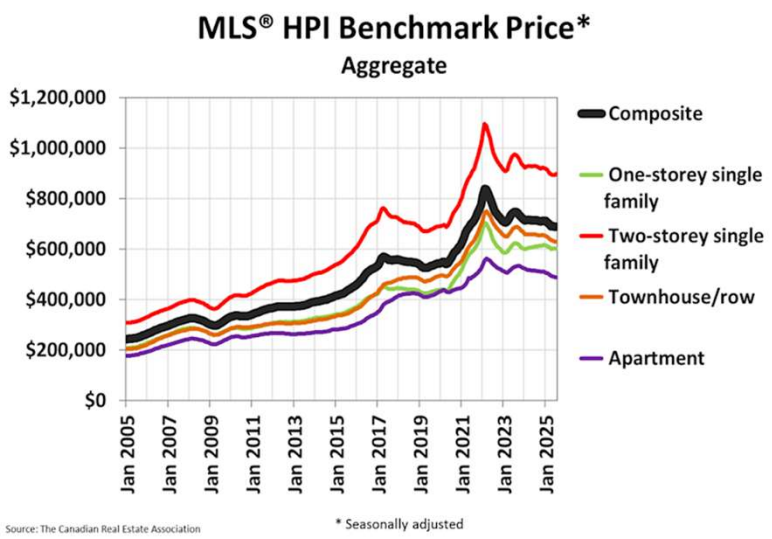
Average House Prices in Canada increased to 688700 CAD in July from 688500 CAD in June of 2025. Average House Prices in Canada averaged 475169.23 CAD from 2005 until 2025, reaching an all time high of 837400.00 CAD in February of 2022 and a record low of 243300.00 CAD in January of 2005. source: Canadian Real Estate Association (CREA)



August – Price did not budge, stuck at 689K.

Source : Trading Economics

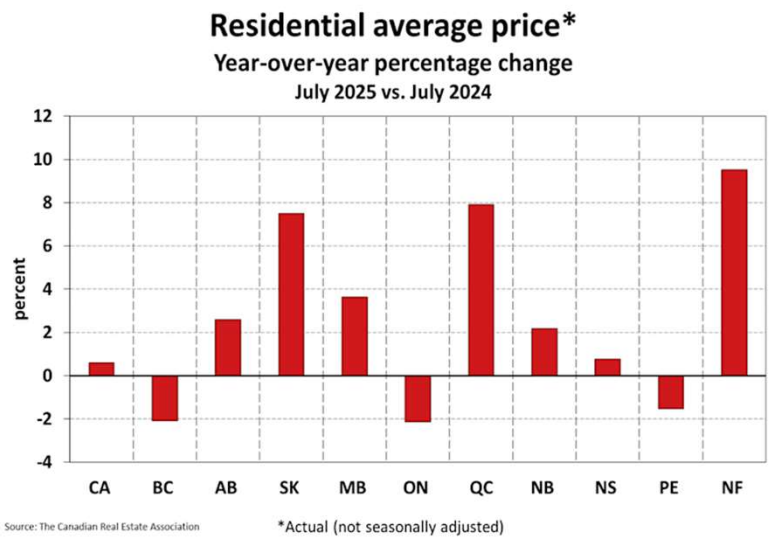
Canada Average House Price



August – Home prices are unchanged from last month.

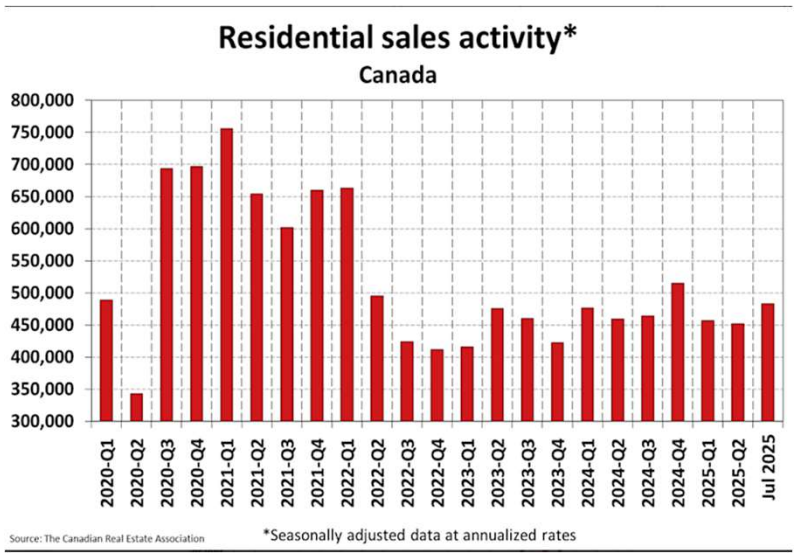
Full report is here > https://creastats.crea.ca/en-CA/

Average House Prices for Canada – cont.
By Province



August – much like the last 6 months, BC and Ontario continue to lead prices down. Manitoba, New Brunswick, and PEI are seeing softer increases than last month. BC and Ontario both went from negative 4 percent to negative 2.

Home Sales Activity for Canada



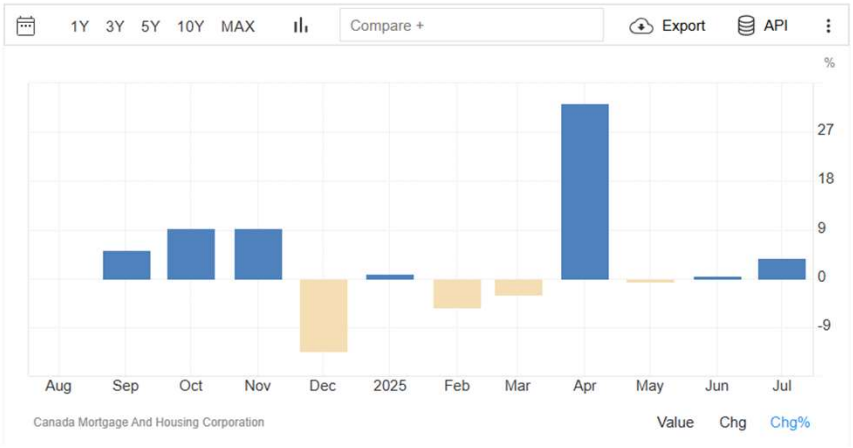
August – Quarterly report – a little bump for July, first month of Q3.

There were about 206,000 properties listed for sale on Canadian MLS® Systems at the end of July 2025, up 11.4% year-over-year, but unchanged from last month.

This is from The Canadian Real Estate Association.

Housing Starts - % Change – Canada

Housing starts in Canada rose 3.7% in July 2025 to 294,085 units, up from 283,523 in June and well above expectations of 265,000. In urban centers with populations over 10,000, starts increased 4% year-over-year, totaling 23,464 units. Montréal led with a 212% surge, driven by multi-unit projects, while Vancouver posted a 24% gain. In contrast, Toronto recorded a 69% drop due to declines in both multi-unit and single-detached starts. Rural starts were estimated at an annualized 20,467 units. The total seasonally adjusted annual rate (SAAR) of housing starts across Canada was up 4% in July, at 294,085 units compared to 283,523 units in June. source: Canada Mortgage And Housing Corporation

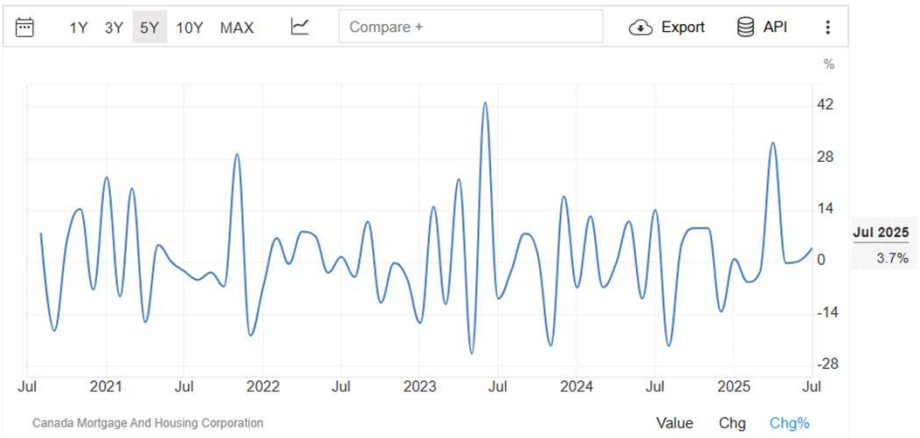


August – Housing starts might be happening elsewhere in Canada, but in my neck of the woods, it remains pretty quiet

Total is 294.1K

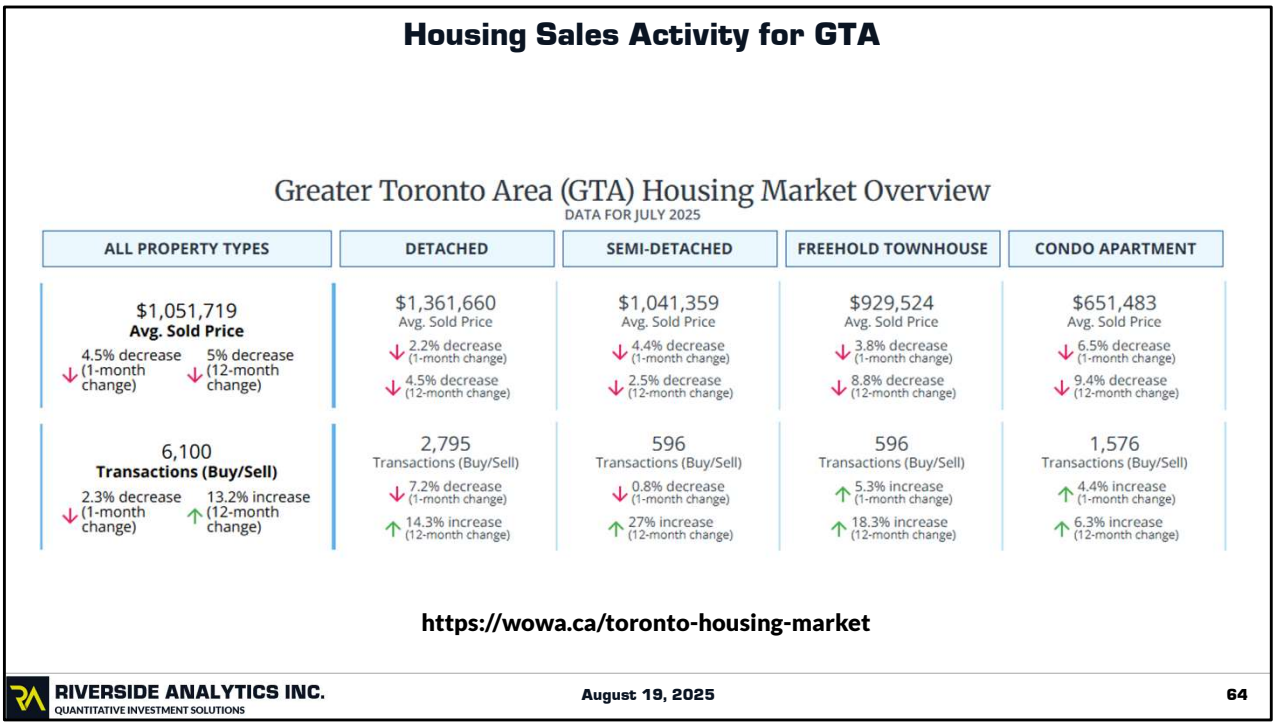
Source : Trading Economics

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



August - Trading Economics – Big picture – June got revised down to 0.3 from 0.4

Housing Sales Activity for GTA



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

August – Prices are down, both M/M and Y/Y. Number of transactions, largely up. With prices declining, more buyers are entering the market.

WOWA – Detached / Semi Detached Prices for GTA

Single-Family Detached Home Prices in the GTA



Statistics for July 2025

Average Price:	$1,361,660	↓-4.5% from Jul. 2024
Units Sold:	2,795	↑14.3% from Jul. 2024
New Listings:	8,106	↑15.8% from Jul. 2024

Semi-Detached Home Prices in the GTA



Statistics for July 2025

Average Price:	$1,041,359	↓-2.5% from Jul. 2024
Units Sold:	596	↑27% from Jul. 2024
New Listings:	1,311	↑20.4% from Jul. 2024

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

August – Similar to last couple months, Inventory is up, and Y/Y **prices** are down a bit ! New listings out paced unit sold between 2 and 3 times !

WOWA – Townhouse / Apartment Prices for GTA

Townhouse Prices in the GTA



Statistics for July 2025

Average Price:	$929,524	↓-8.8% from Jul. 2024
Units Sold:	596	↑18.3% from Jul. 2024
New Listings:	1,549	↑2.9% from Jul. 2024

Apartment Prices in the GTA



Statistics for July 2025

Average Price:	$651,483	↓-9.4% from Jul. 2024
Units Sold:	1,576	↑6.3% from Jul. 2024
New Listings:	5,110	↓-4.1% from Jul. 2024

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

August – GTA prices continue to decline, but there is a LONG way to go to get into affordable territory. The 50th percentile household income should be able to afford to buy an accommodation somewhere.

There is lots of data to explore here.

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

WOWA - Housing Activity for GTA

Greater Toronto Area (GTA) Median Prices by Region

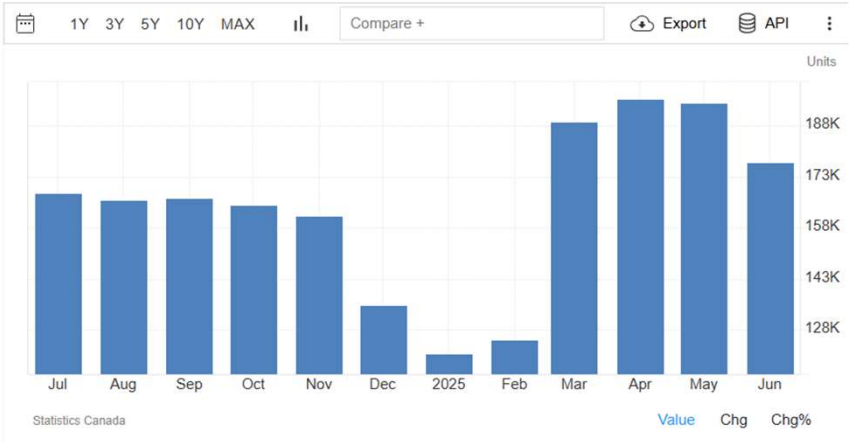
	City	Median Sold Price	1-Year Change	Total Transactions
#1	City of Toronto	$850,000	↓-3.4%	2,205
#2	Peel Region	$900,000	↓-6.2%	1,052
#3	York Region	$1,110,000	↓-8.1%	1,049
#4	Durham Region	$820,000	↓-2.4%	852
#5	Halton Region	$1,050,000	↓-2.3%	715
#6	Simcoe County	$872,500	↓-1.1%	178
#7	Dufferin County	$765,000	↓-4.6%	49
	GTA	**$910,000**	**↓-4.2%**	**6,100**

August – Breaking the areas within GTA, here is how they compare. Note, this is the MEDIAN not the AVERAGE !

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

New Vehicle Sales Activity for Canada

Car Registrations in Canada decreased to 177313 Units in June from 194524 Units in May of 2025. Car Registrations in Canada averaged 104328.55 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



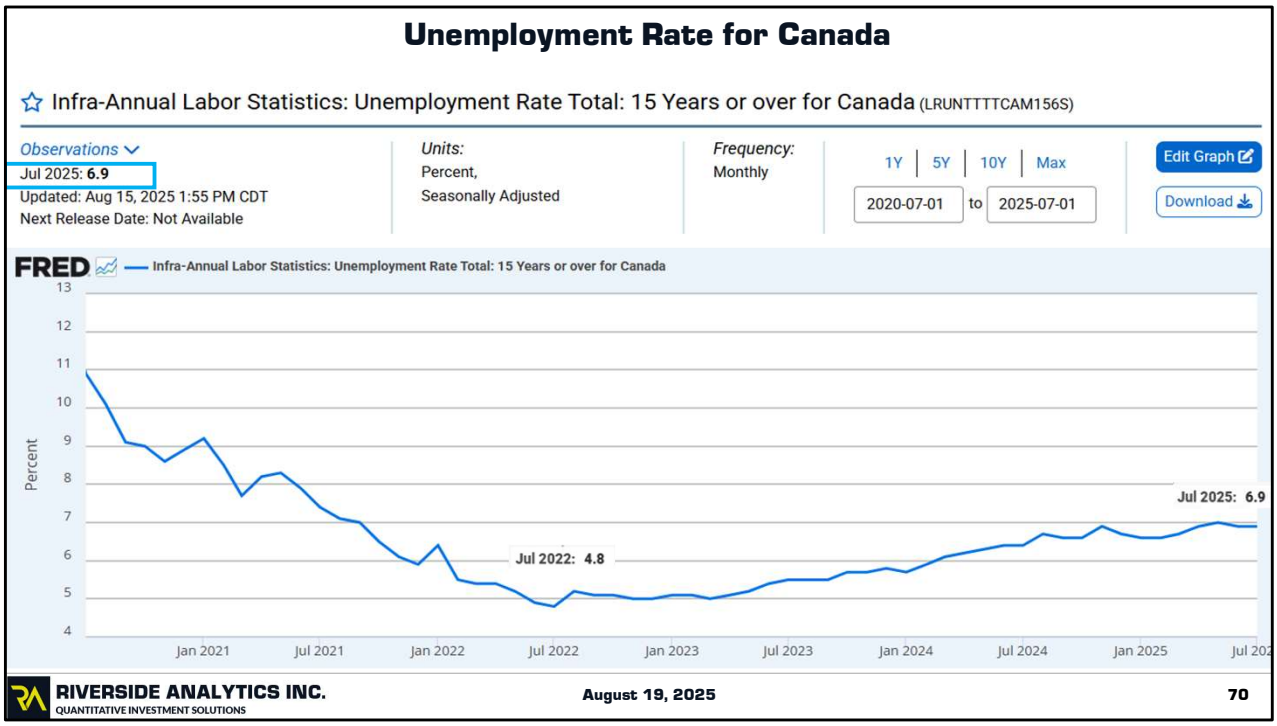
August - Trading Economics – Every January sales drop, then there is a rebound in February. It was a month late this year. This is perfectly normal.

New Vehicle Sales Activity for Canada – 5 Year Chart



Normal patterns, higher highs, and higher lows is a good thing !

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

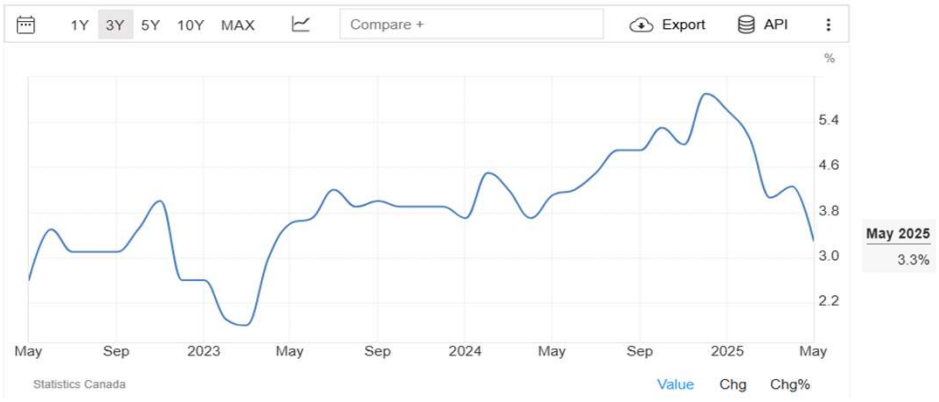


August - No change from last month. Our young people need work and decent wages to afford basic living costs.

Source: https://fred.stlouisfed.org/series/LRUNTTTTCAM156S

Canada Average Weekly Earnings YOY – 3 Year Chart

Average weekly earnings in Canada rose by 3.3% year-over-year to CAD 1,294 in May 2025, easing from a downwardly revised 4.3% gain in April. The deceleration in wage growth was broad-based across sectors and reflects a mix of wage adjustments, changes in employment composition, hours worked, and base effects. The most notable slowdowns were seen in oil and gas extraction (3.1% vs 7.2%) and support activities for mining and energy (2.8% vs 7.1%). In contrast, earnings in mining and quarrying accelerated (3.4% vs 1.5%). On a monthly basis, average weekly earnings were little changed. Meanwhile, average weekly hours worked declined slightly to 33.3 hours in May, down from 33.5 hours in both April 2025 and May 2024. source: Statistics Canada



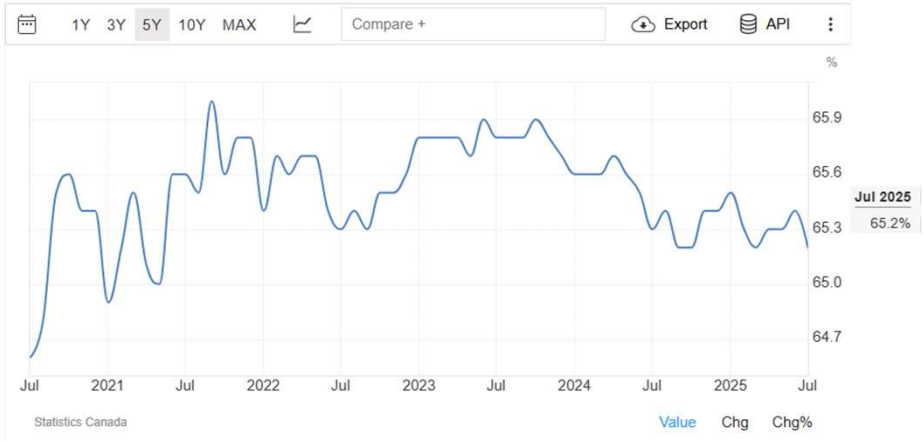
August - January data at 5.5%, Feb 5.4, March is 4.3, and now April is 4.4, May 3.3%
On average worker wages is still growing faster than inflation, but not by much !

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 decreased to 65.20 percent in July 2025, the lowest in four months, compared to 65.40 percent in June. Labor Force Participation Rate in Canada averaged 65.72 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

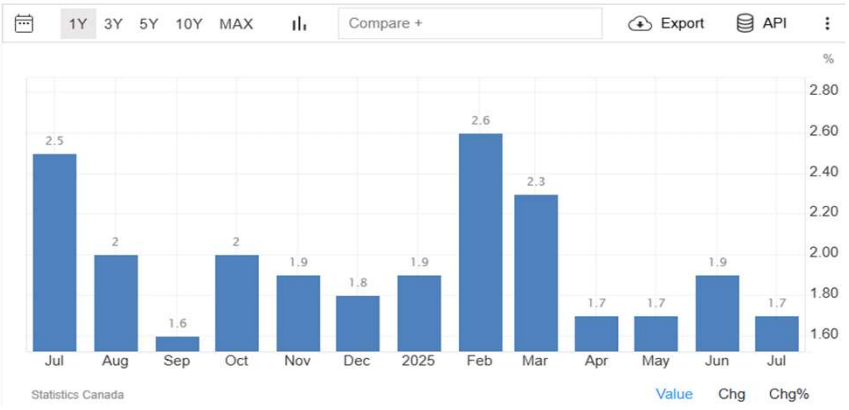
August – like last month, no meaningful change here. **Do note, the Y axis changed**, thus producing more wiggles, but the data did not change ! **NOTE THE Y AXIS – these changes are small !!**

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.

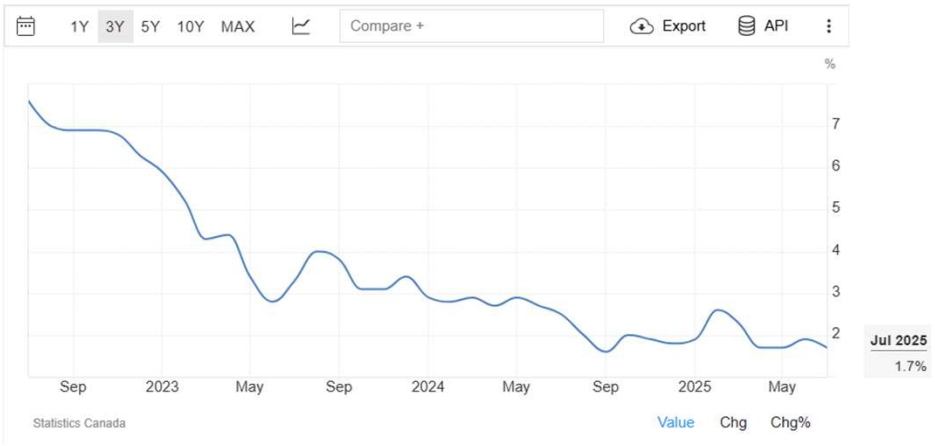
Consumer Price Index: Monthly Canada

The annual inflation rate in Canada eased to 1.7% in July 2025, from 1.9% in June and below market forecasts of 1.8%, staying beneath the BoC's 2% mid-point for a fourth consecutive month. Gasoline prices, down 16.1% in July after a 13.4% fall in June, remained the main drag on CPI, as the removal of the consumer carbon levy in April kept weighing on energy costs. Excluding gas, prices rose 2.5%, matching the pace in May and June. Meanwhile, higher grocery costs and a smaller decline in natural gas tempered the slowdown. Both food and shelter costs picked up pace, rising 3.3% and 3%, respectively, compared with 2.9% each in June. The trimmed-mean core CPI, which is closely followed by the BoC for underlying inflation, remained at 3% in July, unchanged for the third straight month. On a monthly basis, the CPI rose by 0.3% in July, after a 0.1% increase in June and matching market estimates. source: Statistics Canada



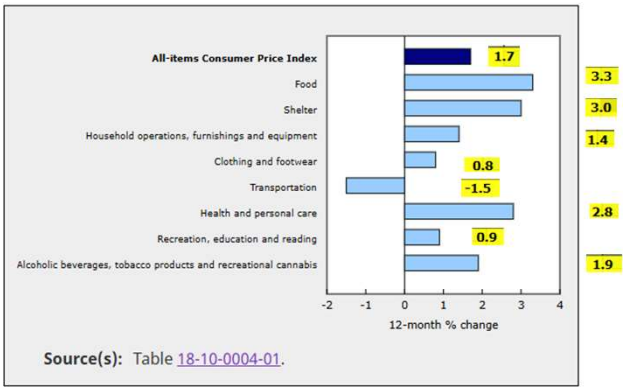
August – Core inflation is running a little hot at 3 %, but overall, Canada is doing pretty good. Once you get into the details you see the areas still causing some trouble. Food and shelter are still troublesomely high, while saving on gasoline

Consumer Price Index: 3 Year View Canada



August – Inflation – long view

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



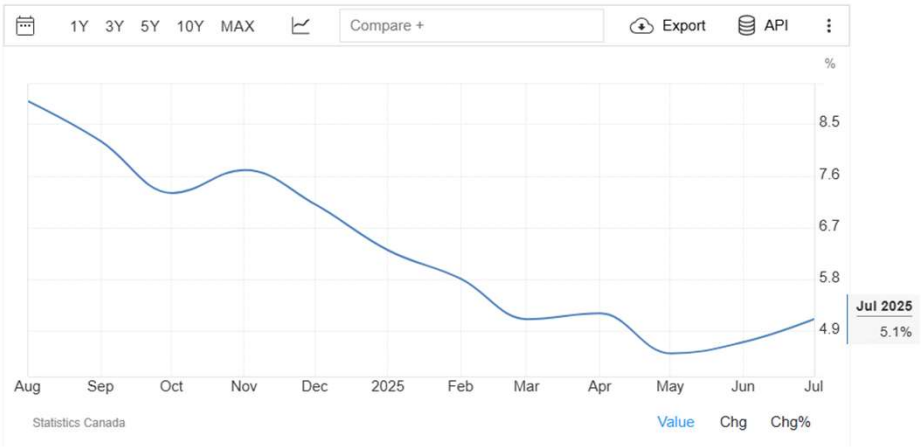
Source(s): Table 18-10-0004-01.

August - Food, and Shelter remain the worst culprits hurting consumer wallets. Food and shelter are about 40 percent of many household budgets.

Source : StatsCan - https://www150.statcan.gc.ca/n1/daily-quotidien/250715/cg-a002-eng.htm

Consumer Price Index: Rent

Rent Inflation in Canada increased to 5.10 percent in July from 4.70 percent in June 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



August - Rent Inflation remains a sticky spot. It needs to drop in half from where it is now ! Household income increases are not keeping pace with rent inflation.

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

Gasoline Prices – Canada Average

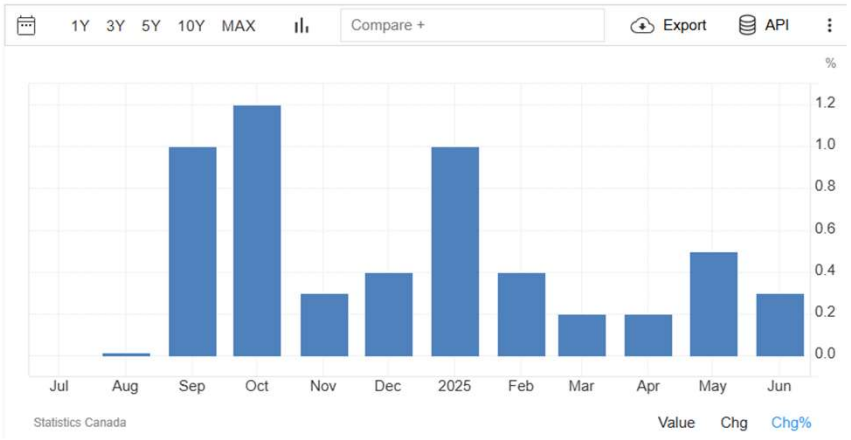


August – gas prices are remain steady.

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

Canada - M2 Money Supply – M/M Percent Change

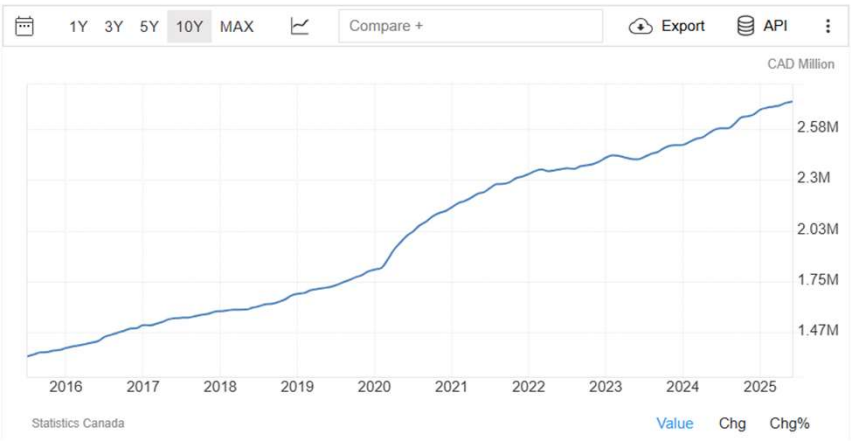
Money Supply M2 in Canada increased to 2723735 CAD Million in June from 2715609 CAD Million in May of 2025. Money Supply M2 in Canada averaged 653763.42 CAD Million from 1968 until 2025, reaching an all time high of 2723735.00 CAD Million in June of 2025 and a record low of 25523.00 CAD Million in January of 1968. source: Statistics Canada



August – Multiply these numbers by 12 to get annual rate of change

Source : Trading Economics

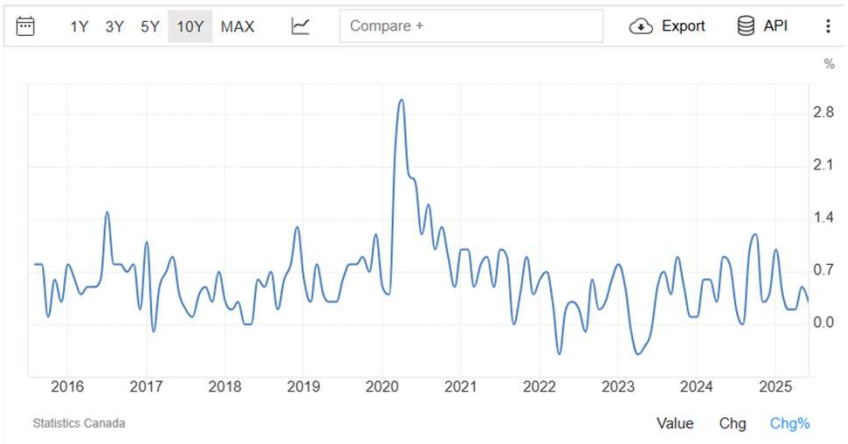
Canada - M2 Money Supply – Long Term View



August – I am not convinced that M2 has a significant impact on inflation. I will continue to noodle this one. Does it help maintain the 2 percent inflation rate? Maybe. The covid bump is correlated with inflation, but did it cause it? Jury is out! There seems to be about a 2 year delay between the growth of money supply and its inflationary affects.

Source : Trading Economics

Canada - M2 Money Supply – M/M Percent Change – Long View



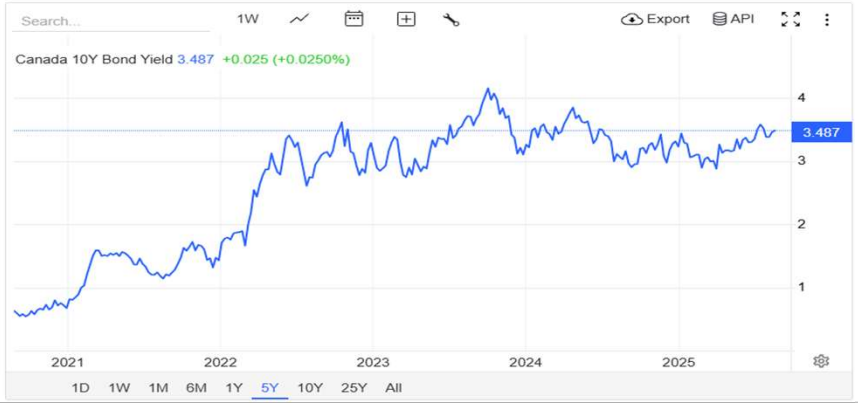
August – Multiply these numbers by 12 to get annual rate of change. Pumping money into the economy during covid, correlated with inflation.

In general inflation happens when corporation raise prices. Demand pull, Cost push and Profit margins all can impact the companies reasons for prices increases. When ever there is excess cash in certain areas of the economy, companies are incentivised to try to harvest it.

Source : Trading Economics

Interest Rates: Yields: 10-Year: Canada

The yield on the Canadian 10-year government bond climbed above 3.48% hovering near monthly highs as markets recalibrated rate-cut expectations following tepid progress on core inflation. Trimmed-Mean inflation has stubbornly hovered above 3% for the fourth consecutive month in July, suggesting the Bank of Canada may stand pat on rates rather than cutting soon. Concurrently, investors have grown cautious amid projections of record-high federal debt issuance this fiscal year due to a delayed budget and rising spending commitments from the re-elected government, as the sheer volume of upcoming long-dated supply has heightened term premium and pushed bond yields higher. At the same time, rising US Treasury yields have pushed Canadian yields higher as investors weighed minutes from the FOMC's last meeting, which showed that most policymakers agreed inflationary risks outweighed concerns about a softer labor market.



August – Last month was 3.563 Trading channel is maintained !

https://tradingeconomics.com/canada/government-bond-yield

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 July 2025



August – last month was 63.5.

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

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

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 21 August 2025



August – 10 years of data. Back into the pre-covid range of spreads !

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

Real Gross Domestic Product for Canada – August Q2 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)			
	Q1	End of 2025 (n = 26)	End of 2026 (n = 25)	Q1
25th percentile of responses	0.5	0.5	1.5	1.4
Median of responses	1.0	0.8	1.8	1.7
75th percentile of responses	1.3	1.0	2.0	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.

Note: The Q2 data Statscan Report has not been released yet.

August – **NOTE THIS IS A SURVEY, not an analysis of country GDP from StatsCan.** GDP – Q2 survey results released – Somewhat softer than many would like, but doing ok with all the tariff turmoil. Nearer 2% would be nice ! Companies are expecting a soft finish to the year.

https://www.bankofcanada.ca/2025/08/market-participants-survey-second-quarter-of-2025/

Real Gross Domestic Product for Canada – August Q2 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 = 23)		In 6 to 12 months (n = 23)		In 12 to 18 months (n = 23)		In 18 to 24 months (n = 22)	
	Q1		Q1		Q1		Q1	
25th percentile of responses	25	25	30	23	24	15	11	15
Median of responses	38	35	40	30	30	25	20	20
75th percentile of responses	50	40	46	40	41	30	30	30

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

August – Q2 released – An interesting prediction – Canada really is doing decently considering all the noises in the media.

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

https://www.bankofcanada.ca/2025/08/market-participants-survey-second-quarter-of-2025/

Real Gross Domestic Product for Canada – August Q2 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				
July	2.50	2.75	2.75	27
September	2.38	2.50	2.75	27
October	2.25	2.50	2.50	27
December	2.13	2.25	2.50	27
2026				
January	2.00	2.25	2.44	26
March	2.00	2.25	2.25	26
April	2.00	2.25	2.25	26
June	2.00	2.25	2.25	26
Q3	2.00	2.25	2.25	25
Q4	2.00	2.25	2.25	25

August – Q2 released - Maybe 4 12 point cuts before the end of the year? Then stable for 2026.

https://www.bankofcanada.ca/2025/08/market-participants-survey-second-quarter-of-2025/

CAD / USD Spot Rate – Weekly Candles



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August 19, 2025

87

August – down about 2% from the July chart !

Summary

- Overall, the US and Canadian economies continue to be fine.
- Fedwatch continues to predict rate declines in the last quarter, and likely a one month Q1 2026
- Consumers delinquency rates are steady
- US overall inflation is above targets are likely will stay there due to tariffs. Consumers likely will face highest inflation in textiles and motor vehicles. Back to school shopping inflation likely does not appear until October data releases.
- US consumer budgets likely squeezed between 1100 and 2300 per year due to tariffs.
- US GDP Q/Q Came in hot at 3%, but lack of imports in the quarter likely inflated this number significantly.
- Canada survey results are predicting Q2 GDP at 1% a rather soft result.
- August stock market tends to be poor for first year Republicans, but so far has escaped a decline. September tends to be soft.
- Canadian Y/Y housing prices are flat to down, Units sold is up. New listings continue to out pace sales.
- United States-Mexico-Canada Agreement (USMCA) is protecting Canadians from many tariffs.
- There is nothing to suggest a Canadian recession is on the horizon!
- US Q2 company results were interesting. Especially hotels (flat to small declines – revenue per room declined), restaurants (mixed), apparel and auto sales (lower profits on higher sales) with the impacts of international visitor losses and tariff influencies become more apparent.
- World Travel and Tourism Council expects US to be the only country to experience tourist declines this year.
- Ignore the noise, and pay attention to what is really important, mitigate as necessary.


THAT'S IT FOR TODAY!
The End
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89

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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