RIVERSIDE ANALYTICS INC

DATE: February 18, 2026

RIVERSIDE ANALYTICS INC
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Economic Outlook

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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

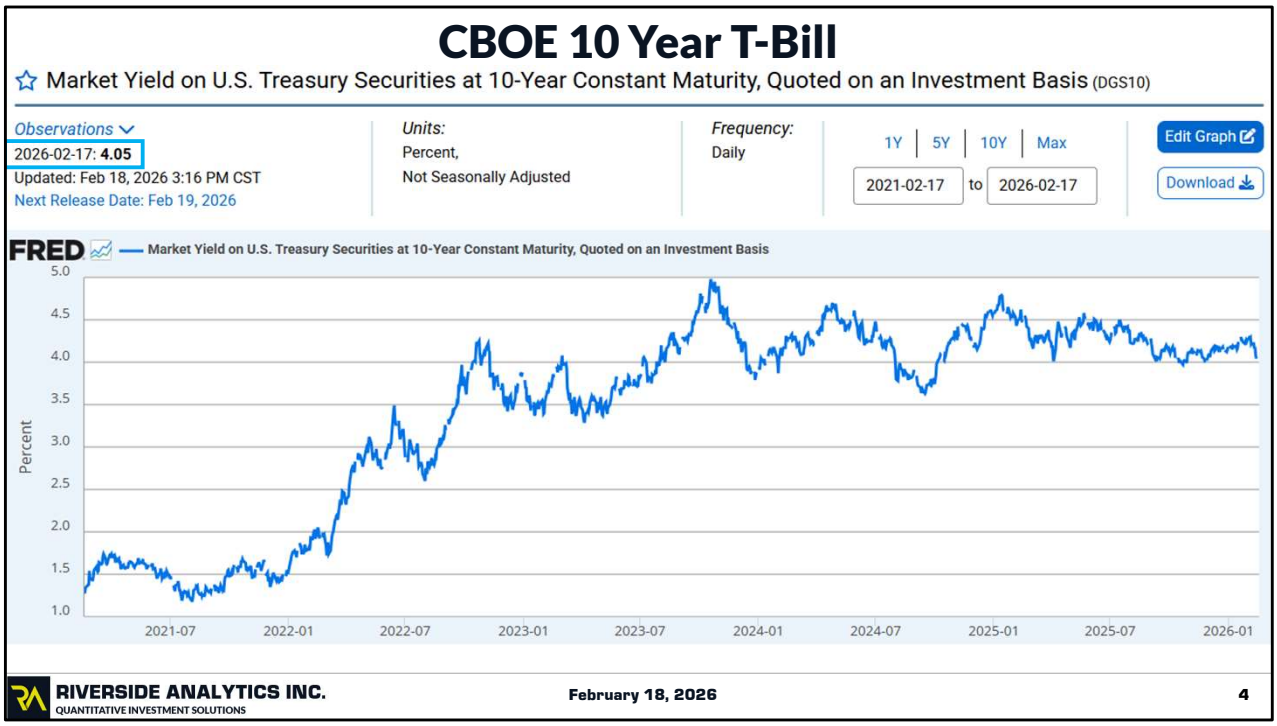
ECONOMIC DATA

Indicator review

US Drives the bus, when it comes to the Canadian economy.
Canada is actively attempting to diversify trade away from US
More Canadians are concerned about missing debt payments, loosing jobs
Canadian Housing on the whole doing ok, Ontario, not so much!
Canadian unemployment steady near 7 percent
Canadian Food inflation remains high – beef!
On the whole, Canadian growth remains positive but subdued
US existing home sales are at the bottom of a key level
Winter weather likely playing significant role in some metrics
Early estimates put US AI investment in 2025 made up nearly 60% of GDP growth
Fedwatch tool – June rate cut delayed a month

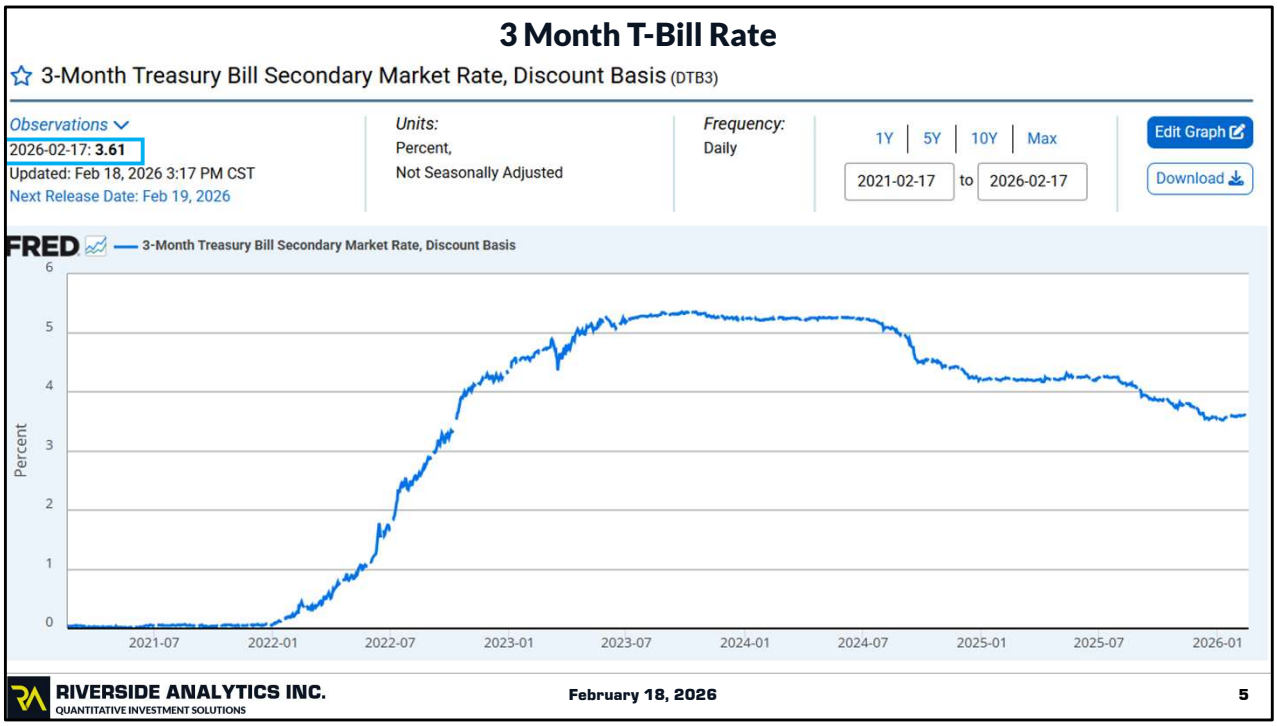
Ignore the noise, and pay attention to what is really important, mitigate as necessary.

CBOE 10 Year T-Bill



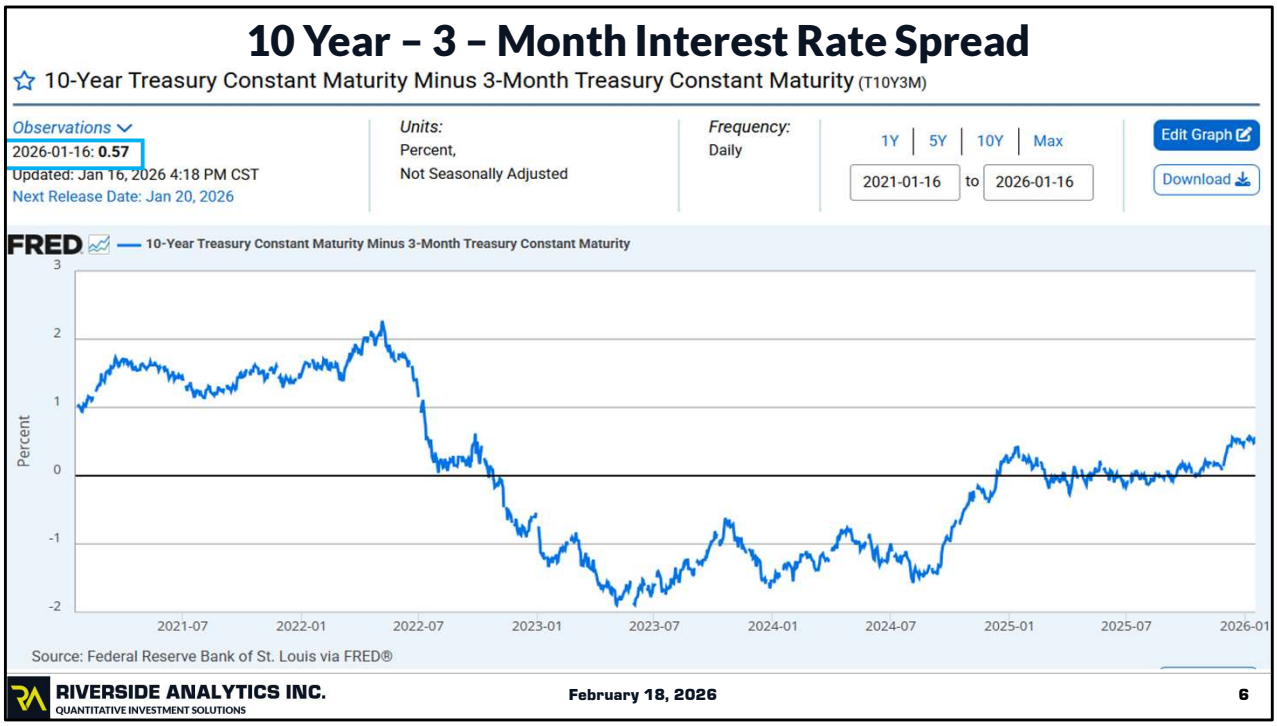
February – Last month was 4.17. a 12 point drop, nothing of consequence

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



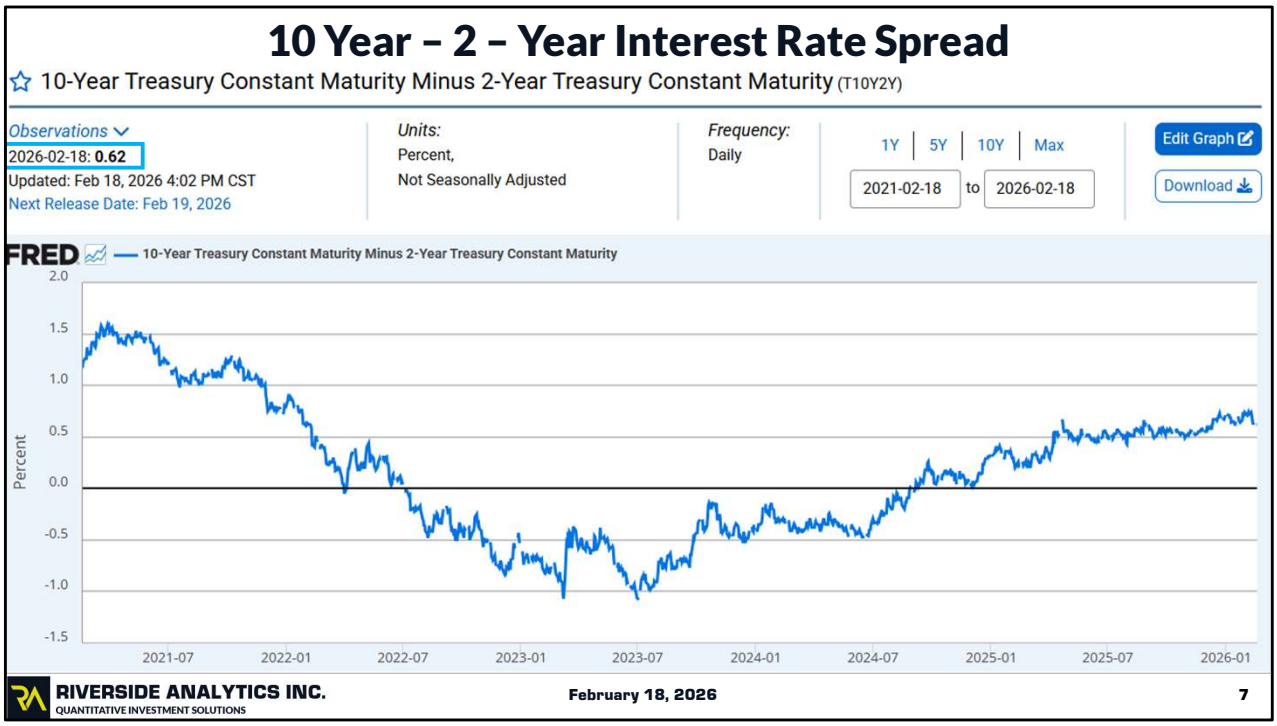
February – Last month was 3.57 – and increase of 4 points, steady as she goes

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



February - Last month was 0.57 – an 18 point drop in the spread – mathematically this should have been an 8 point difference, from the previous two slides. Regardless, the changes are small.

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 has been going on all year. It will be some time before we find out if the breakout holds.



February – last month was 0.65, a three point drop does not count.

BoC Interest Rates
January 14



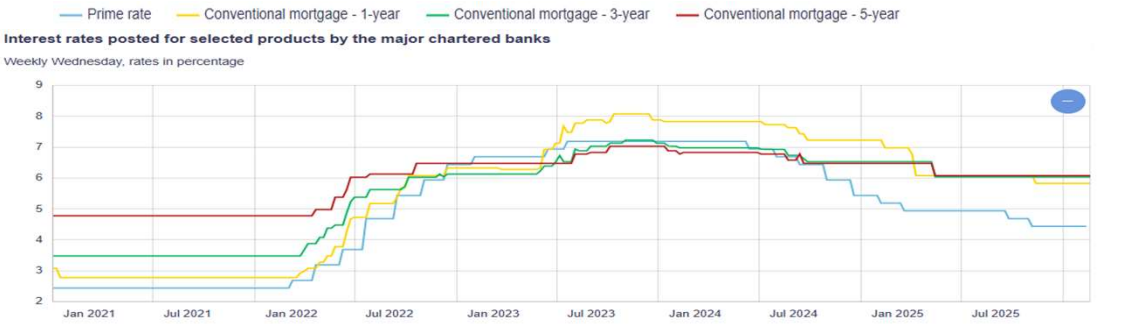
Weekly Wednesday, rates in percentage	CANSIM	2025-12-17	2025-12-24	2025-12-31	2026-01-07	2026-01-14
Prime rate[1]	V80691311	4.45	4.45	4.45	4.45	4.45
Conventional mortgage						
1-year	V80691333	5.84	5.84	5.84	5.84	5.84
3-year	V80691334	6.05	6.05	6.05	6.05	6.05
5-year	V80691335	6.09	6.09	6.09	6.09	6.09

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January – Same as last month, and the month before!

CIBC has 5 year fixed – 4.54 – **No change**, Royal – 4.59 – **No Change**, TD - 4.79 – UP 10 points, and BMO - 4.64 – **No Change**,
BNS 4.90 – **No Change** !

BoC Interest Rates
February 20

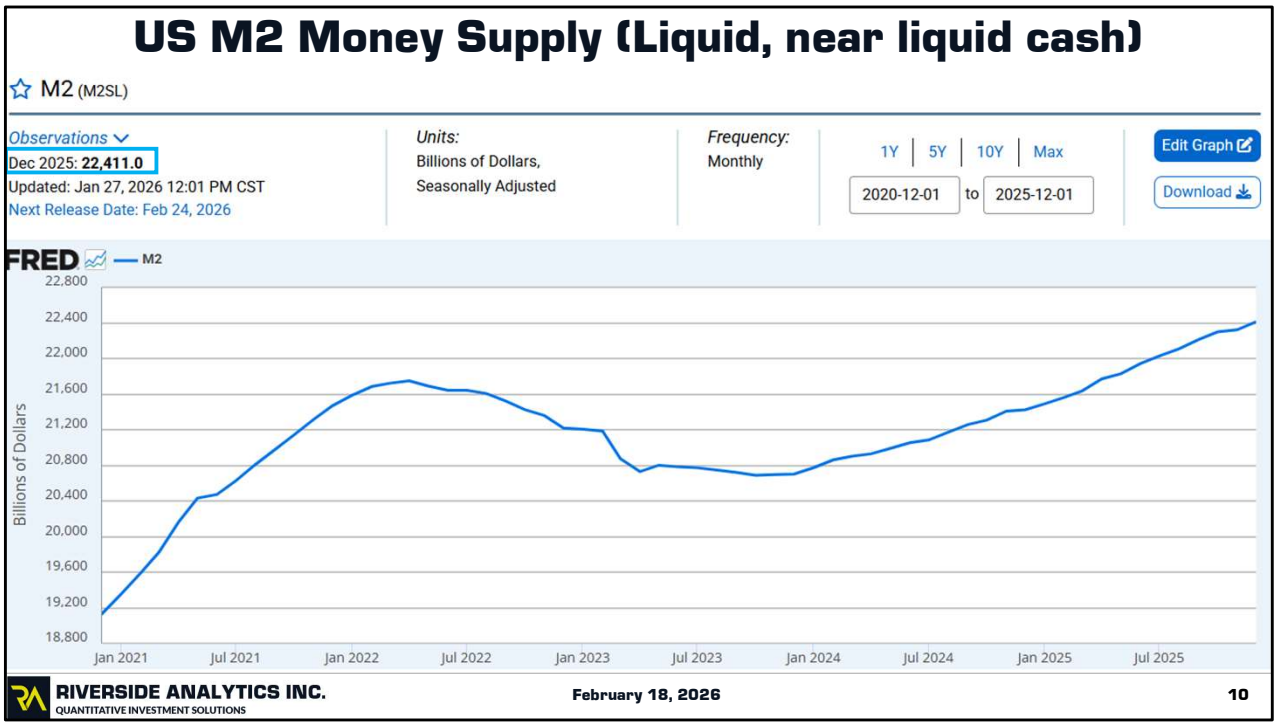


Weekly Wednesday, rates in percentage	CANSIM	2026-01-21	2026-01-28	2026-02-04	2026-02-11	2026-02-18
Prime rate[1]	V80691311	4.45	4.45	4.45	4.45	
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February – Same as last 3 months.

CIBC has 5 year fixed – 4.54 – No change, Royal – 4.59 – No Change, **TD - 4.74 – DOWN 5 points**, and BMO - 4.64 – No Change,
BNS 4.90 – No Change !



February – November was 22,322.4 – Up 88 billion.

– M2 tends to lead inflation by about a year, to 2 years ! There is a significant lag between cause and affect. **Inflation is more troublesome than the Fed would like AND new jobs numbers are below where they should be, with a number of large companies doing layoffs. Nobody is saying stagflation, but it is leaning in that direction !**

NOTE – QT has ended and is in Reserve Management Purchase Mode… not officially QE, but is it the same thing. The fed is injecting money into the system.

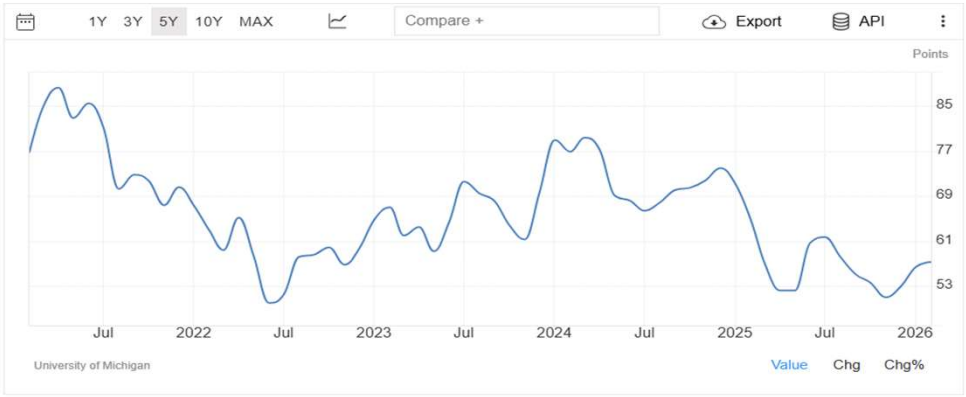
NOTE: Cash in tight in the market. There was a hiccup in the REPO market in October, and that has caused the FED to ease up on the tightening. There are two facilities that help liquidity if the market goes sideways – Standing Repo Facility (think emergency pool of cash) and Reverse Repo (think the Fed paying banks to hold cash instead of lending cash.) My guess is that the fed does some Quantitative Easing, or at least reduces Quantitative Tightening while it gives banks time to adjust to the current market. Either way general economic market expansion fueled by debt, is likely constrained for a couple quarters.

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

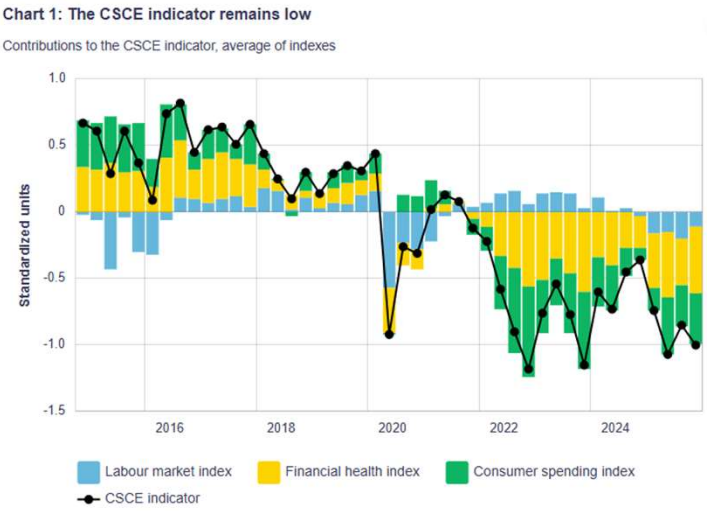
The University of Michigan's consumer sentiment index rose by 0.9 points to 57.3 in February 2026, marking a third consecutive monthly increase and beating market expectations of 55, according to preliminary data. Despite the improvement, sentiment remained roughly 20% below its level in January 2025. The gains were driven largely by consumers with significant stock holdings, while sentiment among households without equity exposure stagnated at depressed levels. Modest improvements in perceptions of current personal finances and buying conditions for durable goods were partly offset by a slight deterioration in long-term business expectations. Concerns over the erosion of household finances due to high prices and the risk of job losses remain widespread. On the price front, year-ahead inflation expectations fell sharply to 3.5% from 4.0% in January, the lowest level since January 2025, while longer-term inflation expectations edged up for a second month to 3.4% from 3.3%. source: University of Michigan



February – last month was 54 – Up this month to 57.3

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

BoC Consumer Sentiment – Q4 Update



https://www.bankofcanada.ca/2026/01/canadian-survey-of-consumer-expectations-fourth-quarter-of-2025/

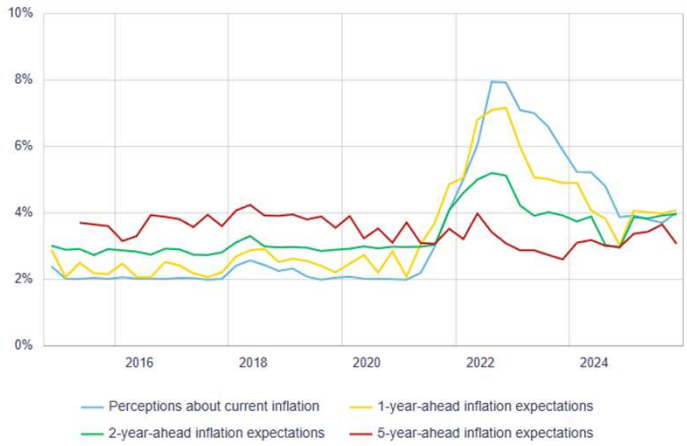
February – The Canadian Survey of Consumer Expectations (CSCE) indicator remains weak this quarter coinciding with ongoing perceptions that the cost of living is high. The trade conflict with the US has had an impact on Consumer Sentiment.

There is lots in this report if you want to dig in !
https://www.bankofcanada.ca/2026/01/canadian-survey-of-consumer-expectations-fourth-quarter-of-2025/

BoC Inflation Expectations – Q4 Update

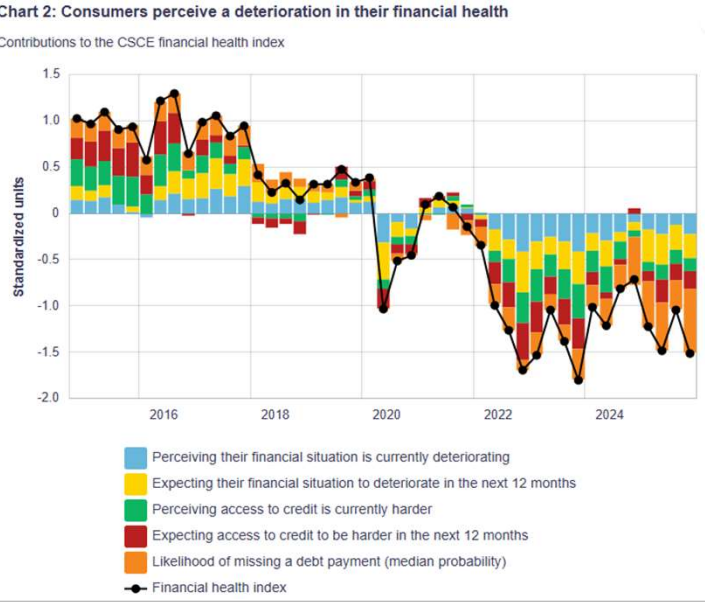
Chart 9: Consumers' near-term inflation expectations remain above pre-pandemic levels

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 past 12 months?
(Interpolated median)



February – No substantive changes here. Near term inflation is expected to run higher than pre-covid, and longer term inflation expected to run lower than pre-covid.

BoC Expectations Spending Plans – cont. – Q4 Update

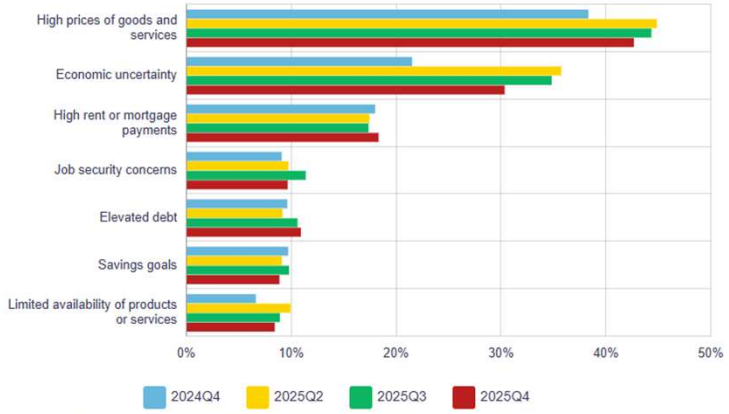


February – Consumers remain pessimistic about their financial health in the fourth quarter (Chart 2, black line). Respondents reported a **higher likelihood of missing a debt payment** (Chart 2, orange bars), and more than last quarter believe their financial situation has deteriorated (Chart 2, blue bars). In follow-up interviews, one person who said their financial health had worsened added, "Almost everybody's living on credit…. It's something that's going to be detrimental for households."

BoC Spending Plans – cont. – Q4 Update

Chart 7: Consumers' spending continues to be negatively affected by their concerns about high prices, economic uncertainty and housing costs

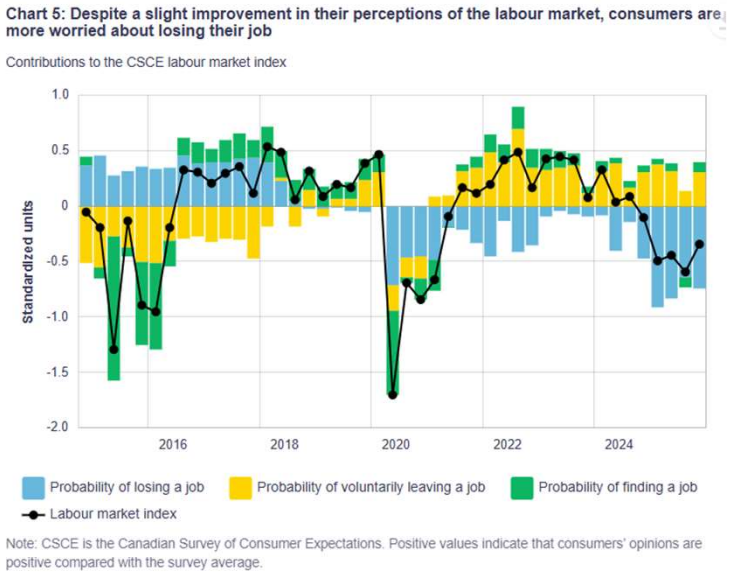
Consider the total spending of all members of your household (including you) over the next 12 months. Do you expect your spending to be negatively, positively or not affected by economic factors or personal circumstances?
If negatively affected: Which of the following economic factors or personal circumstances 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)



Note: Results for 2024Q4 are included to compare with results from before the trade conflict began.

February - The first two factors also continue to be more widely reported now than before the trade conflict began. However, the share of consumers reporting economic uncertainty as weighing on spending has declined meaningfully. Referring to recent economic changes that impact household spending plans, one respondent said the increase in grocery prices "stands out quite a bit…. I know there's also the tariffs."

BoC Expectations – Job Security – cont. Q4 Update

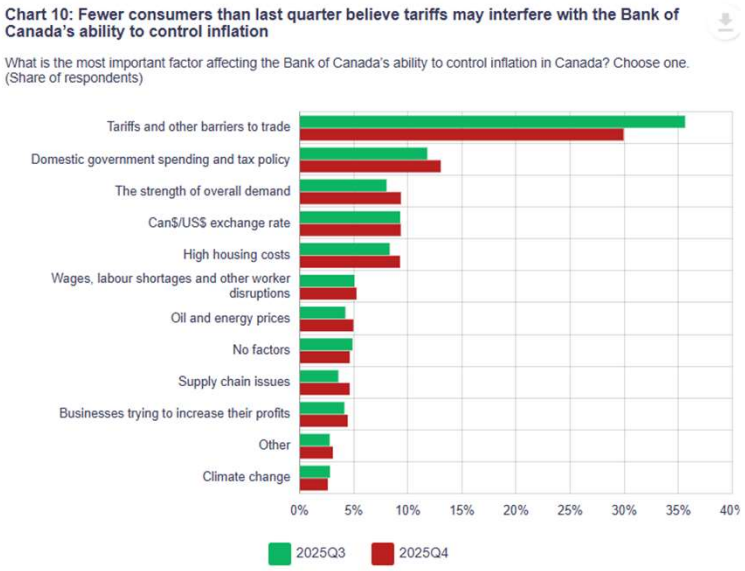


February – Consumers continue to perceive the labour market as weak.

The CSCE labour market index rose slightly but remains well below pre-pandemic levels (Chart 5). In the fourth quarter of 2025, consumers reported a higher chance of voluntarily leaving a job or finding a job. However, they also perceived a higher chance of losing their job.

The perceived risk of job loss remains larger than it was before the start of the trade conflict.

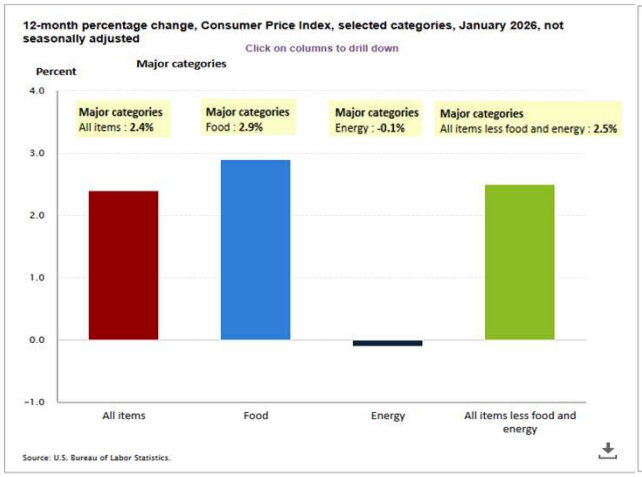
BoC Expectations – Ability to Control Inflation – cont. Q4 Update

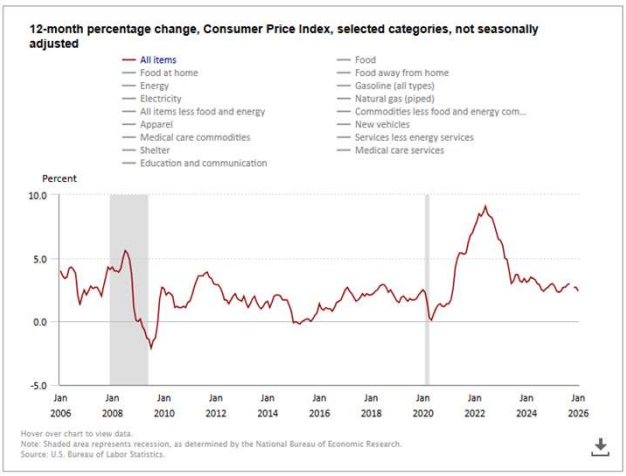


February – Tariffs and trade tensions remain the most frequently cited factors impacting inflation, though they were noted less often than last quarter (Chart 10). Moreover, survey results show that three-quarters of consumers who believe tariffs are impacting inflation expect the effects to persist for more than one year but fewer than five years. The shares of consumers pointing to domestic factors—such as domestic government spending, tax policy and high housing costs—as affecting the Bank's ability to control inflation also increased slightly.

Consumers who knew that the federal government removed a range of counter-tariffs on September 1, 2025, tended to report lower inflation expectations than those who did not know. Still, most consumers who were aware that some counter-tariffs were removed do not expect prices to fall. One respondent said, "I've never seen prices go down. With the tariffs gone, companies will stop raising prices and leave it at what it is."

US Inflation Rate





All items : 2.4% - 0.3
Food : 2.9 - 0.2%
Energy : -0.1 - 2.4%
All items less food and energy : 2.5 % - 0.1

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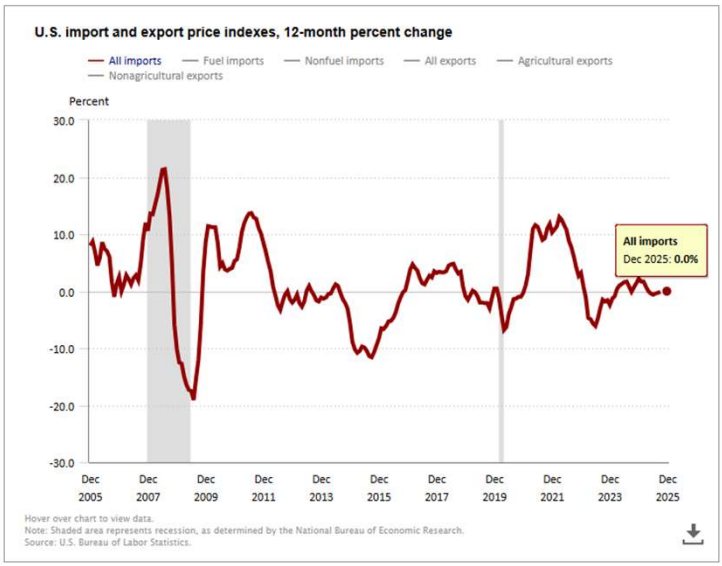
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February – A little down across the board. I am expecting the customary new year price increases to hit the charts next month.

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

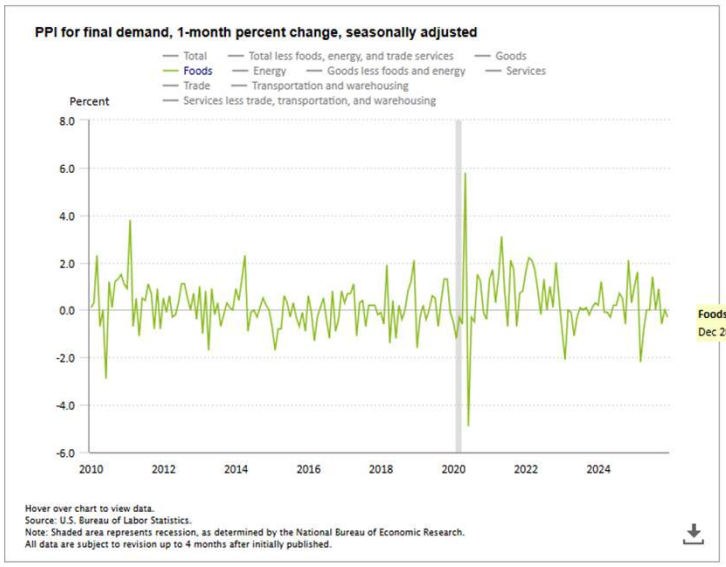


February – Import prices are steady ! Do not confuse import prices with prices after tariffs are applied !

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



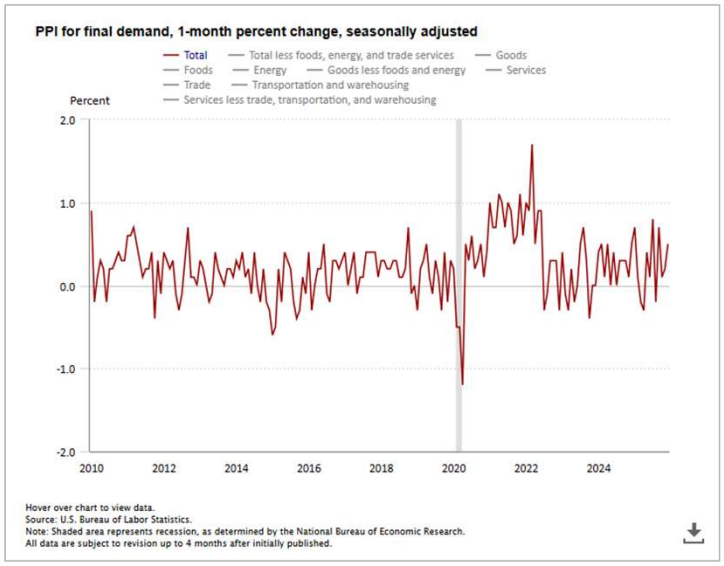
February – Not much change here

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



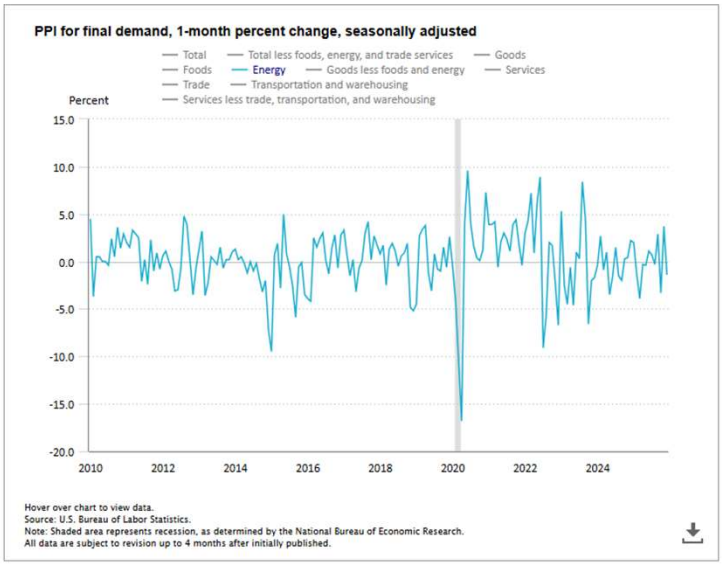
February – Staying in its channel.

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

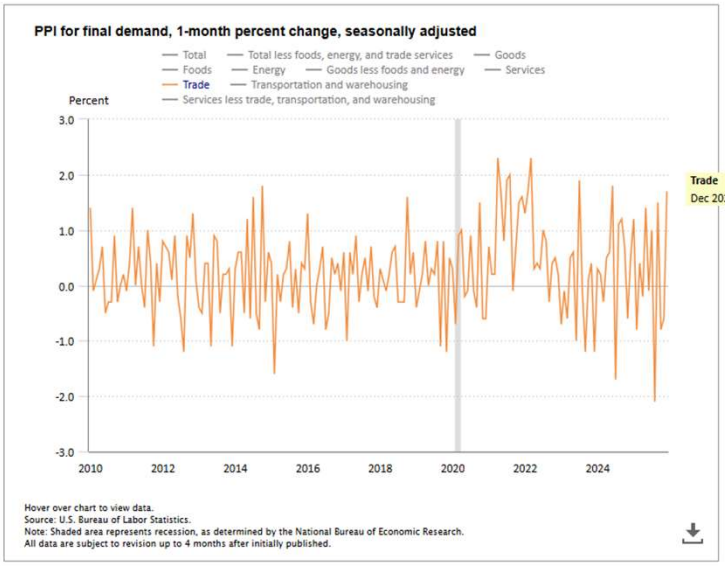


February – a 4.6 to -1.4 swing in one month – a 6 percent difference,

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

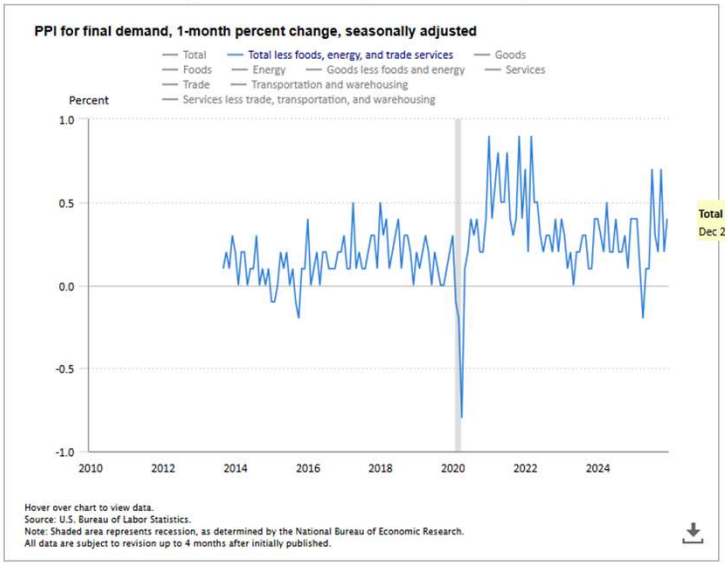


February – October was -0.8% - trade remains volatile !

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

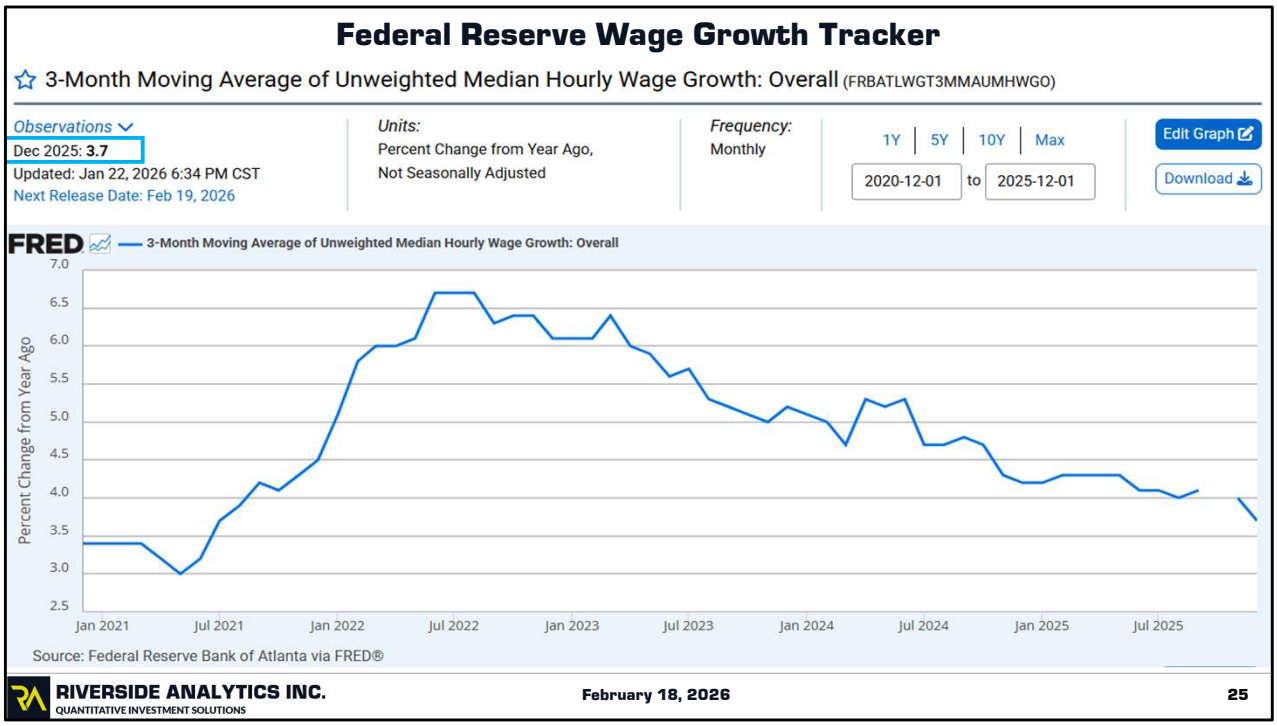
Producer Price Index – Goods less foods and energy

1-month percent change, seasonally adjusted



February – November = 0.2%

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

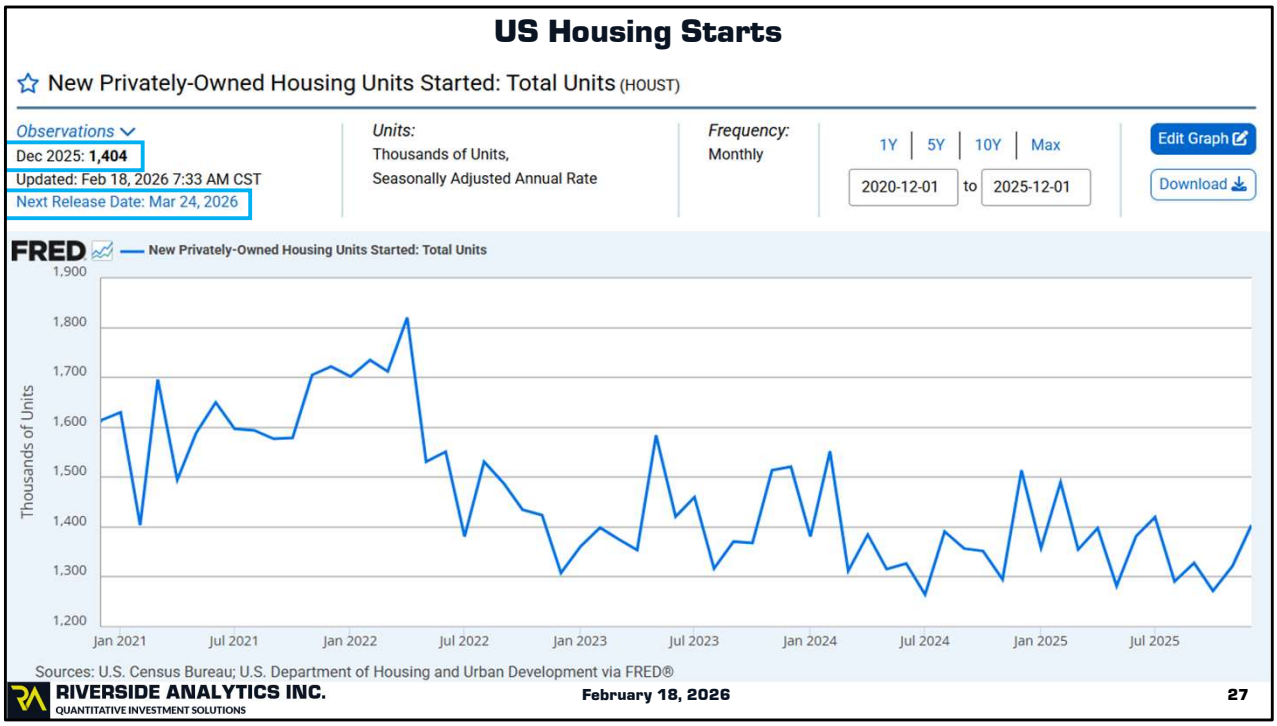


February – October occupies the missing data slot. US wage increases, on average are greater than the posted inflation rate.

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

Leading Indicators

Housing Starts
Manufactures New Orders
Commodity Prices
Average Hours Worked

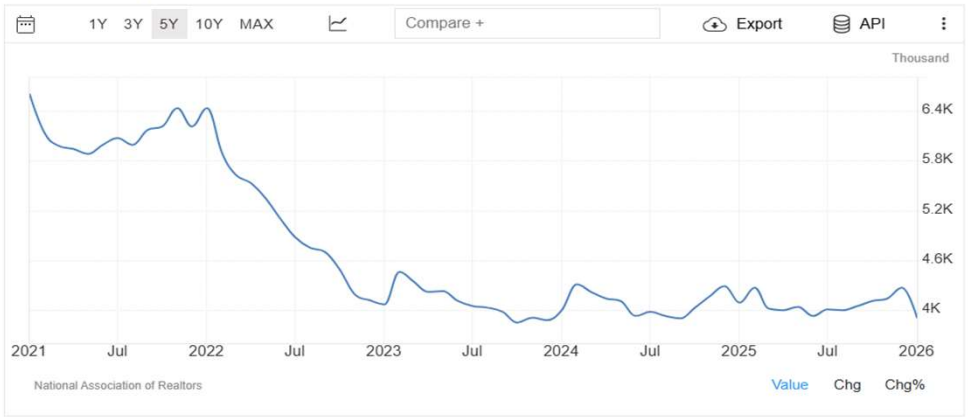


February – October was 1,246, November was not previously published but came in at 1,322

Starts are sourced from the US Census Bureau

US Existing Home Sales

Existing home sales in the United States sank by 8.4% from the previous month to an annualized rate of 3.91 million in January of 2026, firmly below market expectations of 4.18 million, after having reached a 3-year high of 4.35 million in the last month of 2025. It was the sharpest drop in nearly 4 years to the lowest level since September 2024. Unsold inventory fell by 0.8% to 1.22 million units, equal to 3.7 months of supply. "The below-normal temperatures and above-normal precipitation this January make it harder than usual to assess the underlying driver of the decrease and determine if this month's numbers are an aberration," said NAR Chief Economist Dr. Lawrence Yun. "Affordability conditions are improving, with NAR's Housing Affordability Index showing that housing is the most affordable it's been since March 2022. This is due to wage gains outpacing home price growth and mortgage rates being lower than a year ago. However, supply has not kept pace and remains quite low.". source: National Association of Realtors



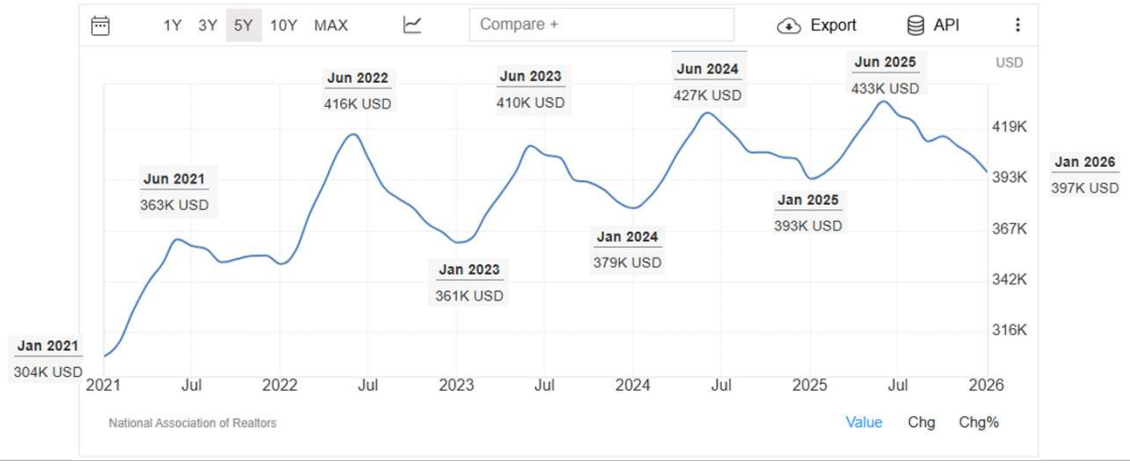
February – last month was 4.35m -

The National Association of Realtors (NAR) releases its monthly Existing-Home Sales report around the 20th of the following month and the Pending Home Sales Index around the 25th. These are specific dates on the statistical news release schedule, with all release times set for 10 a.m. Eastern Time.

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

US Existing Home Sales Prices

Single Family Home Prices in the United States decreased to 396800 USD in January from 405100 USD in December of 2025. Single Family Home Prices in the United States averaged 146687.66 USD from 1968 until 2026, reaching an all time high of 432700.00 USD in June of 2025 and a record low of 19700.00 USD in January of 1968. source: National Association of Realtors



February – December was 405. The normal annual pattern is doing normal annual pattern things !

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/

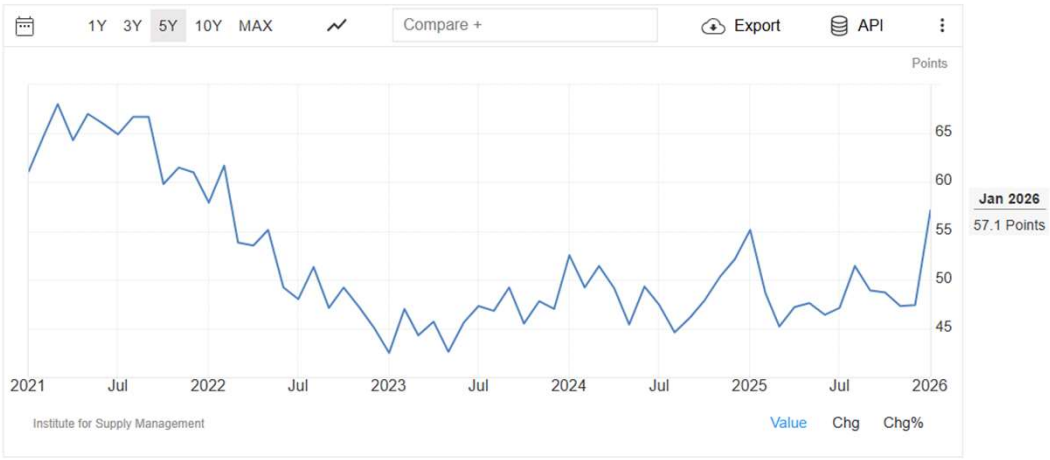
“Home prices generally rise over time, but they do fluctuate in the short-term. For example, seasonality plays a role: Prices will typically rise in spring, peak around June, then steadily drop during the fall and hit a low point mid-winter before the cycle starts again. In addition, prices can very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



February – October data was 604,792 – ignore the big wiggles, and there is a trend upwards ! Pretty shallow, but it is there.

ISM Manufacturing New Orders Index

ISM Manufacturing New Orders in the United States increased to 57.10 points in January from 47.40 points in December of 2025. ISM Manufacturing New Orders in the United States averaged 55.37 points from 1950 until 2026, 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



February – Last month was 47.7 – The New Orders Index expanded in January after contracting for four consecutive months, jumping 9.7 percentage points from December. Of the six-largest manufacturing sectors, four—machinery; transportation equipment; chemical products; and food, beverage and tobacco products—reported an increase in new orders. In a turnaround from recent months, respondents noted optimism about near-term demand. However, numerous respondents cited post-holiday replenishment and customers' desire to get ahead of additional tariff-driven price increases as likely reasons for the increase.

More detail is here >> https://nam.org/u-s-manufacturing-rebounds-ism-pmi-jumps-for-first-time-in-10-months-35700/

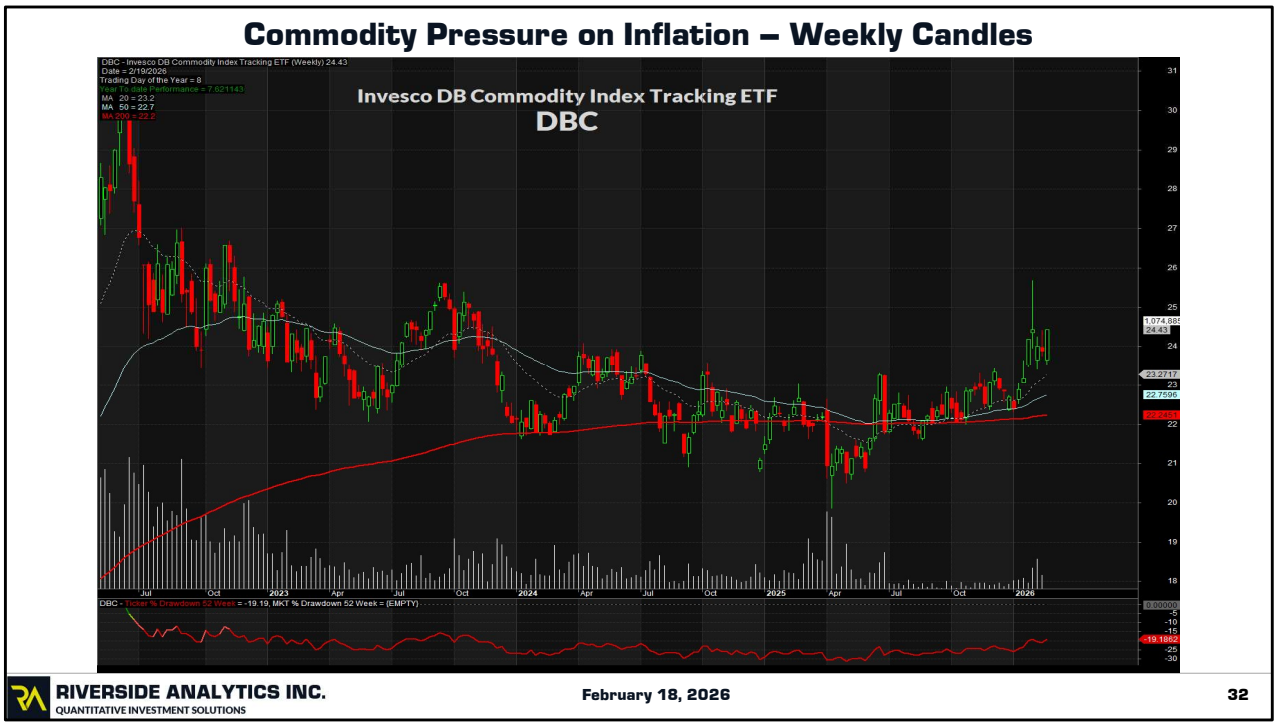
ISM offers a forward looking perspective vs US Manufacturing New orders reflects actual order volume.

"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



February - The ticker drawdown indicator is showing about a 4 percent move up in the last month. Oil, Gold, Copper and Aluminum are behind the move up.

Prices have moved above the 20, and 50 MA indicating future inflation from carbon based energy, Gold, Silver, Aluminum, Zinc, Copper Grade A, Corn, Wheat, Soybeans, and Sugar is possible.

Commodity Pressure on Inflation – Weekly Candles



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February – Sideways for 2026 so far ! Inflation from these components should be muted this year. Note tariffs do not impact import prices, those are added AFTER they land. Most of US cocao comes from Cote d'Ivoire which has 15 percent tariff. Pricing decisions for 2026 have been made, so price pressure in this category should be evident soon, if not already done at the retail level.

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 2026.

Commodity Pressure on Inflation – Weekly Candles



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February – a number of companies in this ETF have had a banner start to the year – John Deere being the biggest holding with the biggest move up !

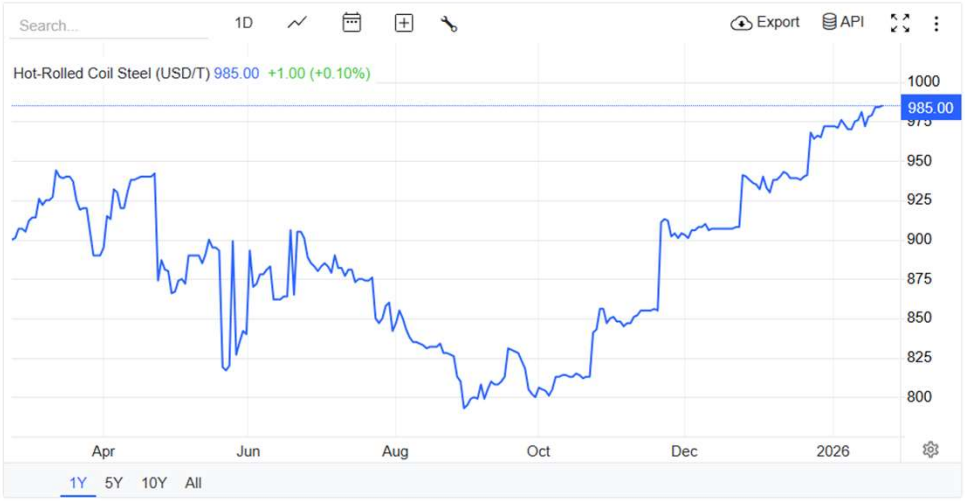
NOTE: This is a general commodities ETF… There are some break out slides coming further in the presentation.

Top 10 holdings : DEERE, CORTEVA INC, ARCHER DANIELS MIDLAND, AGCO CORP, BUNGE GLOBAL, TYSON FOODS INC CLASS A, MOSAIC, INGREDION INC, FRESH DEL MONTE PRODUCE INC, and ANDERSONS INC – This is a mix of industrial (farm equipment, farm inputs (seed, fertilizer, fuel etc), logistics, and food companies

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 984.07 USD/T on February 20, 2026, up 0.01% from the previous day. Over the past month, HRC Steel's price has risen 4.58%, and is up 9.34% compared to the same time last year, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.



February – Last month was 937.98.

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

Hot Rolled Steel – Weekly Candles



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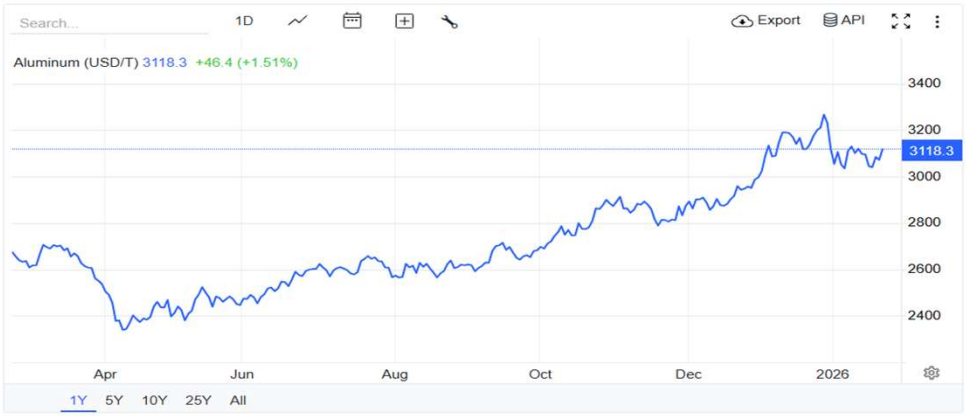
36

February – stock prices appear to have gotten ahead of the commodity prices.

Construction and the Automotive sectors are the two largest consumers of steel, followed by appliance manufacturing, energy infrastructure, industrial equipment, and manufacturing. About 70 percent of a vehicle's weight, is steel !

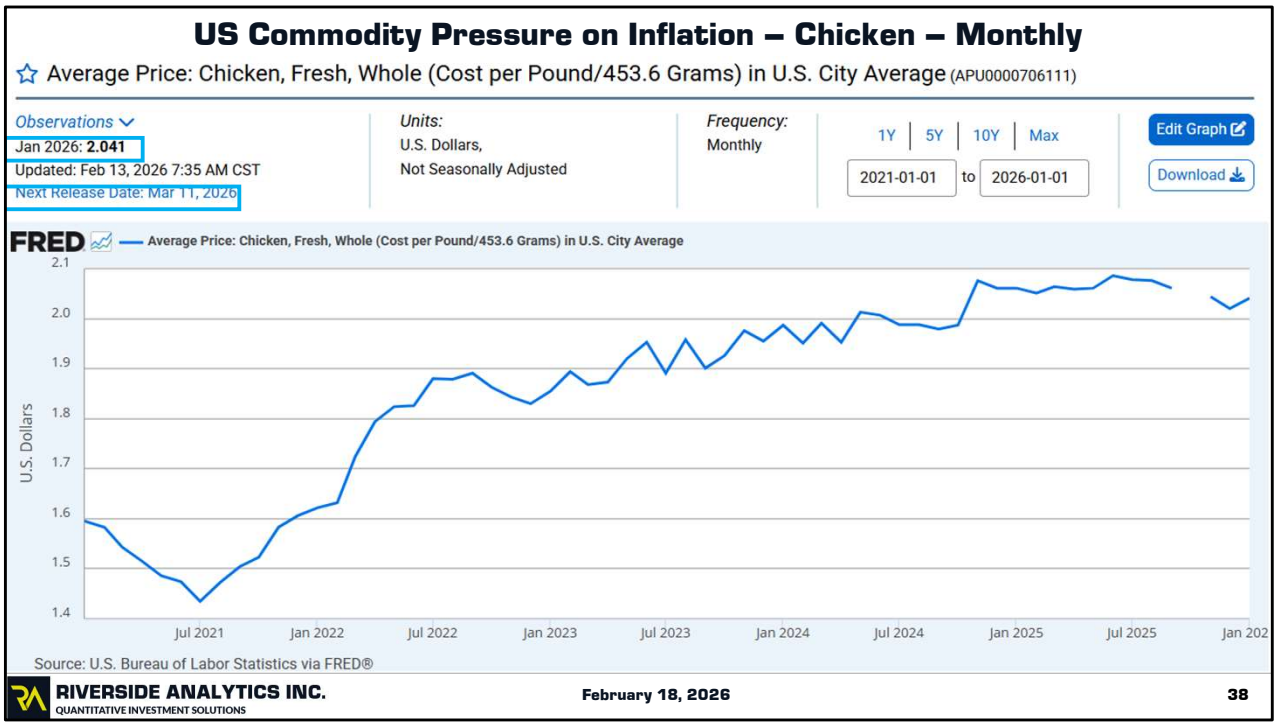
Aluminum – 1 Year

Aluminum futures in the UK were near $3,100 per tonne in February, not too far from the three-year high of $3,270 on January 28th on the outlook of robust demand against low supply growth. Output in China is expected to stall this year after the major producer hit its output cap of 45 million tons in 2025, and the government's campaign against expanding manufacturing capacity limited expectations of a possible raise to the cap. However, attempts by Chinese smelters to build new alternative plants in Indonesia continued to face troubles amid higher energy costs and local regulations risks. Meanwhile, high energy costs, equipment failure, and difficulty in sourcing bauxite, suspended key smelters in other countries including Iceland, Mozambique, and Australia. In turn, the US President Trump administration pushed back against reports that tariffs on aluminum could be slashed from their current level of 50%. The taxes drove the premium on US aluminum over UK benchmarks to a record.



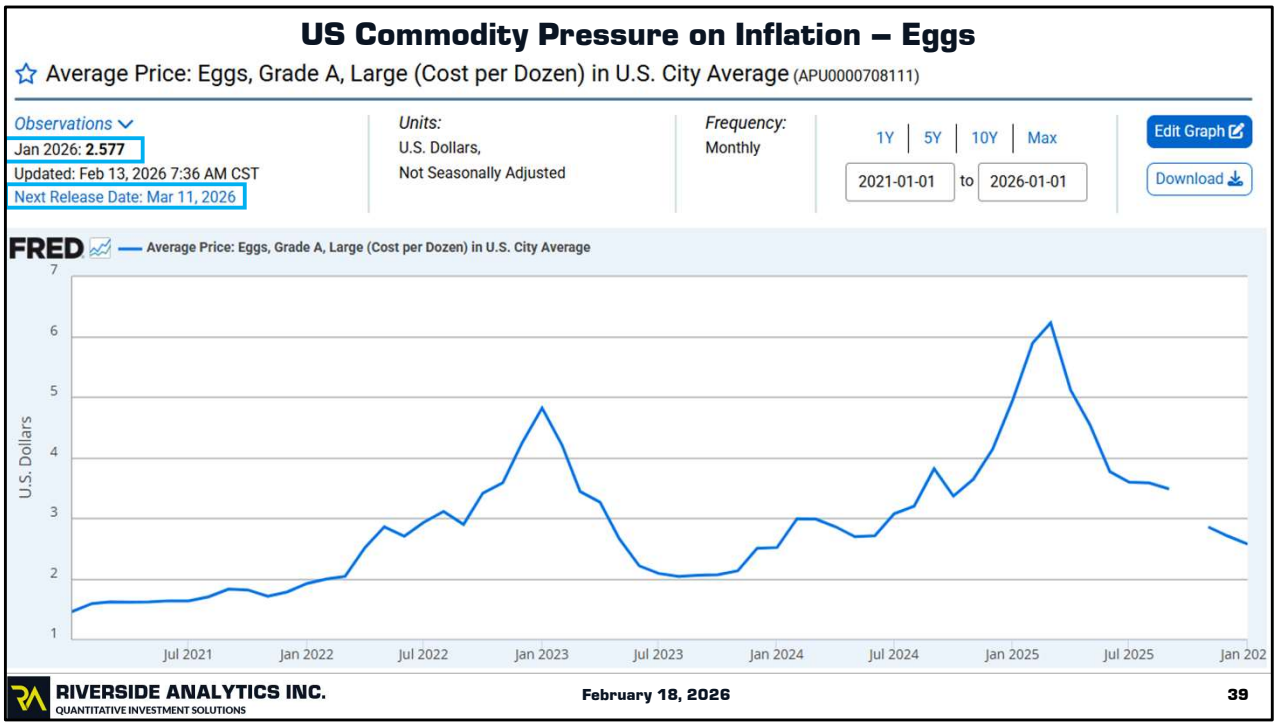
February – last month was 3166.40

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

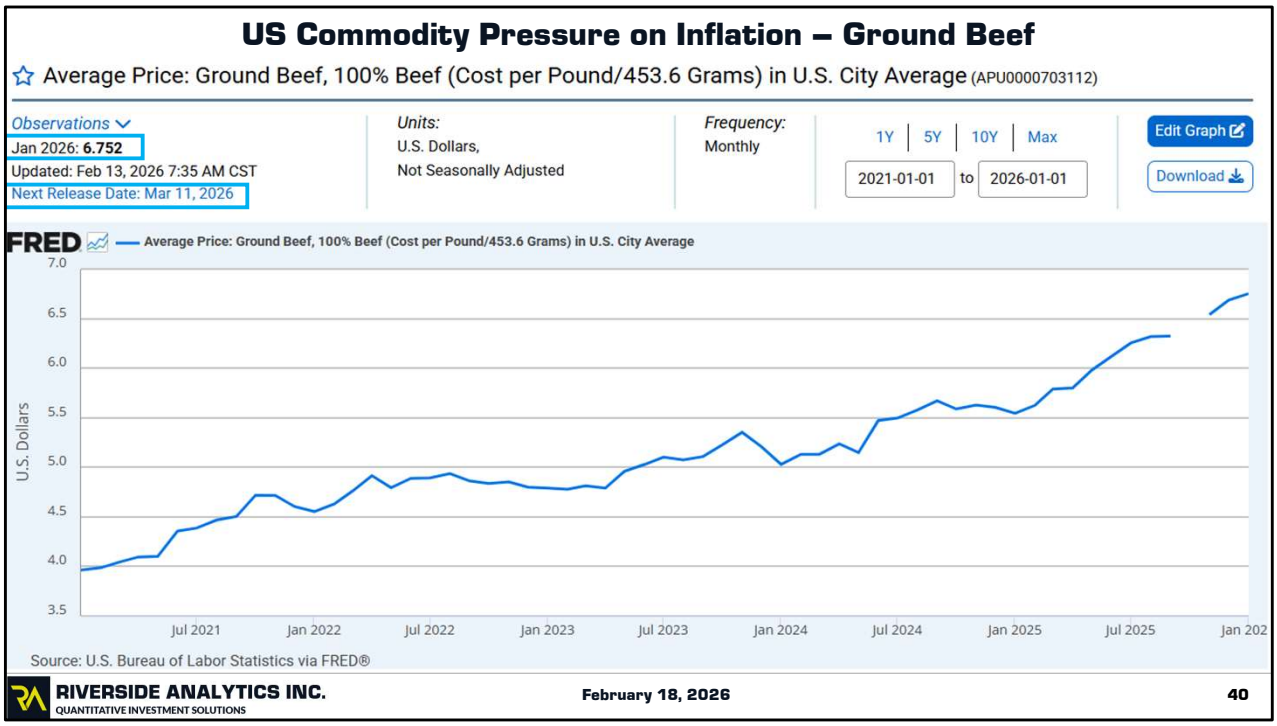


February – **last month was 2.020**

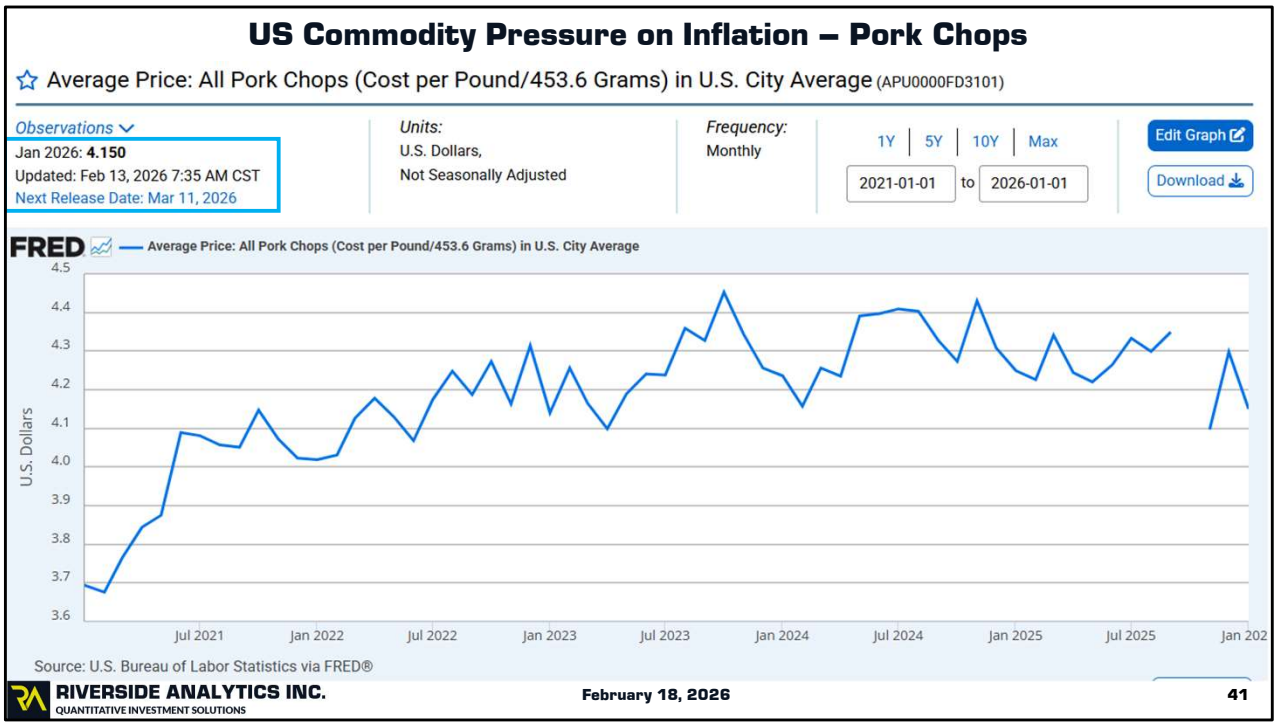
Source : https://fred.stlouisfed.org/series/APU0000706111



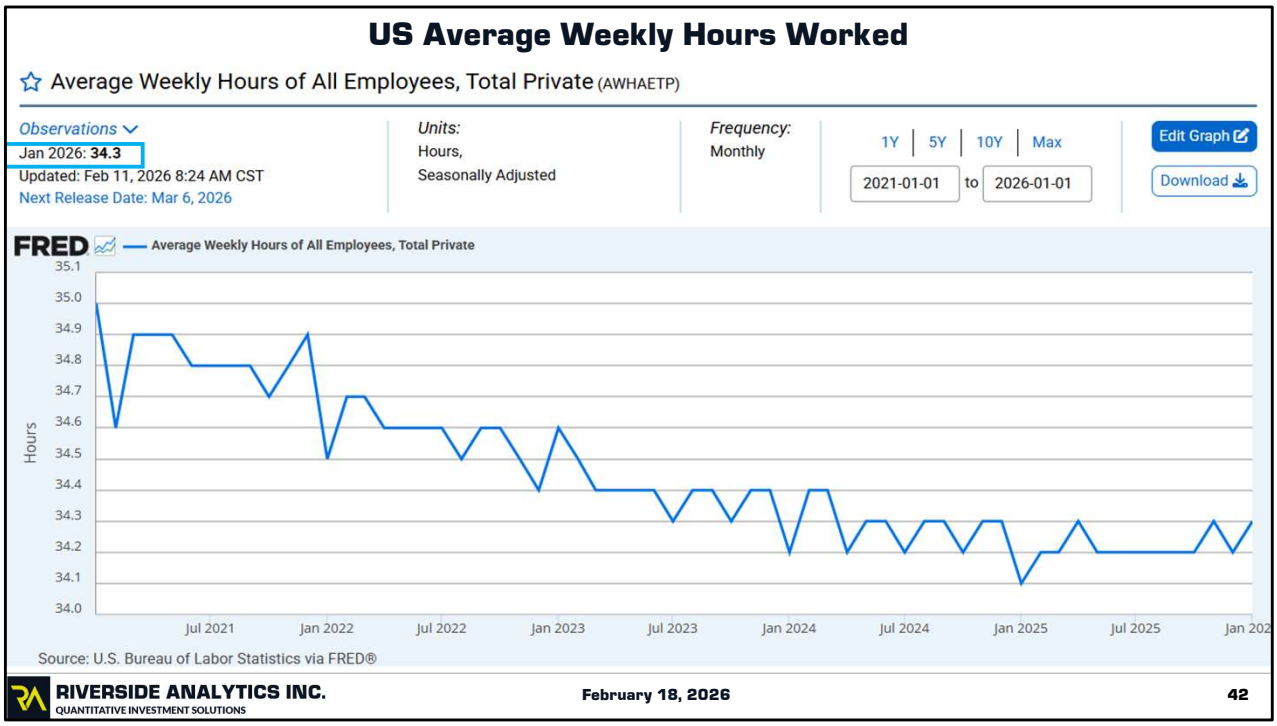
February – last month was 2.71



February – Last month was 6.69 – Wendy's and McDonalds are closing underperforming stores in 2026. Consumers are feeling the pinch of eating out, and are cutting back. I can build a better burger, fries, and milkshake at home for about ¼ of the cost !

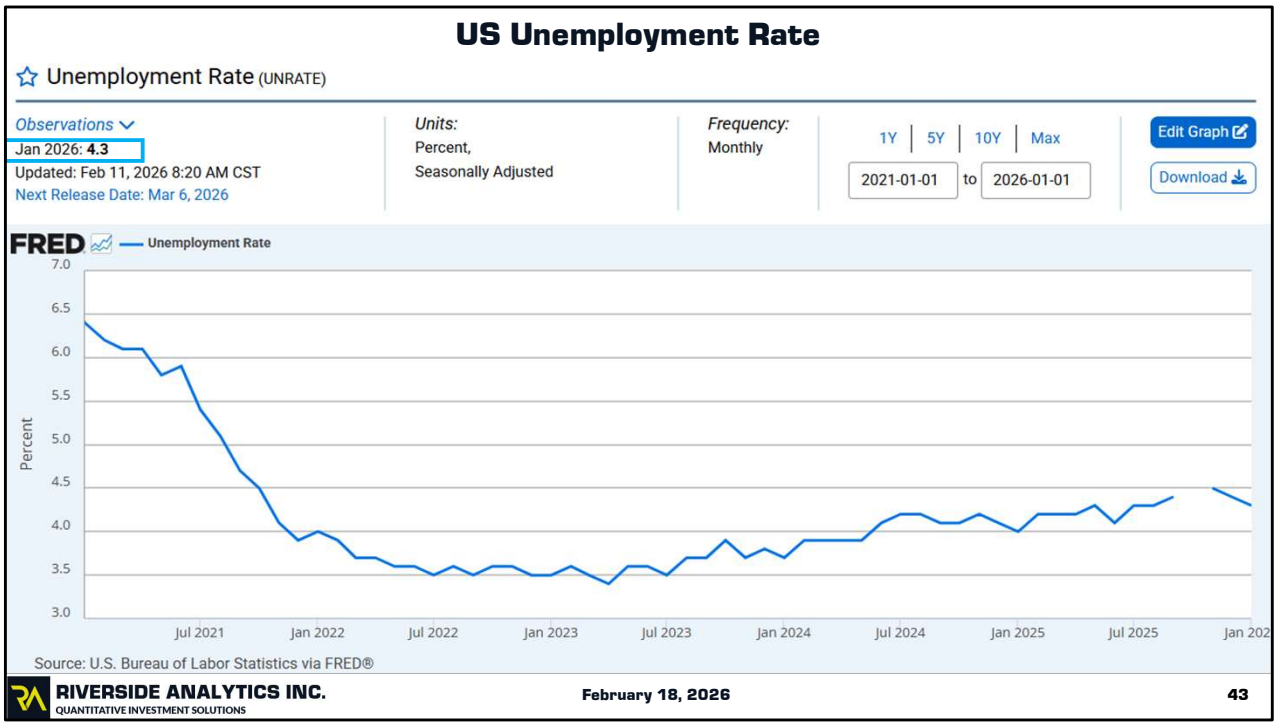


February – Dec was 4.29



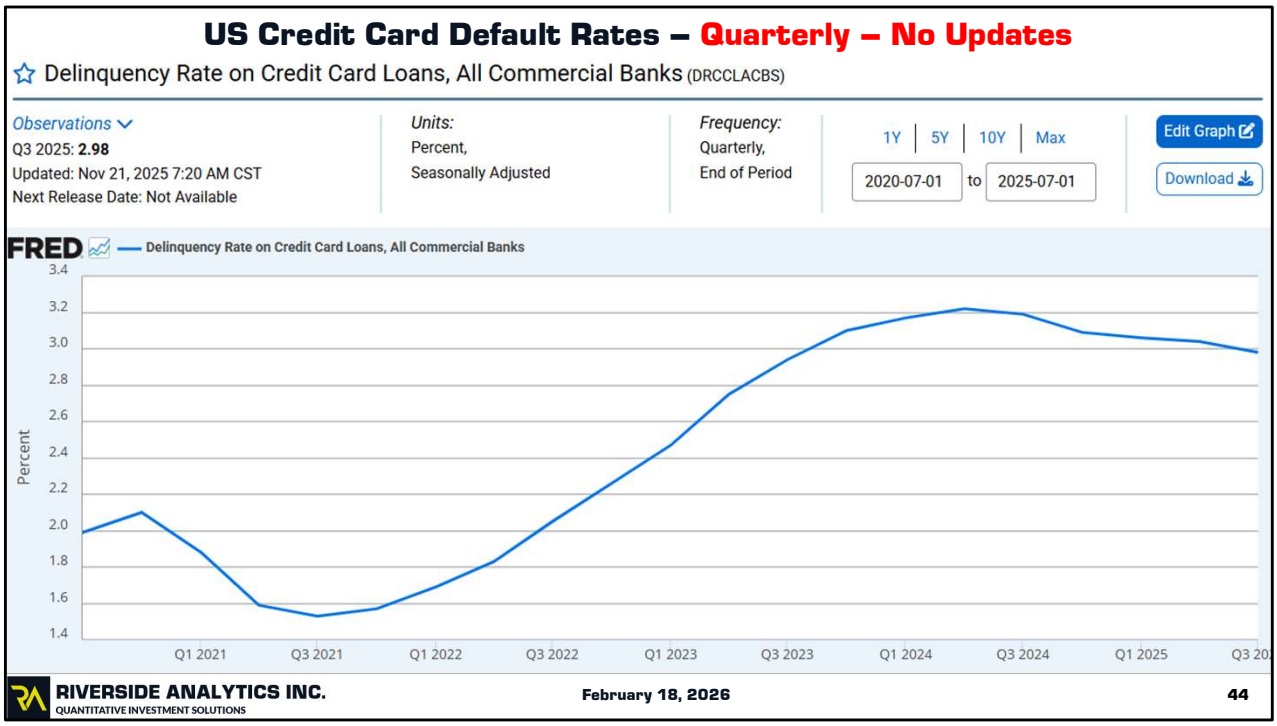
February – Last month was 34.2

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



February – Last month was 4.4 – Every January tends to deliver a blip up, and this one was no different !

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

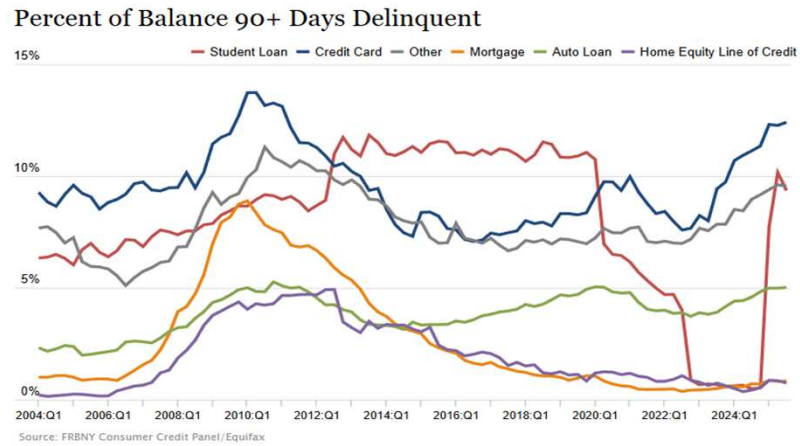


February – NO UPDATES -

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 – Serious Delinquency – No Update



Aggregate delinquency rates remained elevated in the third quarter of 2025. The share of outstanding debt balances in some stage of delinquency was largely flat in 2025Q3; 4.5% of outstanding debt was in some stage of delinquency, 0.1 percentage point higher than the previous quarter. Transition into early delinquency held steady for nearly all debt types. Transition rates into serious delinquency, defined as 90 or more days past due, were largely stable for auto loans, credit cards, and mortgages, and edged up slightly for HELOCs. Delinquency transitions continued to rise for student loans, but stock delinquency rates for student loans appear to have leveled off.

February – **No Updates for this quarterly report.**

Q3 was released last month. No update until early spring 2026.

Of you really want to get into the weeds with details >>
https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2025Q3

Household Debt Hits $18.59 Trillion in Third Quarter; Mortgage Originations Tick Up
Total household debt increased by $197 billion to reach $18.59 trillion in the third quarter, according to the latest Quarterly Report on Household Debt and Credit. Mortgage balances grew by $137 billion and totaled $13.07 trillion at the end of September. The pace of mortgage originations increased, with $512 billion newly originated in the third quarter. Credit card balances rose by $24 billion from the previous quarter and stood at $1.23 trillion, while auto loan balances held steady at $1.66 trillion. HELOC balances rose by $11 billion to $422 billion, and HELOC limits rose by $8 billion, continuing the growth that began in 2022. Student loan balances rose by $15 billion and stood at $1.65 trillion.

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.

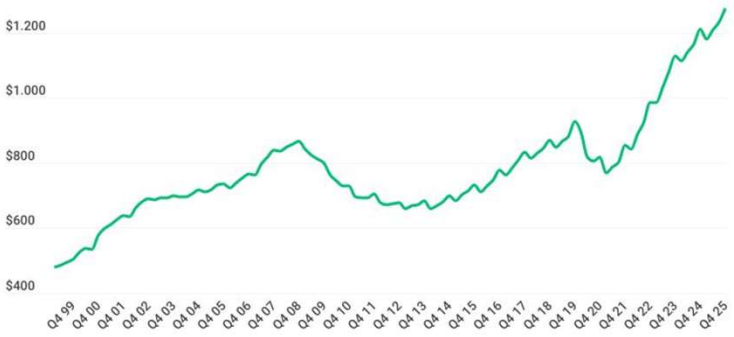
What is the difference between delinquency and charge-off?
Charge-offs are the value of loans and leases removed from the books and charged against loss reserves. Charge-off rates are annualized, net of recoveries. Delinquent loans and leases are those past due thirty days or more and still accruing 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 – Q4 Update

Total outstanding credit card balances, 1999 to present

In billions; seasonally adjusted



Source: New York Fed Consumer Credit Panel/Equifax

Up 3.57% Q/Q

$1.277 trillion,

This is costing the 47 % of card holders on average $137.81 a month in interest charges or $1653 up from Q1 $1565 / year.

Average Interest rate : 20.97 - .42%
New CC Offer Rates : 23.77% - .58%

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February – Last quarter was 1.233 Trillion. So far, delinquency rates have not changed significantly. Lower income households are in more trouble, and middle and upper income level reductions offset the difference.

If you really want to get into the weeds on US debt by type, and any other measure you can think of, have a look at this report.

https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2025Q4

"Job No. 1 for anyone with a credit card is to pay off that balance in full at the end of each month. But we all know that life happens, and that means that it's not always possible to pay off your credit cards each month."

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

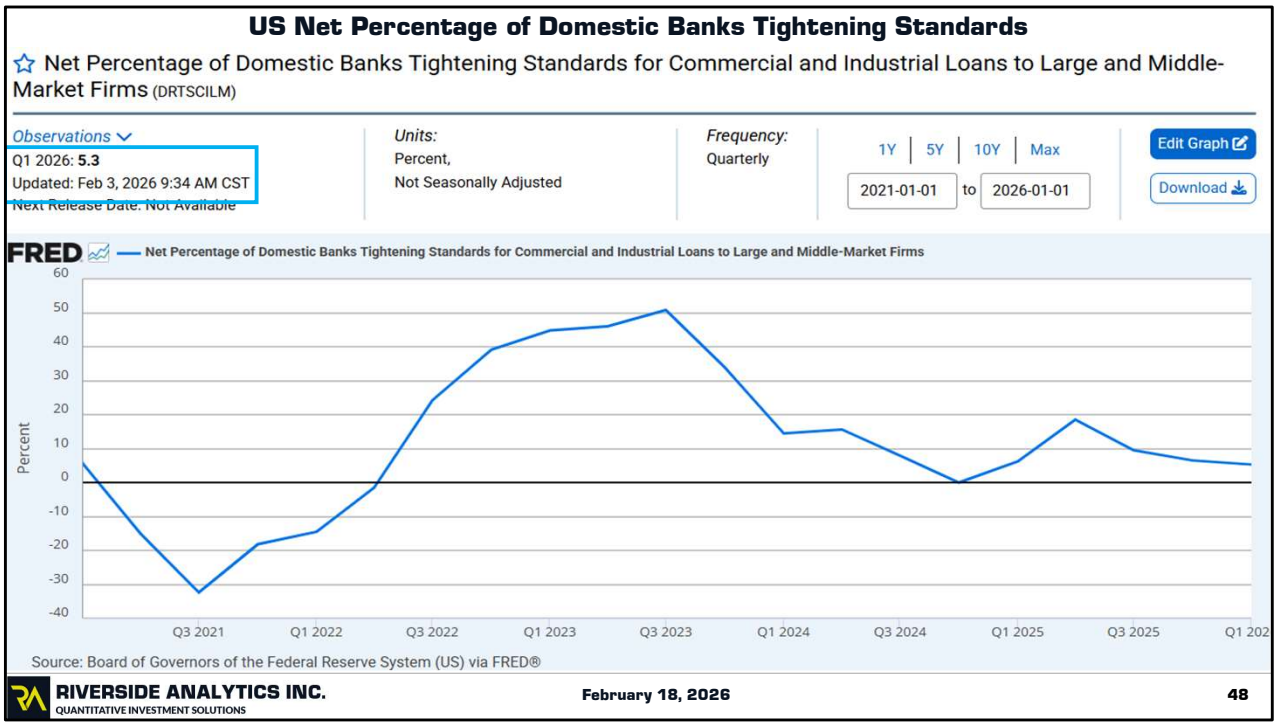
https://www.lendingtree.com/credit-cards/study/credit-card-debt-statistics/
Additional detail here > https://www.bankrate.com/credit-cards/news/credit-card-debt-survey/#many-carry-debt-for-more-than-a-year



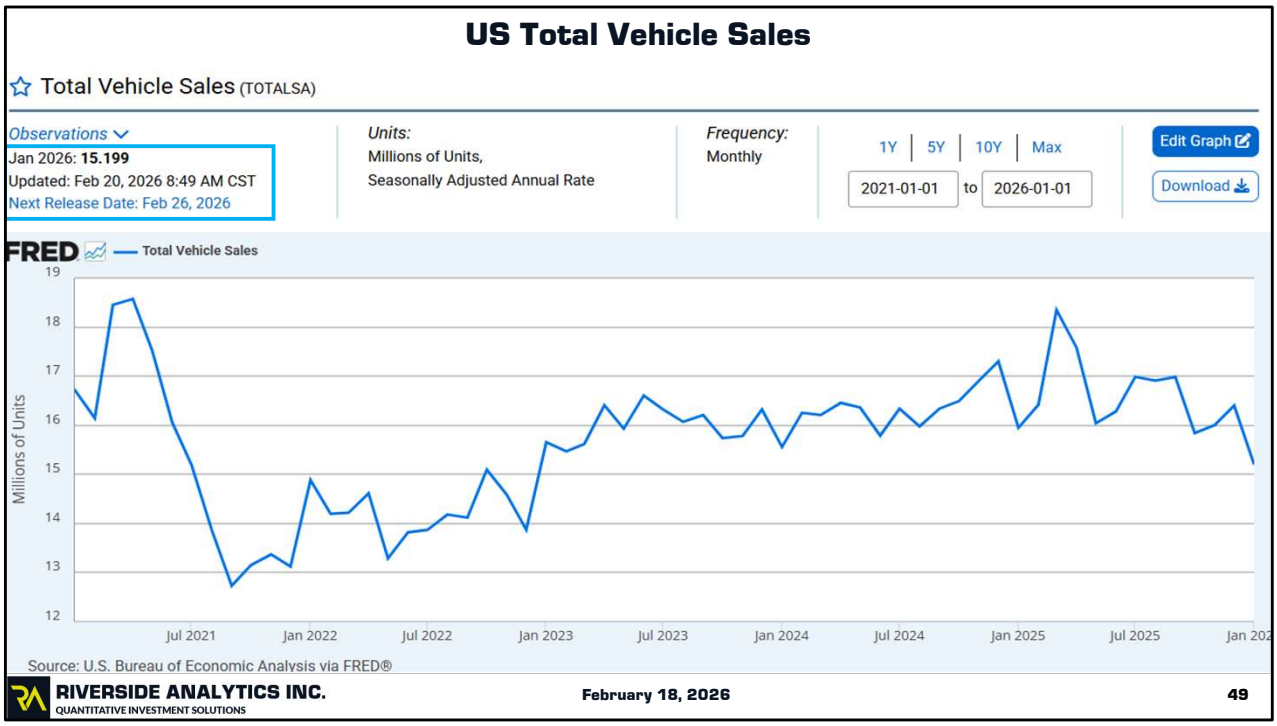
February – **Still - No Updates for this quarterly report.**

Q2 was 1.67 - 2024 Q4 was 1.64

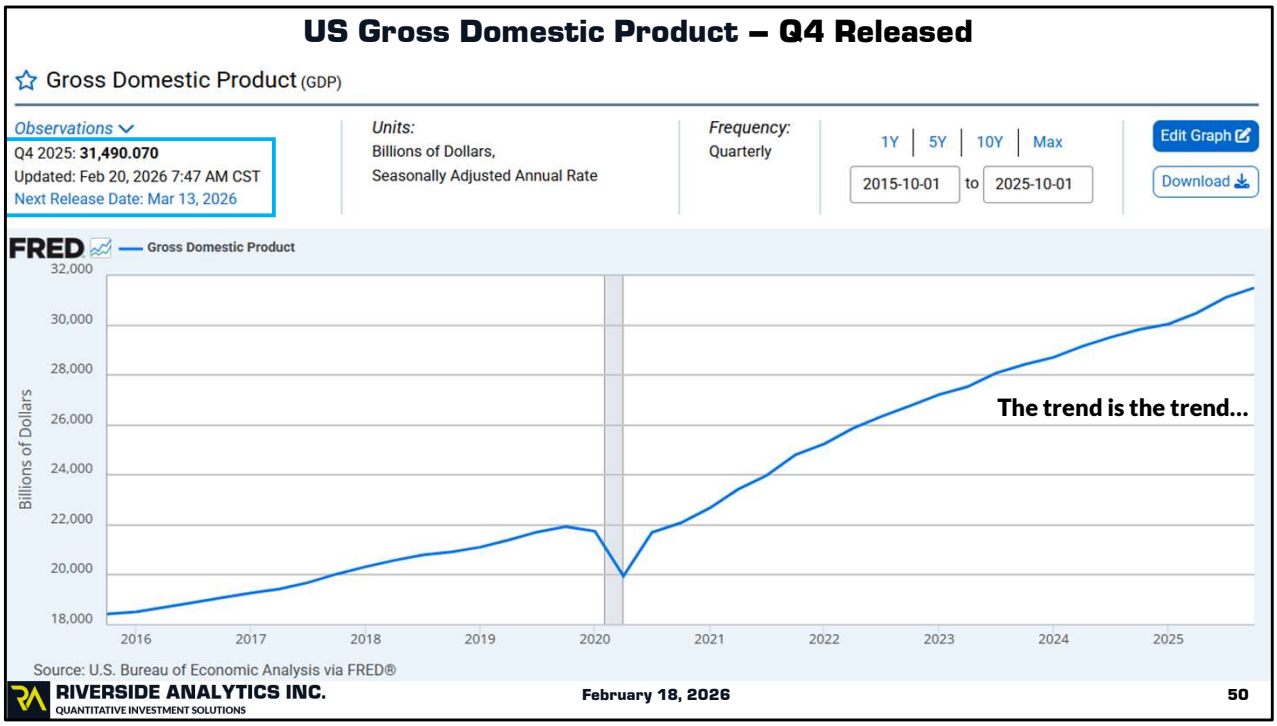
Only about 10 percent of US Real Estate mortgages are variable rates.



February – Q4 2025 was 6.5 – More banks are loosing standards



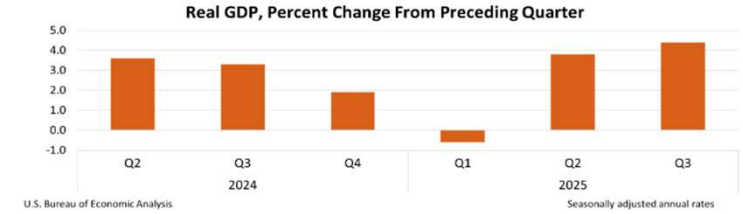
February – November was 15.926 – Is this just a blip down or something more serious. Nasty winter weather likely impacted this number. It will take another month or two to find out.

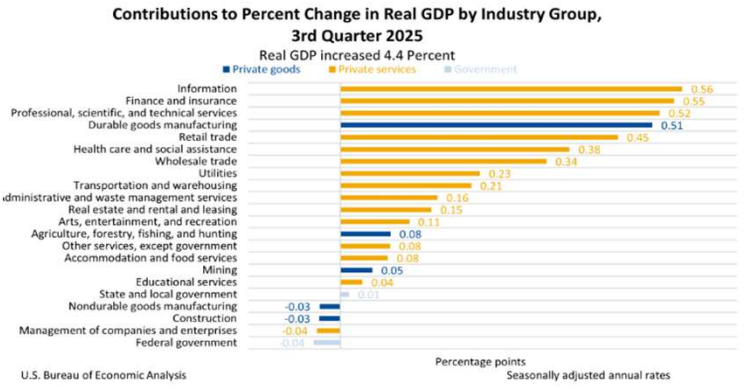


February – last month was 31,098.027 – St Louis fed estimates that AI investment in 2025 contributed 1.29% to GDP. Early estimates put this at nearly 60% of the overall GDP growth in 2025. Overall US economy is ok, just not nearly as strong as the headline numbers suggest !

Source of AI data >> https://www.stlouisfed.org/on-the-economy/2026/jan/tracking-ai-contribution-gdp-growth

US GDP – Percent Change – No Updates



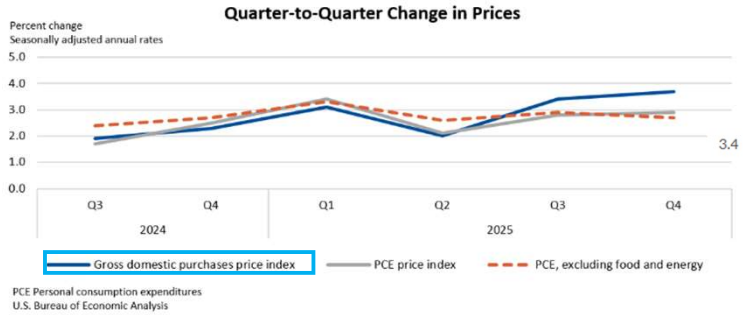


February – BEA released a "Advanced Estimate" of Q4 at 1.4 percent, down significantly from 4.4 for Q3. Overall Estimated GDP for 2025 is 2.2%. **IF 1.29% of the 2.2 is due to AI investments then about 58.6% of 2025 growth is due to AI !!!!!**

Real gross domestic product (GDP) increased at an annual rate of 4.4 percent in the third quarter of 2025 (July, August, and September), according to the updated estimate released by the U.S. Bureau of Economic Analysis.

Source : The Bureau of Economic Analysis of the United States Department of Commerce https://www.bea.gov/news/2026/gross-domestic-product-3rd-quarter-2025-updated-estimate-gdp-industry-and-corporate

US Gross Domestic Purchase Price Index



PCE Personal consumption expenditures
U.S. Bureau of Economic Analysis

The big picture is running hotter than CPI indicates !

What it Measures

- **Purchases by U.S. Residents:** It covers spending by households (PCE), businesses (investment), and government.
- **Includes Imports:** Price changes for imported goods and services are included, reflecting what Americans pay.
- **Excludes Exports:** Prices of goods and services sold to other countries are not part of this index.

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February – Q4 inflation using this measure is hotter than the CPI rate.

The big picture is running hotter than CPI indicates !

How it Differs from Other Indexes

Vs. GDP Price Index: The GDP Price Index includes prices of U.S.-produced exports but excludes imported goods.

Vs. CPI (Consumer Price Index): The CPI measures price changes for a fixed basket of consumer goods; GDPP covers all domestic purchases, including business and government spending, and accounts for imports.

Key Takeaway
The GDPP index gives a comprehensive view of the price levels for all goods and services purchased within the U.S. economy, making it a crucial indicator for understanding domestic inflation dynamics.

Source : The Bureau of Economic Analysis of the United States Department of Commerce
https://www.bea.gov/news/2026/gross-domestic-product-3rd-quarter-2025-updated-

estimate-gdp-industry-and-corporate

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

February – March of year 2 of a Republican administration tends to be very good !
Follow your plan !

CME FedWatch Tool

TARGET RATE PROBABILITIES AS OF January 19, 2025

FED FUND FUTURES												
ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7
96.3613	96.3725	96.3875	96.4175	96.4625	96.5125	96.5725	96.6375	96.6775	96.7375	96.7800	96.8175	96.8275

	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
1/28/2026		0.0%	0.0%	0.0%	0.0%	5.0%	95.0%	0.0%	0.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.9%	20.6%	78.5%	0.0%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.2%	4.5%	31.4%	63.9%	0.0%	0.0%
6/17/2026	0.0%	0.0%	0.1%	2.0%	15.9%	45.1%	36.9%	0.0%	0.0%
7/29/2026	0.0%	0.0%	0.6%	5.9%	24.0%	42.8%	26.7%	0.0%	0.0%
9/16/2026	0.0%	0.2%	2.6%	12.8%	31.2%	36.7%	16.5%	0.0%	0.0%
10/28/2026	0.1%	0.7%	4.5%	16.3%	32.2%	32.9%	13.4%	0.0%	0.0%
12/9/2026	0.2%	1.4%	6.7%	19.3%	32.3%	29.2%	10.9%	0.0%	0.0%
1/27/2027	0.2%	1.5%	6.9%	19.4%	32.3%	29.0%	10.7%	0.0%	0.0%
3/17/2027	0.2%	1.5%	6.9%	19.4%	32.3%	29.0%	10.7%	0.0%	0.0%
4/28/2027	0.2%	1.5%	6.8%	19.2%	32.0%	29.0%	11.1%	0.2%	0.0%
6/9/2027	0.2%	1.4%	6.6%	18.7%	31.5%	29.1%	11.8%	0.7%	0.0%
7/28/2027	0.3%	2.0%	7.9%	20.1%	31.2%	27.2%	10.6%	0.6%	0.0%
9/15/2027	0.3%	1.6%	6.7%	17.7%	29.0%	28.0%	13.9%	2.6%	0.1%
10/27/2027	0.2%	1.5%	6.3%	16.7%	28.0%	28.1%	15.2%	3.6%	0.4%
12/8/2027	0.5%	2.4%	8.2%	18.8%	28.0%	25.7%	13.0%	3.0%	0.3%

January – April is now included in the stand pat category, with the rest of the year and no strong bets for a rate cut. This suggests, the Fed is concerned that the inflation will stay higher for longer and/or the labour market is weaker

CME FedWatch Tool

TARGET RATE PROBABILITIES – Aggregated AS OF January 19, 2025

FED FUND FUTURES												
ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7
96.3613	96.3725	96.3875	96.4175	96.4625	96.5125	96.5725	96.6375	96.6775	96.7375	96.7775	96.8175	96.8275

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES		
MEETING DATE	300-325	325-350	350-375
1/28/2026	0.00 %	4.98 %	95.02 %
3/18/2026	0.00 %	22.36 %	77.64 %
4/29/2026	0.00 %	40.98 %	59.02 %
6/17/2026	0.00 %	83.19 %	16.81 %
7/29/2026	10.98 %	89.02 %	0.00 %
9/16/2026	49.27 %	50.73 %	0.00 %
10/28/2026	66.98 %	33.02 %	0.00 %
12/9/2026	86.83 %	13.17 %	0.00 %
1/27/2027	87.98 %	12.02 %	0.00 %
3/17/2027	88.13 %	11.88 %	0.00 %
4/28/2027	85.98 %	14.02 %	0.00 %
6/9/2027	81.91 %	18.09 %	0.00 %
7/28/2027	92.98 %	7.02 %	0.00 %
9/15/2027	73.17 %	26.83 %	0.00 %
10/27/2027	63.98 %	36.02 %	0.00 %
12/8/2027	82.85 %	17.15 %	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.

January – Sometime mid summer, the market is expecting a 25 point drop. This infers, whomever the new Fed Chair is, is unlikely to be quick to drop rates.

CME FedWatch Tool – Probabilities

TARGET RATE PROBABILITIES AS OF – Friday February 20

FED FUND FUTURES												
ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7	ZQG7
96.3600	96.3650	96.3700	96.4050	96.4500	96.5200	96.6050	96.6650	96.7500	96.8250	96.8900	96.9200	96.9450

	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
3/18/2026			0.0%	0.0%	0.0%	0.0%	3.5%	96.5%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	17.0%	82.5%	0.0%
6/17/2026	0.0%	0.0%	0.0%	0.0%	0.2%	7.7%	45.6%	46.5%	0.0%
7/29/2026	0.0%	0.0%	0.0%	0.1%	2.9%	21.5%	45.9%	29.6%	0.0%
9/16/2026	0.0%	0.0%	0.0%	1.6%	13.1%	34.9%	37.0%	13.4%	0.0%
10/28/2026	0.0%	0.0%	0.6%	5.4%	20.3%	35.6%	29.1%	8.9%	0.0%
12/9/2026	0.0%	0.2%	2.4%	10.9%	25.9%	33.2%	21.8%	5.7%	0.0%
1/27/2027	0.0%	0.5%	3.3%	12.6%	26.7%	31.9%	19.9%	5.0%	0.0%
3/17/2027	0.1%	0.8%	4.3%	14.0%	27.2%	30.7%	18.4%	4.5%	0.0%
4/28/2027	0.1%	0.8%	4.3%	14.0%	27.2%	30.7%	18.4%	4.5%	0.0%
6/9/2027	0.1%	0.9%	4.7%	14.6%	27.4%	30.2%	17.8%	4.3%	0.0%
7/28/2027	0.1%	0.9%	4.5%	14.2%	26.8%	30.0%	18.4%	4.9%	0.2%
9/15/2027	0.1%	0.9%	4.4%	13.9%	26.5%	29.9%	18.7%	5.3%	0.3%
10/27/2027	0.1%	0.8%	4.1%	13.0%	25.3%	29.6%	19.7%	6.5%	0.8%
12/8/2027	0.2%	1.5%	6.0%	15.7%	26.2%	27.5%	16.9%	5.3%	0.6%

February - The next potential rate cut is pushed out a month to July, and that one is a coin toss !

CME FedWatch Tool - Aggregated

TARGET RATE PROBABILITIES AS OF – Friday February 20

FED FUND FUTURES												
ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7	ZQG7
96.3600	96.3650	96.3700	96.4050	96.4500	96.5200	96.6050	96.6650	96.7500	96.8250	96.8900	96.9200	96.9450

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES			
MEETING DATE	275-300	300-325	325-350	350-375
3/18/2026	0.00 %	0.00 %	3.52 %	96.48 %
4/29/2026	0.00 %	0.00 %	18.00 %	82.00 %
6/17/2026	0.00 %	0.00 %	61.66 %	38.34 %
7/29/2026	0.00 %	0.00 %	98.00 %	2.00 %
9/16/2026	0.00 %	52.79 %	47.21 %	0.00 %
10/28/2026	0.00 %	86.00 %	14.00 %	0.00 %
12/9/2026	22.52 %	77.48 %	0.00 %	0.00 %
1/27/2027	34.00 %	66.00 %	0.00 %	0.00 %
3/17/2027	44.00 %	56.00 %	0.00 %	0.00 %
4/28/2027	44.00 %	56.00 %	0.00 %	0.00 %
6/9/2027	48.43 %	51.57 %	0.00 %	0.00 %
7/28/2027	44.00 %	56.00 %	0.00 %	0.00 %
9/15/2027	41.19 %	58.81 %	0.00 %	0.00 %
10/27/2027	32.00 %	68.00 %	0.00 %	0.00 %
12/8/2027	53.57 %	46.43 %	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.

February – The market is thinking the next fed chair engineers a 25 point drop at the end of July. Due keep in mind, he is only one vote in the decision ! The chances of a June drop have been lowered since last month to 62% from 83%.

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

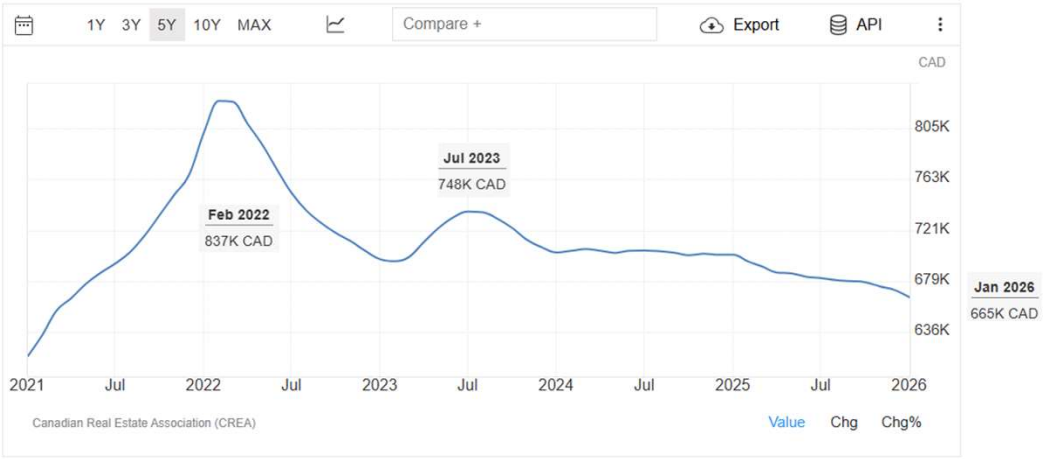
New Vehicle Sales

ST Louis Fed tracks a number of Canadian Metrics.

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

Average House Prices for Canada

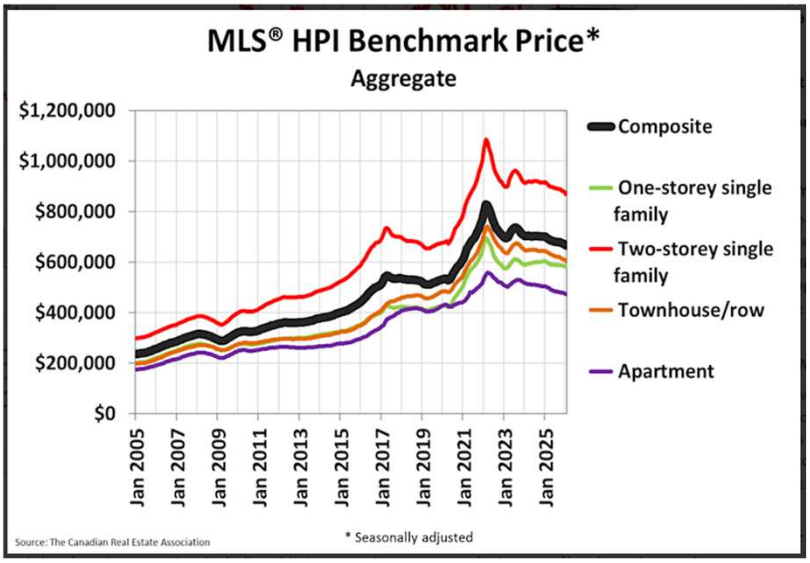
Average House Prices in Canada decreased to 665200 CAD in January from 671200 CAD in December of 2025. Average House Prices in Canada averaged 467823.72 CAD from 2005 until 2026, reaching an all time high of 827600.00 CAD in February of 2022 and a record low of 236900.00 CAD in January of 2005. source: Canadian Real Estate Association (CREA)



February – Last month was 671K**, revised down** 2k from last months report – This is down 20.5 % from the February 2022 peak.

Source : Trading Economics

Canada Average House Price



February – National home sales declined 5.8 % month -over-month.

National home sales declined 5.8% month-over-month.

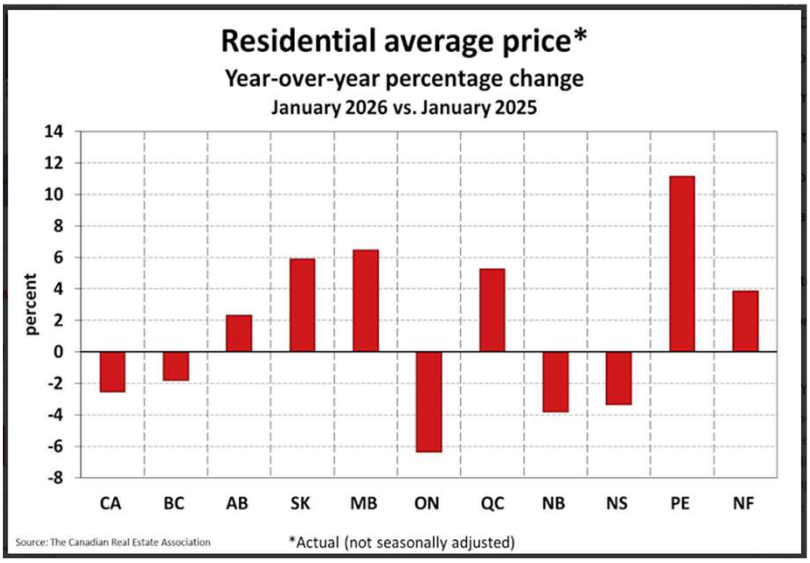
Actual (not seasonally adjusted) monthly activity came in 16.2% below January 2025.

The number of newly listed properties jumped 7.3% on a month-over-month basis.

The MLS® Home Price Index (HPI) fell 0.9% month-over-month and was down 4.9% on a year-over-year basis.

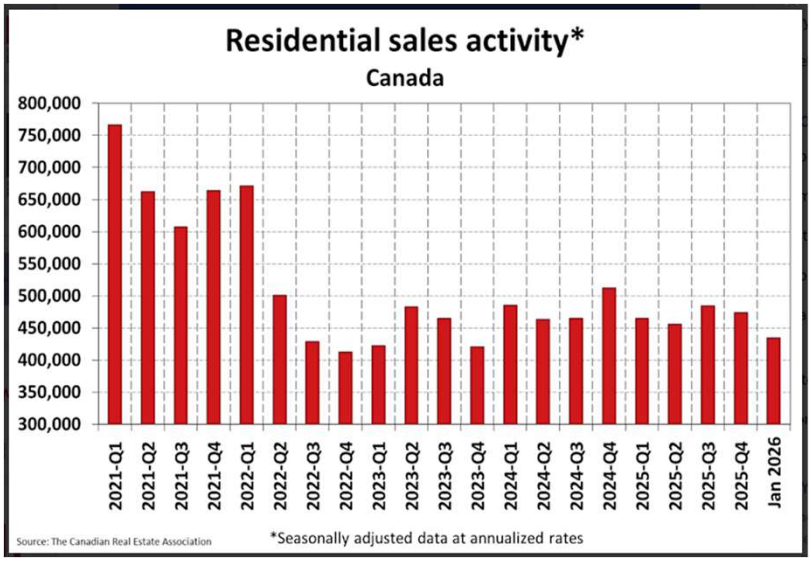
The actual (not seasonally adjusted) national average sale price dipped 2.6% on a year-over-year basis in January 2026.
Full report is here > https://creastats.crea.ca/en-CA/

Average House Prices for Canada – cont.
By Province



February – BC and Ontario continue the trend of price declines. Last month PEI was -2%. It is making up for it this month !

Home Sales Activity for Canada



February – Overall, Canada is doing ok in the sales department. A cold and snowy month did not help sales. It will be interesting to see if there is bounce coming in the next couple months.

There were 4.9 months of inventory on a national basis at the end of January 2026, up from 4.6 months at the end of December. The long-term average for this measure of market balance is five months of inventory. Based on one standard deviation above and below that long-term average, a seller's market would be below 3.6 months, and a buyer's market would be above 6.4 months.

This is from The Canadian Real Estate Association.

Housing Starts - % Change – Canada

Housing starts in Canada sank by 15% from the previous month to a seasonally adjusted of 238,049 in January of 2026, firmly below market expectations of 263,300, to mark the lowest rate in five months. Urban housing starts in centers with populations over 10,000

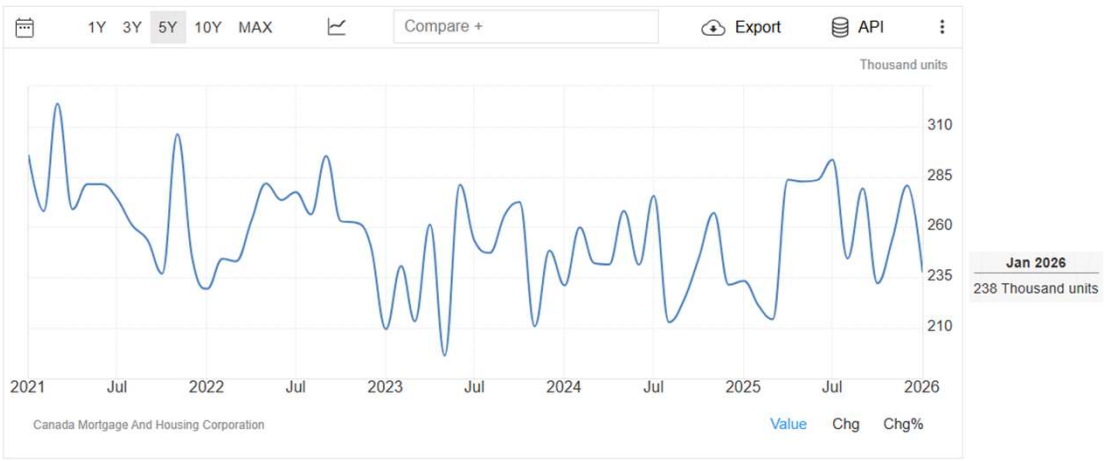


February – A slow first couple months is not unusual.

Source : Trading Economics

If you want to get into the weeds, detail is here : https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data/monthly-housing-starts-construction-data-tables

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



February – last month was 282.4. – Nothing out of the ordinary.

Trading Economics

Housing Sales Activity for GTA

Greater Toronto Area (GTA) Housing Market Overview

DATA FOR JANUARY 2026

ALL PROPERTY TYPES	DETACHED	SEMI-DETACHED	FREEHOLD TOWNHOUSE	CONDO APARTMENT
$973,289 **Avg. Sold Price** 3.3% decrease (1-month change) 6.5% decrease (12-month change)	$1,277,915 Avg. Sold Price 1.9% decrease (1-month change) 7.2% decrease (12-month change)	$945,967 Avg. Sold Price 1.2% decrease (1-month change) 9.7% decrease (12-month change)	$914,738 Avg. Sold Price 6.0% decrease (1-month change) 7.0% decrease (12-month change)	$604,759 Avg. Sold Price 3.7% decrease (1-month change) 9.8% decrease (12-month change)
3,082 **Transactions (Buy/Sell)** 16.6% decrease (1-month change) 19.9% decrease (12-month change)	1,352 Transactions (Buy/Sell) 20.0% decrease (1-month change) 14.4% decrease (12-month change)	278 Transactions (Buy/Sell) 13.9% decrease (1-month change) 20.3% decrease (12-month change)	310 Transactions (Buy/Sell) 8.8% decrease (1-month change) 24.2% decrease (12-month change)	856 Transactions (Buy/Sell) 16.8% decrease (1-month change) 26% decrease (12-month change)

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

February – Red across the board ! Unusually Cold and snowy did not help !

Housing Sales Activity for GTA

Single-Family Detached Home Prices in the GTA



Statistics for January 2026

Average Price:	$1,277,915	↓-7.2% from Jan. 2025
Units Sold:	1,352	↓-14.4% from Jan. 2025
New Listings:	4,507	↓-9.9% from Jan. 2025

Semi-Detached Home Prices in the GTA



Statistics for January 2026

Average Price:	$945,967	↓-9.7% from Jan. 2025
Units Sold:	278	↓-20.3% from Jan. 2025
New Listings:	624	↓-14.9% from Jan. 2025

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

February – New listings to units sold ratios jumped markedly from last month. Sellers are busy with listings, buyers, not so much !

Housing Sales Activity for GTA

Townhouse Prices in the GTA



Statistics for January 2026

Average Price:	$914,738	↓-7.0% from Jan. 2025
Units Sold:	310	↓-24.2% from Jan. 2025
New Listings:	890	↓-15.6% from Jan. 2025

Apartment Prices in the GTA



Statistics for January 2026

Average Price:	$604,759	↓-9.8% from Jan. 2025
Units Sold:	856	↓-26% from Jan. 2025
New Listings:	3,730	↓-18.7% from Jan. 2025

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

February – “Apartments”, aka condos continue their torrid pace of listings out numbering units sold by a wide margin.

WOWA - Housing Activity for GTA

Median Prices by Region

	City	Median Sold Price	1-Year Change	Total Transactions
#1	City of Toronto	$749,500	↓-6.3%	1,074
#2	Peel Region	$838,900	↓-9.8%	609
#3	York Region	$1,071,000	↓-6.9%	554
#4	Durham Region	$771,750	↓-7.6%	412
#5	Halton Region	$1,010,000	↓-3.8%	326
#6	Simcoe County	$830,000	↓-6.7%	92
#7	Dufferin County	$715,000	-	15
	GTA	**$840,000**	**↓-7.7%**	**3,082**

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

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

WOWA - Housing Activity for GTA

	City	Median Sold Price	1-Year Change	Total Transactions
#1	City of Toronto	$749,500	↓-6.3%	1,074
#2	Mississauga	$838,700	↓-8.1%	300
#3	Brampton	$829,500	↓-10.4%	266
#4	Markham	$1,095,000	↓-8.8%	163
#5	Vaughan	$1,071,000	↓-0.4%	146
#6	Oshawa	$690,000	↓-9.2%	127
#7	Burlington	$910,000	↓-8.1%	109
#8	Oakville	$1,120,000	↓-10.0%	105
#9	Richmond Hill	$1,165,000	↓-9.2%	98
#10	Milton	$996,500	↑3.3%	82
	GTA	**$840,000**	**↓-7.7%**	**3,082**

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February 18, 2026

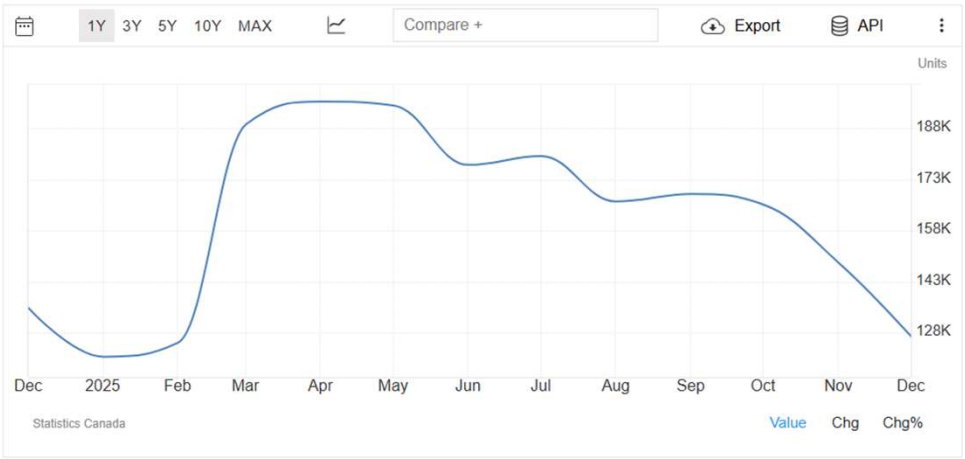
69

February – Breaking out 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

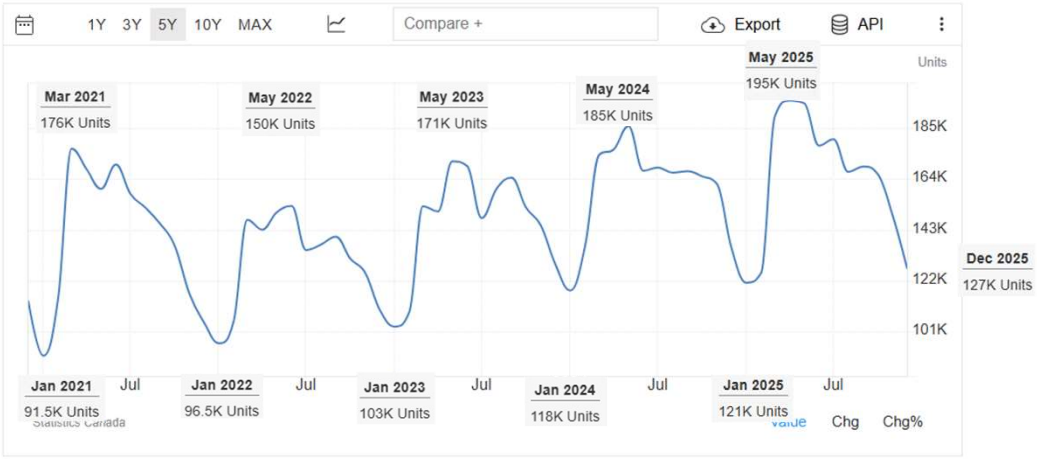
Car Registrations in Canada decreased to 127248 Units in December from 148726 Units in November of 2025. Car Registrations in Canada averaged 100350.15 Units from 1946 until 2025, reaching an all time high of 220858.00 Units in May of 2018 and a record low of 2756.00 Units in January of 1946. source: Statistics Canada



February – The buying patterns remain close to normal, although this dip could end up being a little deeper than a year ago. Snow storms and excessive cold likely a contributing factor. Time will tell.

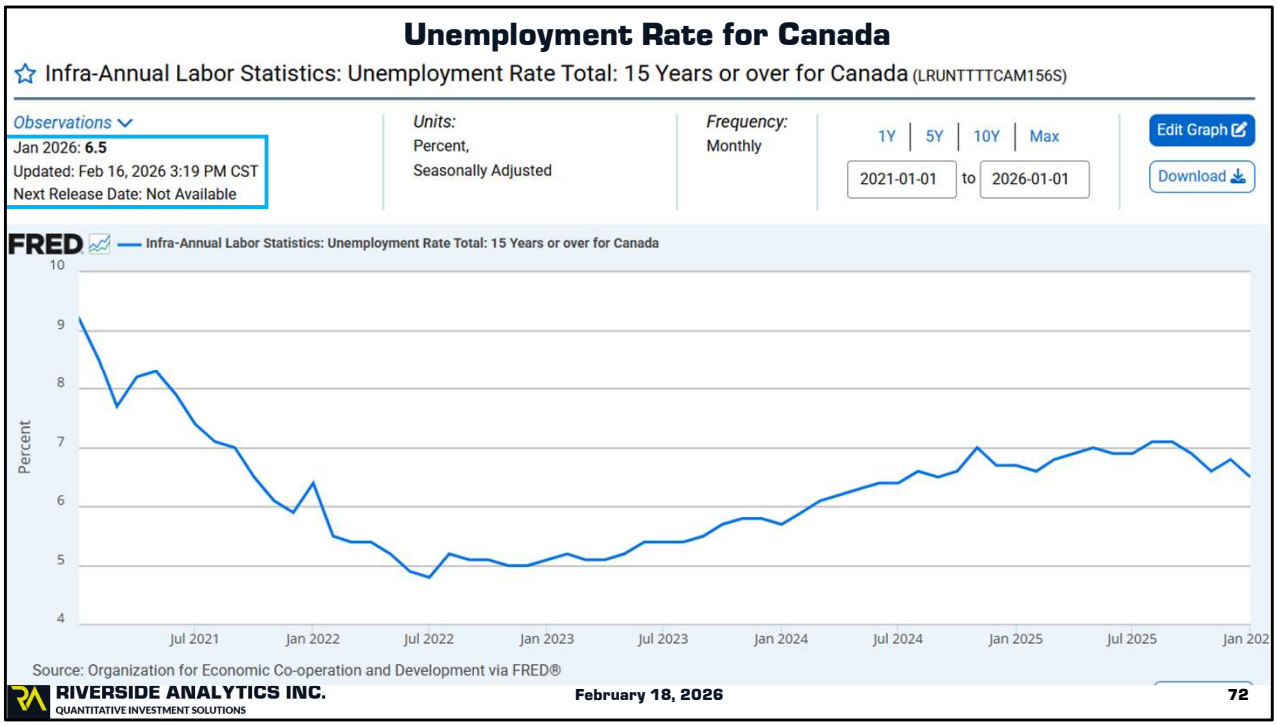
Source : Trading Economics

New Vehicle Sales Activity for Canada – 5 Year Chart



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

February - Trading Economics – Sales are following near their normal patterns, although this latest low is a little below the tend of the past 5 years. This could just be cold snowy weather playing a little havoc with charts. Time will tell !

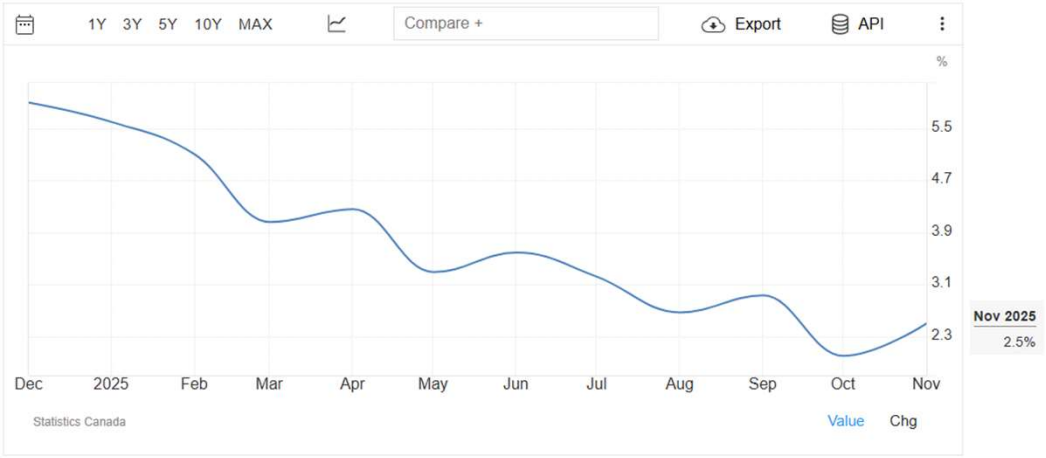


February - Last month was 6.8

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

Canada Average Weekly Earnings YOY – 3 Year Chart

Wages in Canada increased 2.50 percent in November of 2025 over the same month in the previous year. Wage Growth in Canada averaged 2.57 percent from 1992 until 2025, reaching an all time high of 10.10 percent in May of 2020 and a record low of -0.40 percent in May of 2001. source: Statistics Canada



February – Last month was 2.2 – About par with inflation ! Wage earners will not be getting ahead at these rates.

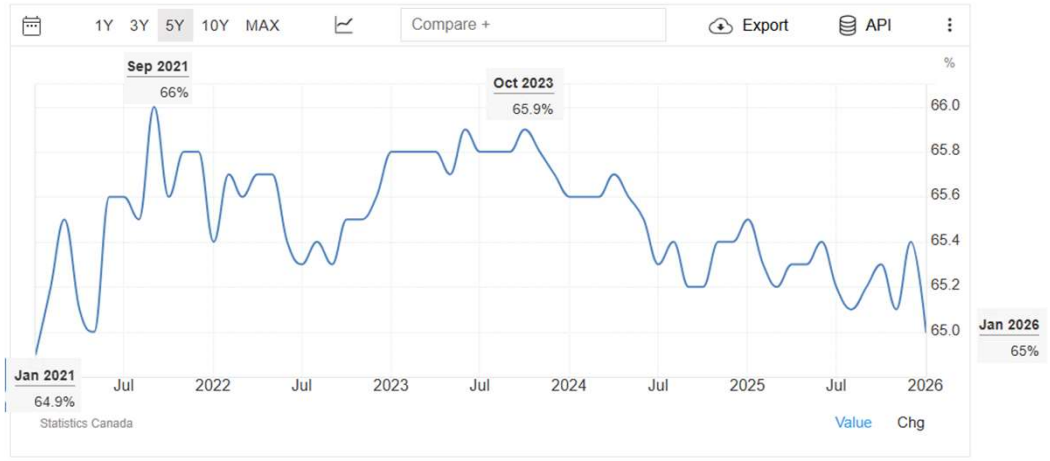
– DATA TENDS TO RUN 2-3 MONTHS BEHIND

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

Canada's labor force participation rate fell 0.4 percentage points to 65% in January 2025, reaching its lowest level since May 2021. Labor Force Participation Rate in Canada averaged 65.72 percent from 1976 until 2026, 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

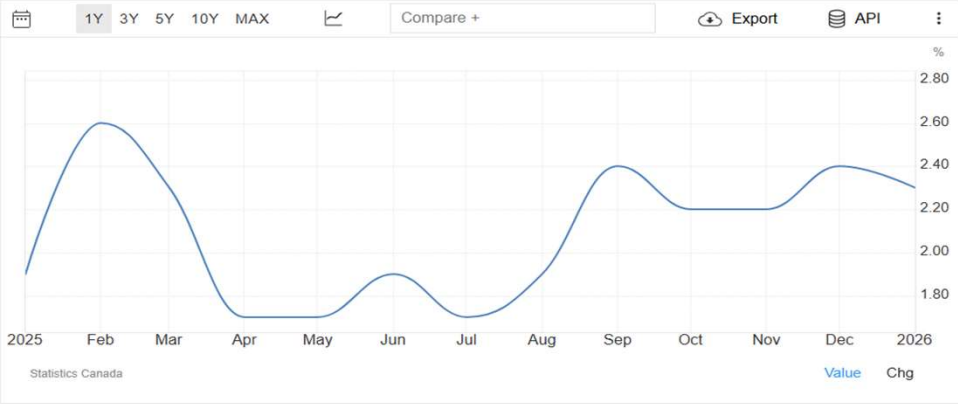
February – Due note, this data series does not change much. Working age people are slowly disappearing from the work force !

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

Consumer Price Index: Monthly Canada

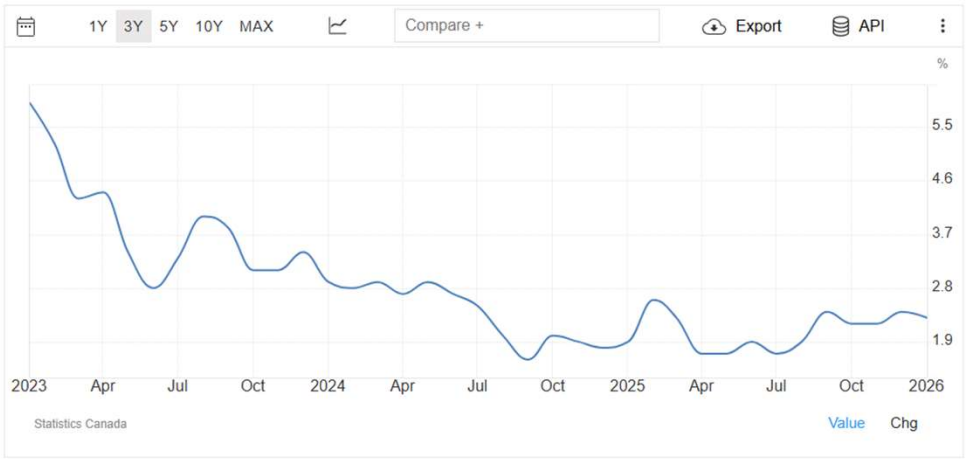
The headline inflation rate in Canada eased to 2.3% in January of 2026 from the three-month high of 2.4% in the previous period, slightly under market expectations that it would hold at 2.4%. The result was loosely aligned with the Bank of Canada's projection that the inflation rate would be near the 2.5% mark at the start of the year before treading below the 2% target, as base effects from the GST/HST break in January of 2025 continued to impact annual inflation rates. Deflation picked up for transportation (-17% vs -0.5% in December) due to the 16.7% plunge in gasoline prices. Inflation slowed for shelter (1.7% vs 2.1%) and household operations and furnishings (2.5% vs 3.6%). In turn, prices accelerated for food (7.3% vs 6.2%) due to breaks from the tax regimes, especially lifting prices of food from restaurants (12.3%). Meanwhile, the trimmed-mean core rate fell to 2.4% from 2.7%, well under expectations of 2.6%, for the lowest since April 2021. source: Statistics Canada



February – The big picture is remains within the 1 – 3% range. Inflation is eating up most of any new worker raises !

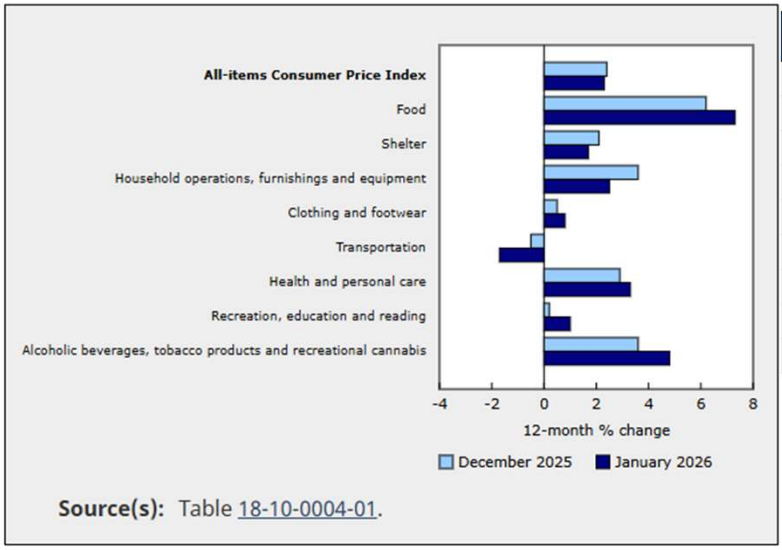
Source : Trading Economics

Consumer Price Index: 3 Year View Canada



February - Inflation – long view – With food and rent being large components of the consumers budget, this chart understates the impact of inflation on households.

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



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

December 2025	January 2026
2.4	2.3
6.2	7.3
2.1	1.7
3.6	2.5
0.5	0.8
-0.5	-1.7
2.9	3.3
0.2	1.0
3.6	4.8

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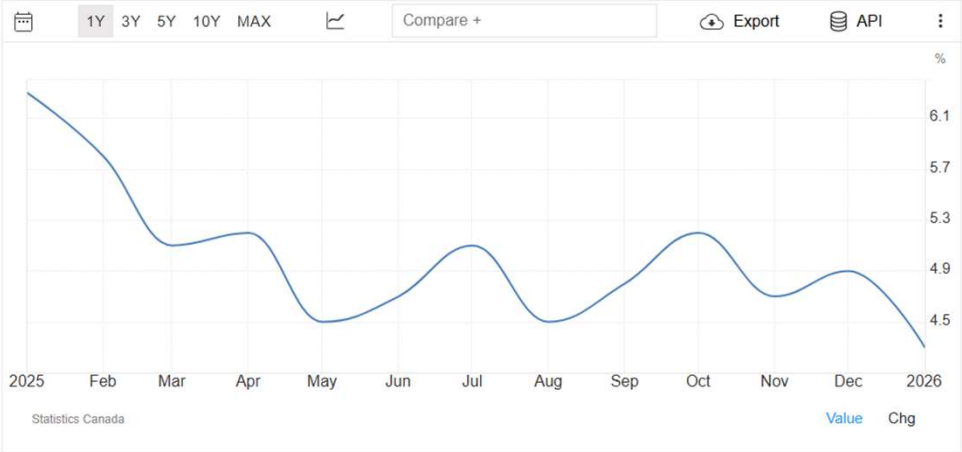
February – Same comment as last few months - Food continues to lead with the highest inflation – About 33 percent of Canadian households rent, so for that population, this chart understates that portion of their inflation impact. The next chart breaks that out.

More details are here

Source : StatsCan - https://www150.statcan.gc.ca/n1/daily-quotidien/260217/dq260217a-eng.htm

Consumer Price Index: Rent

Rent Inflation in Canada decreased to 4.30 percent in January from 4.90 percent in December of 2025. Rent Inflation in Canada averaged 2.81 percent from 1951 until 2026, 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



February – Same comment – Like last few months, Rent Inflation remains a sticky spot. Wage increases are not keeping up with rent increases ! At least it finally fell blow 4.5, but needs to drop another 2 full percentage points !

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

Gasoline Prices – Canada Average

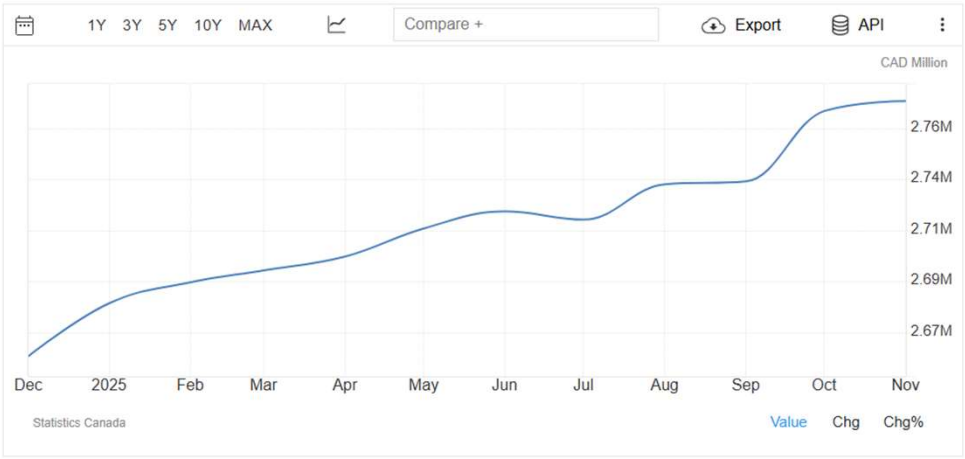


February – that nice decline at the beginning of the year is all but erased, probably explains by energy stocks have been on a tear this past while !

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

Canada - M2 Money Supply

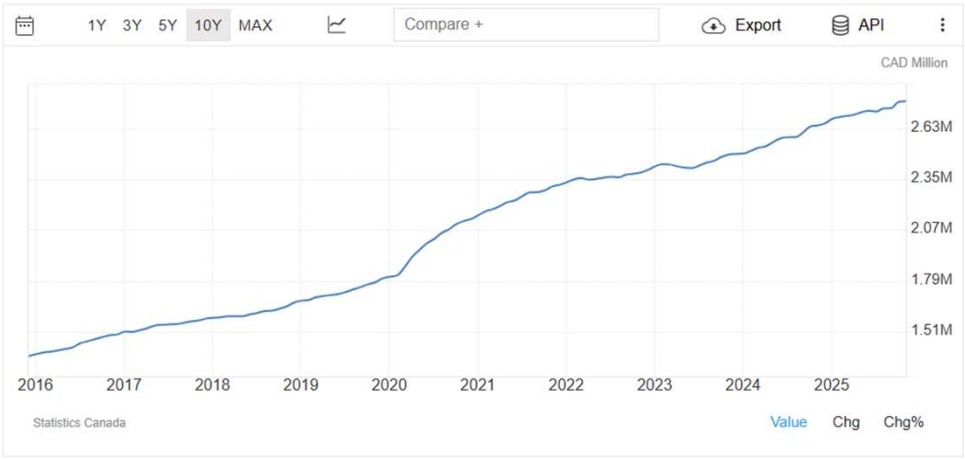
Money Supply M2 in Canada increased to 2776745 CAD Million in November from 2772010 CAD Million in October of 2025. Money Supply M2 in Canada averaged 666615.81 CAD Million from 1968 until 2025, reaching an all time high of 2776745.00 CAD Million in November of 2025 and a record low of 25523.00 CAD Million in January of 1968. source: Statistics Canada



February –

Source : Trading Economics

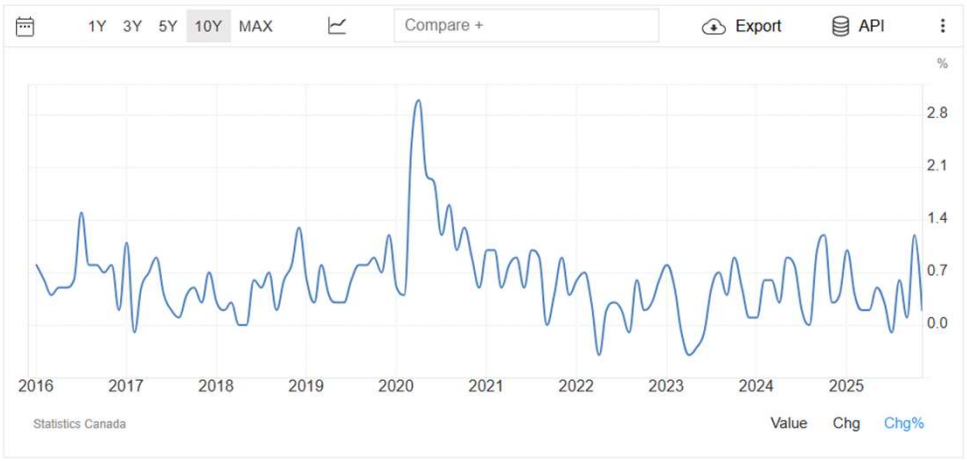
Canada - M2 Money Supply – Long Term View



February - I am not convinced that M2 has a significant impact on inflation. I believe corporate pricing decisions are the dominate force in inflation. 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 effects.

Source : Trading Economics

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



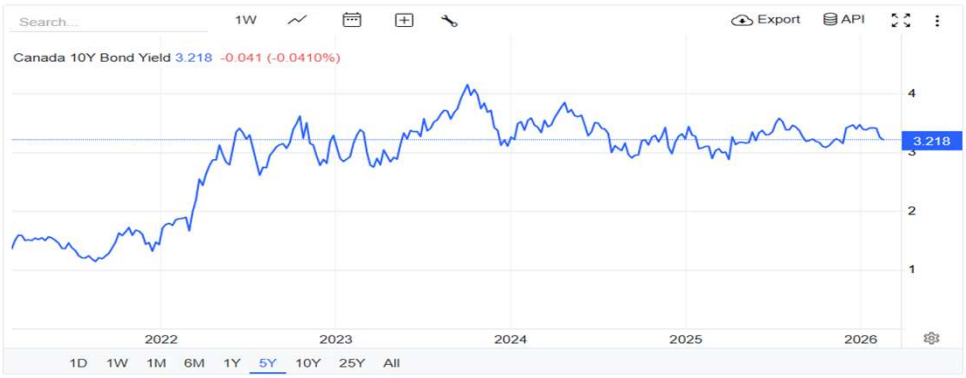
February - Multiply these numbers by 12 to get annual rate of change. Pumping money into the economy during covid, correlated with inflation. Do not confuse causation and correlation !

In general inflation happens when corporations raise prices. Demand pull, Cost push and Profit margins all can impact the company's 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

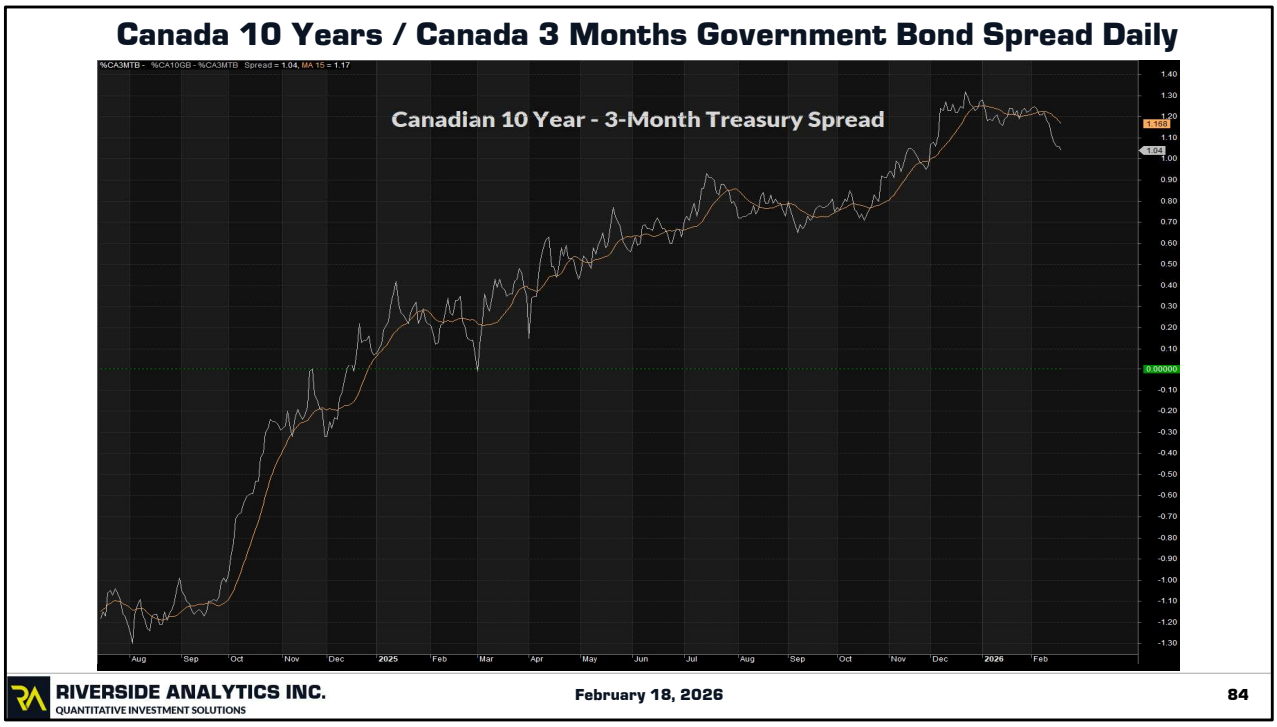
Canada's 10-year government bond yield fell toward 3.22% on Friday, marking a 12-week low as investors reacted to a landmark US Supreme Court ruling and cooling inflation data. The court's decision to strike down President Trump's global tariffs removed an inflationary tailwind and reduced the risk of trade-driven supply shocks, prompting a rally in North American sovereign debt. This impulse complemented a soft domestic backdrop after January CPI slowed to 2.3% and the Bank of Canada's trimmed mean eased to 2.4%, showing price pressures are moderating. With the policy rate at 2.25% and officials signaling settings are appropriate, markets have flattened the expected rate path and lowered the term premium. Additional pressure came as oil prices pared weekly gains despite a 9 million barrel drop in US inventories. The decline reflects growing confidence in a stable inflation outlook as global trade uncertainty recedes following the legal setback for the White House.



February – Last month was 3.435 Trading channel is maintained !

That striking down of Trump's tariffs last all of one day before he implemented new 15 percent tariffs across the board for 150 days. After that, Congress needs to approve a renewal unless he renews under a different program, which appears to be possible. US Treasury needs more money, that is clear, but these highly unpredictable tariff changes is not the way to do it ! Social Security will need a significant cash injection by early 2030's OR there will be benefit cuts. The US has done a very poor job of managing its long term health for decades !

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



February – last month was 1.212

This chart is from Amibroker.

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

Canada 10 Years / Canada 3 Months Government Bond spread
30 Year View - Monthly



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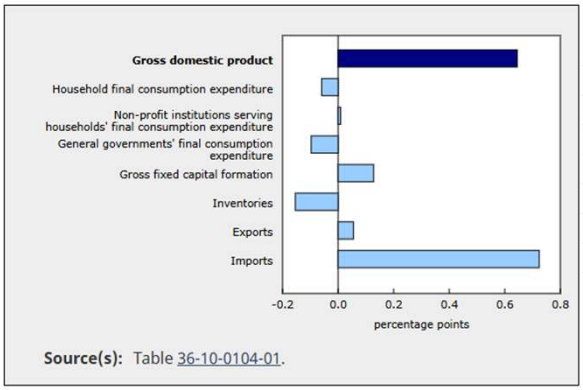
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February – 30 years of data. Back into the pre-covid range of spreads !

This one is from Amibroker.

Gross Domestic Product for Canada – No Updates



Real gross domestic product (GDP) increased 0.6% in the third quarter of 2025, after falling 0.5% in the second quarter. The rise in the third quarter was driven by a strengthening trade balance, as imports dropped and exports edged up. Increased capital investment was driven by government capital spending, as business investment was flat. Overall growth was dampened by declines in household and government final consumption expenditures as well as a slower accumulation of business inventory.

February – **No Updates. The next GDP release should be on February 27th.**

Real gross domestic product (GDP) increased 0.6% in the third quarter of 2025, after falling 0.5% in the second quarter.

Source : https://www150.statcan.gc.ca/n1/daily-quotidien/251128/dq251128a-eng.htm

Real Gross Domestic Product for Canada – Q4 Survey Released
BoC Survey Results

Economic scenario

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 2026 (n = 25)	End of 2027 (n = 23)
25th percentile of responses	1.4	1.8
Median of responses	1.6	1.9
75th percentile of responses	1.9	2.1

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.

Essentially unchanged from Q3 data – within 0.1 of the last report.

February – This is a quarterly report – **NOTE THIS IS A SURVEY, not an analysis of country GDP from StatsCan. Participants are expecting Canada is going to be doing just fine.**

https://www.bankofcanada.ca/2026/02/market-participants-survey-fourth-quarter-of-2025/

Real Gross Domestic Product for Canada - Q4 Survey 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 = 22)	In 6 to 12 months (n = 22)	In 12 to 18 months (n = 23)	In 18 to 24 months (n = 22)
25th percentile of responses	11	20	18	15
Median of responses	20	25	20	20
75th percentile of responses	34	34	28	25

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

The median of responses all declined from the Q3 survey.

February – **All but one numbers are less than the last survey – and the outsider is unchanged in the 18-24 month 25th percentile category.**

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

https://www.bankofcanada.ca/2026/02/market-participants-survey-fourth-quarter-of-2025/

Real Gross Domestic Product for Canada - Q4 Survey Released

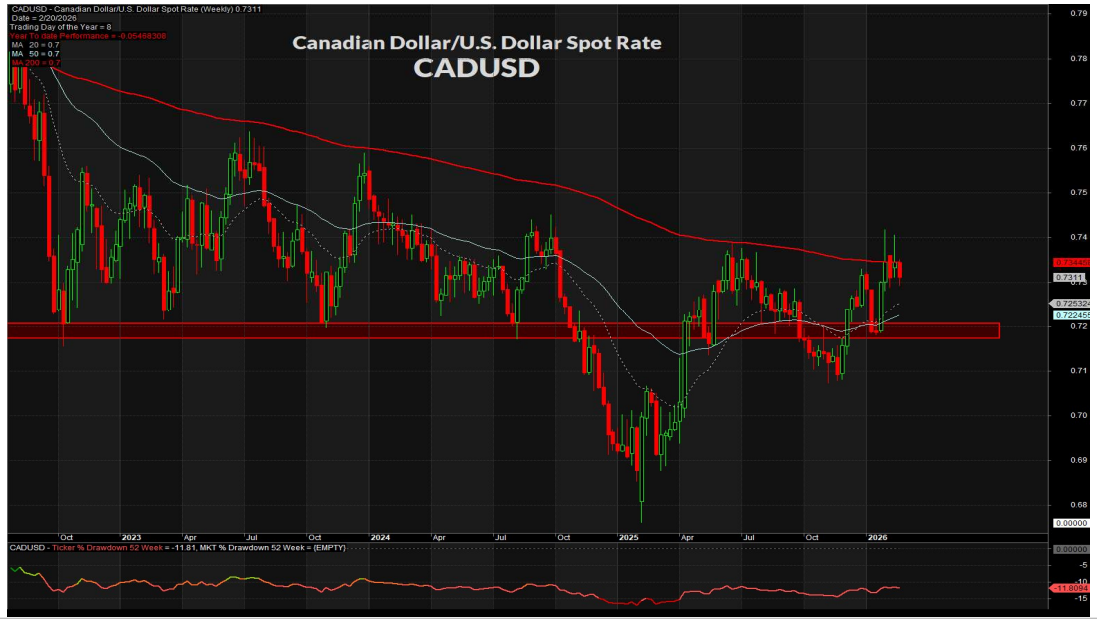
2.1 What is your forecast for the Bank of Canada's policy interest rate?

	Policy interest rate (%)			
	25th percentile of responses	Median of responses	75th percentile of responses	Number of responses
2026				
January	2.25	2.25	2.25	27
March	2.25	2.25	2.25	27
April	2.25	2.25	2.25	27
June	2.25	2.25	2.25	27
July	2.25	2.25	2.25	27
September	2.25	2.25	2.25	27
October	2.25	2.25	2.25	27
December	2.25	2.25	2.25	27
2027				
Q1	2.25	2.25	2.50	24
Q2	2.25	2.50	2.75	24
Q3	2.25	2.50	2.75	24
Q4	2.50	2.75	2.75	24

February – This is a quarterly report. These are all 25 basis points higher than the Q3 survey.

https://www.bankofcanada.ca/2026/02/market-participants-survey-fourth-quarter-of-2025/

CAD / USD Spot Rate – Weekly Candles



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February – CAD has strengthened from 72.12 to 73.11 since the last report.

Summary

- US inflation data is tamer than I expect.
- Overall, Canada is doing decent. It continues to quietly do deals with other countries.
- Sentiment US and Canadians worry about inflation, missing debt payments and job loss concerns.
- Canadian Consumers took a bit of a breather on new vehicle purchases and steady home sales, likely weather related
- US consumers are feeling well enough to continue with buying homes, but at a tepid pace, likely weather related
- Fedwatch tool predictions have changed again since last month. US likely DELAYS the 25 point cut in June out to July.
- US Health costs for lower class could be sharply higher Q1 if ACA extension does not happen. About 1.3 million dropped insurance, the remaining face about 100% cost increases. Healthcare induced bankruptcies are likely to rise.
- Canadian Y/Y housing prices are slowly trending down – good for affordability
- United States-Mexico-Canada Agreement (USMCA) is protecting Canadians from many tariffs and protecting Americans from price increases to some extent.
- Trump lost one tariff war, and started another, but there is 150 day time limit.
- Tepid growth likely continues with persistent tariff uncertainty. Some Canadian sectors are hurting (auto, metal production)
- Federal leadership seems to be making the right noises building trading relationships with other countries to diversify away from the US.
- Canadian tariff deal with China should be helpful for our farmers selling soy beans.
- 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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- All charts shown in this broadcast have been referenced from stockcharts.com, Amibroker or eSignal 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