RIVERSIDE ANALYTICS INC

DATE: May 23, 2026

RIVERSIDE ANALYTICS INC
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Economic Outlook

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- All trading / investing comes with risk.
- The insights contained in this presentation do not constitute advice, rather are meant for educational purposes from which you may make more educated decisions taking into account your individual risk profile and needs for return.
- At Riverside, we assess probabilities using systematic quantitative methodology. We do not provide advice. There are no guarantees for positive return. All investing/trading is at your own risk.
- 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.

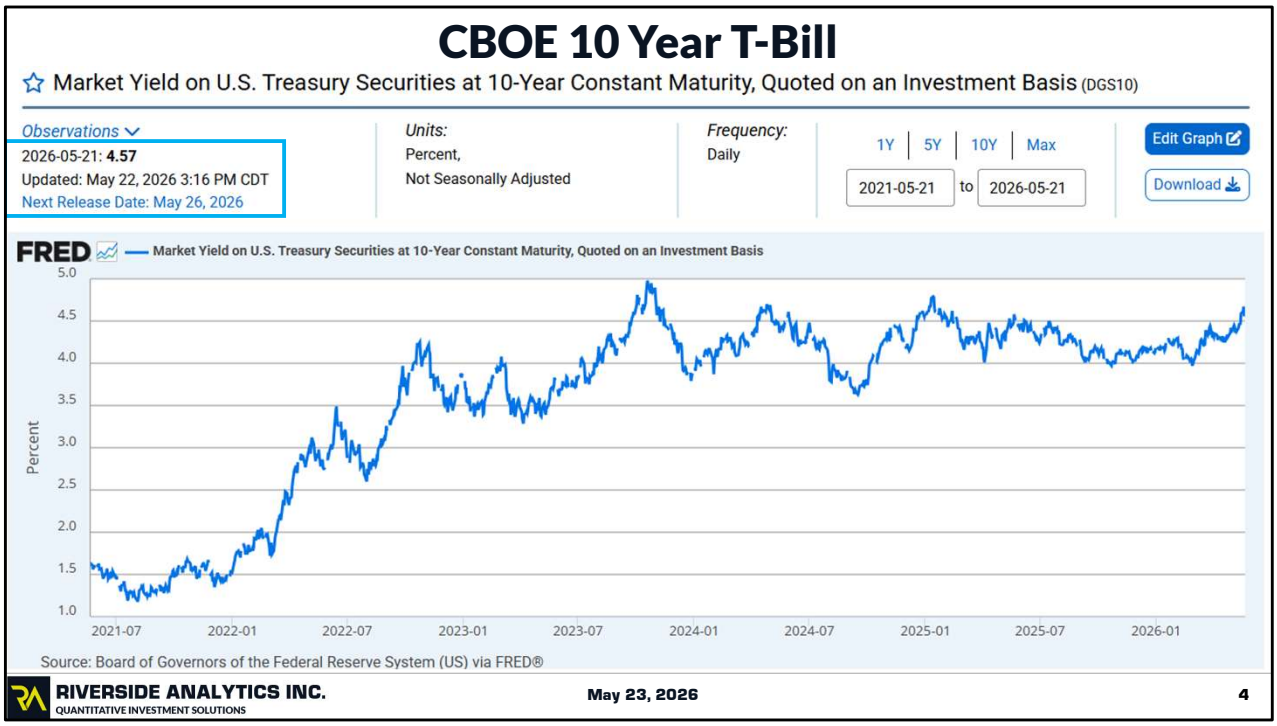
John P. Hussman, Ph.D
President, Hussman Strategic Advisors

ECONOMIC DATA

Indicator review

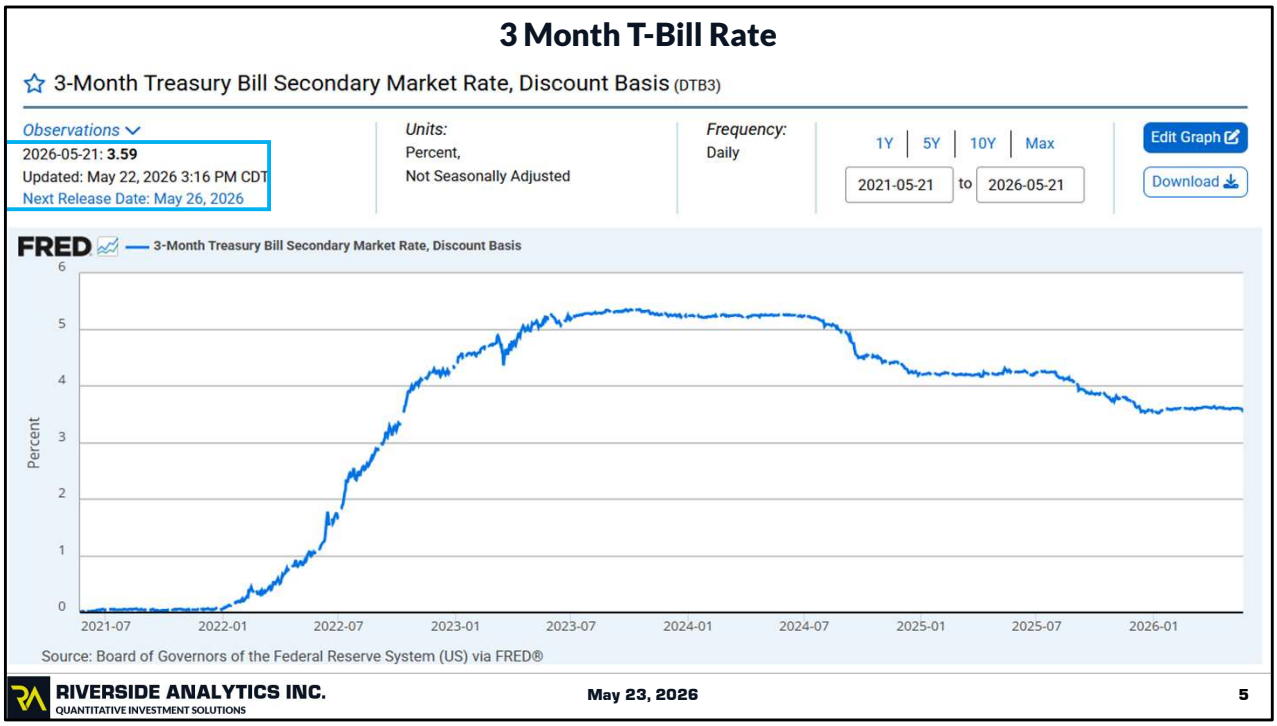
US Drives the bus, when it comes to the Canadian economy.
Canada is actively attempting to diversify trade away from US
Canadian Housing continues soft into Q2, affected by higher interest, global uncertainty
Canadian unemployment has declined
Canadian Food inflation remains high, but declined 0.5%
Canadian wage increases bumped up nicely this month
US UoM Consumer Sentiment index hit new record low
US Aluminum has slowed upward trajectory, Steel, not so much !
US and CAD energy prices up sharply due to Middle East War.
US existing home sales near normal
US home prices following normal spring increases
US Q1 GDP is positive, updated AI influence unavailable
US Un-employment rate is steady
Fedwatch tool – Rate INCREASE is likely by December

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



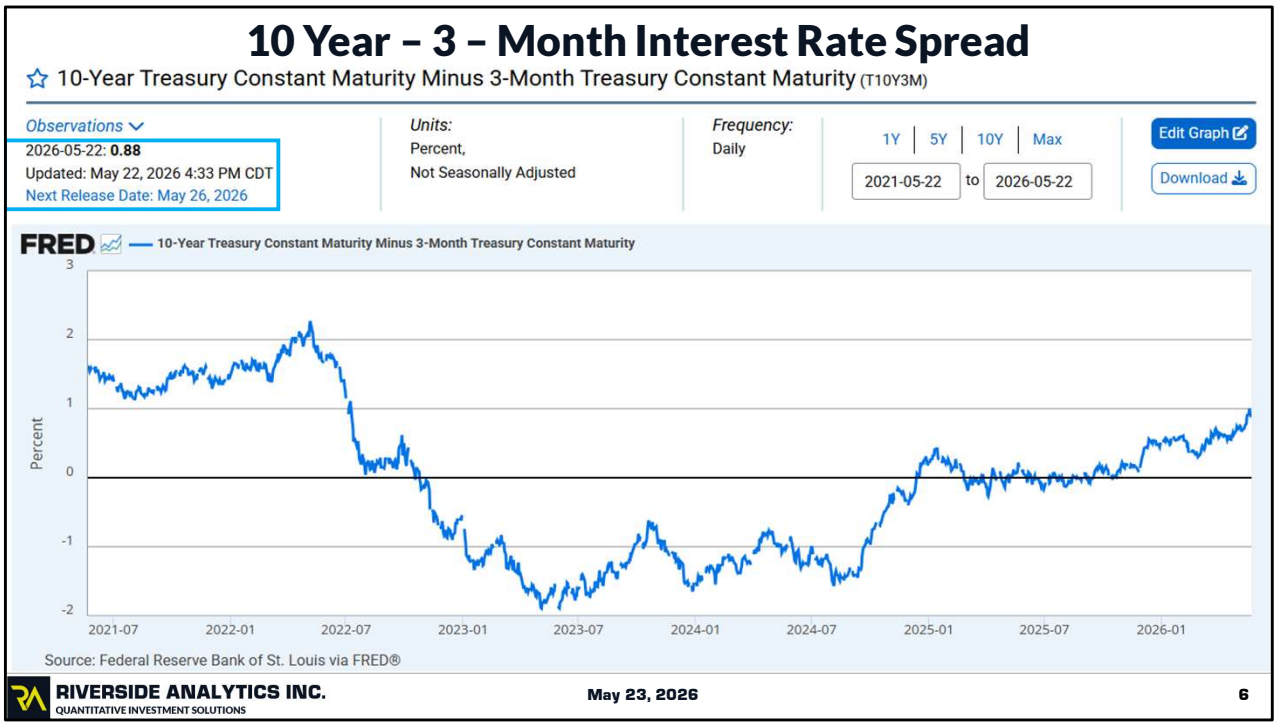
May – Last month was 4.26.

Source : Board of Governors of the Federal Reserve System (US) via FRED
https://fred.stlouisfed.org/series/DGS10



May – Last month was 3.61 – two points down does not count.

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



May - Last month was 0.56 – the spread is up 32 points.

Source : https://fred.stlouisfed.org/series/T10Y3M

10 Year – 2 – Year Interest Rate Spread



May – last month was 0.55, down 12 points this month.

Source : https://fred.stlouisfed.org/series/T10Y2Y

BoC Interest Rates
April 20

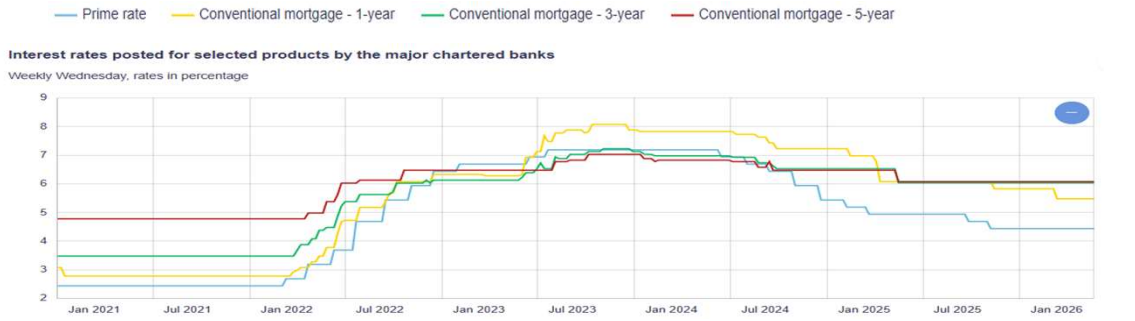


Weekly Wednesday, rates in percentage	CANSIM	2026-03-18	2026-03-25	2026-04-01	2026-04-08	2026-04-15
Prime rate[1]	V80691311	4.45	4.45	4.45	4.45	4.45
Conventional mortgage						
1-year	V80691333	5.49	5.49	5.49	5.49	5.49
3-year	V80691334	6.05	6.05	6.05	6.05	6.05
5-year	V80691335	6.09	6.09	6.09	6.09	6.09

April – Nothing changed.

CIBC has 5 year fixed – 4.84 – **Up 30 points**, Royal – 4.59 – No Change, TD - 4.94 – **Up 35 points**, and BMO - 4.84 – **Up 20 points**,
BNS 4.90 – No Change !

BoC Interest Rates
May 20



Weekly Wednesday, rates in percentage	CANSIM	2026-04-22	2026-04-29	2026-05-06	2026-05-13	2026-05-20
Prime rate[1]	V80691311	4.45	4.45	4.45	4.45	4.45
Conventional mortgage						
1-year	V80691333	5.49	5.49	5.49	5.49	5.49
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5-year	V80691335	6.09	6.09	6.09	6.09	6.09

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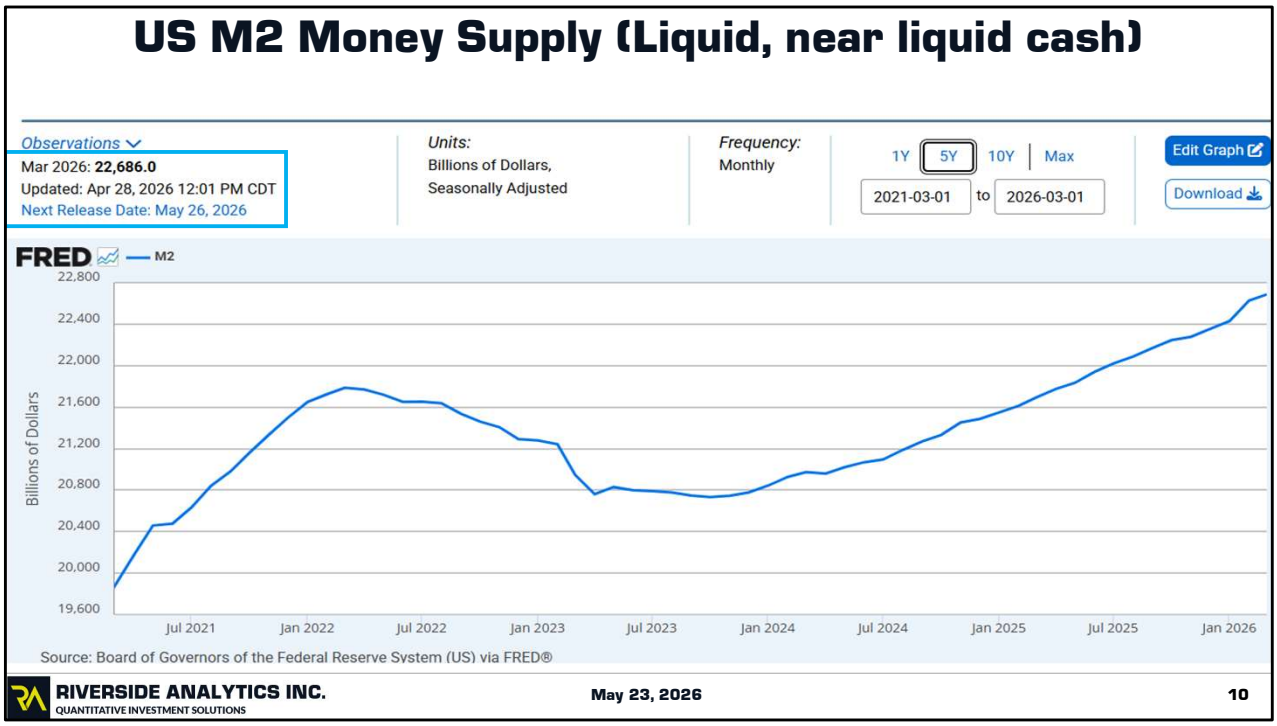
May – Another month of … Nothing changed.

CIBC has 5 year fixed – 4.84 – **No Change**, Royal – 4.69 – **Up 10 points**, TD - 4.84 – **Down 10 points**, and BMO - 4.84 – **No Change**,
BNS 4.90 – **No Change** !

Source : Bank of Canada



May – February was 22,667.2 – Up 18.7 billion this month.

– M2 tends to lead inflation by about a year, to 2 years ! There is a significant lag between cause and affect.

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.

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

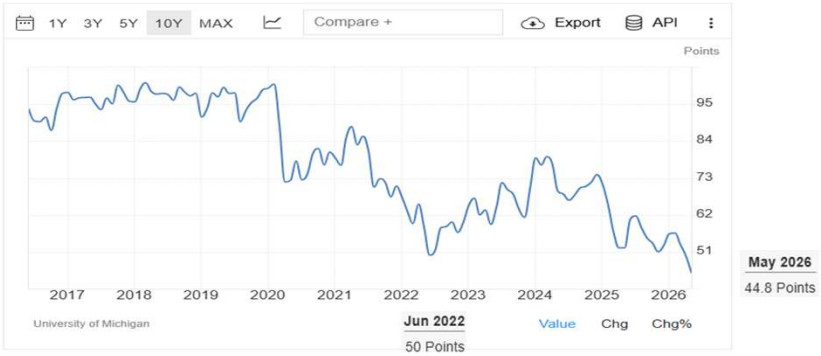
NOTE: Cash in tight in the market. There was a hiccup in the REPO market in October, and that has caused the FED to ease up on the tightening. There are two facilities that help liquidity if the market goes sideways – Standing Repo Facility (think emergency pool of cash) and Reverse Repo (think the Fed 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

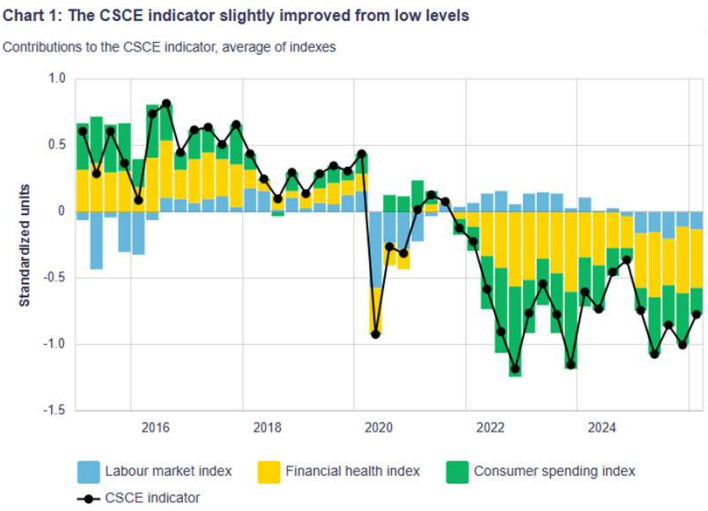
The University of Michigan's Consumer Sentiment Index plunged to a record low of 44.8 in May 2026, revised down from a preliminary 48.2 and marking the third straight monthly decline, as Strait of Hormuz supply disruptions continued to push gasoline prices higher. The cost of living remained the top concern, with 57% of consumers spontaneously citing high prices as eroding their personal finances. Lower-income consumers and those without college degrees posted the steepest declines, as these groups are more sensitive to rising gas and essentials costs. Politically, Independents and Republicans saw sentiment fall to the lowest levels of the current administration, while Democrats' sentiment showed little change. Critically, consumers grew increasingly worried that inflation would spread beyond fuel prices in the long term. Year-ahead inflation expectations edged up to 4.8% from 4.7%, while long-run expectations climbed to 3.9% from 3.5%. source: University of Michigan



May – last month was 47.6, This month's 44.8 sets a new record low.

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

BoC Consumer Sentiment – Q1 No Updates



https://www.bankofcanada.ca/2026/04/canadian-survey-of-consumer-expectations-first-quarter-of-2026/

May – This is the Q1 release in April. There will be no updates for a couple months.

"In the first quarter of 2026, before the war in the Middle East, consumers' spending plans remained muted, held back by concerns about high prices and economic uncertainty. Still, consumers became less negative about their spending plans than in the previous quarter as downward pressure from trade tensions eased.

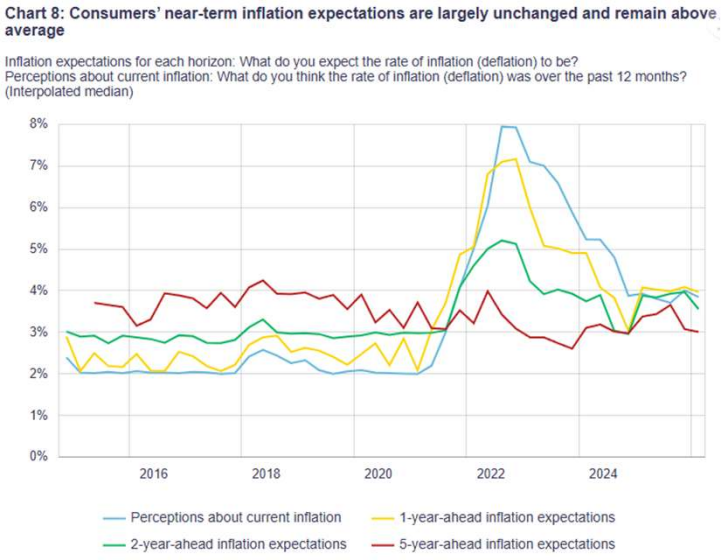
Consumers continued to view the labour market as soft, with fears of losing their job still elevated. This quarter, concerns about job losses increased among workers in sectors where artificial intelligence poses a higher risk of task replacement.

Before the war in the Middle East, near-term inflation expectations were largely unchanged and still above the survey's historical average. Expectations of strong food price inflation remain an important driver of high one-year-ahead inflation expectations. Long-term inflation expectations declined slightly from 12 months ago.

Results of a special survey conducted after the outbreak of the war in the Middle East suggest most households expect the war to weaken the Canadian economy and raise prices."

Full details are here.
https://www.bankofcanada.ca/2026/04/canadian-survey-of-consumer-expectations-first-quarter-of-2026/

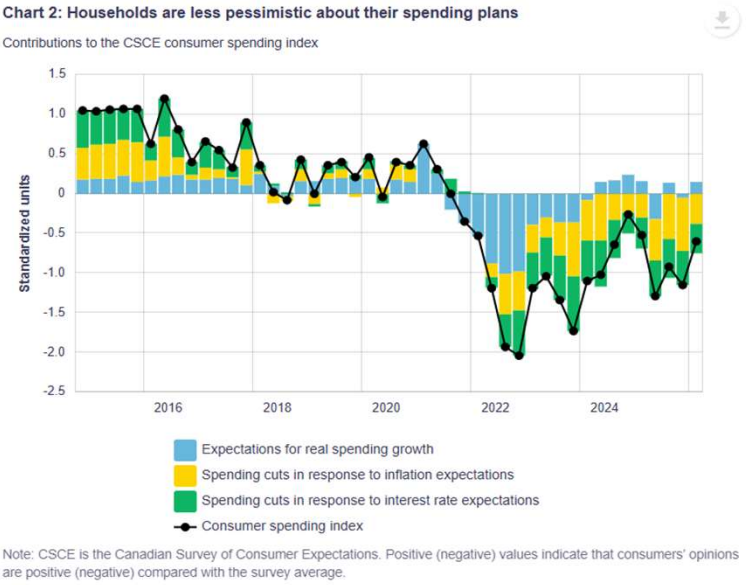
BoC Inflation Expectations – Q1 No Updates



May – This is the Q1 release in April. There will be no updates for a couple months.

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

BoC Expectations Spending Plans – cont. – Q1 No Updates



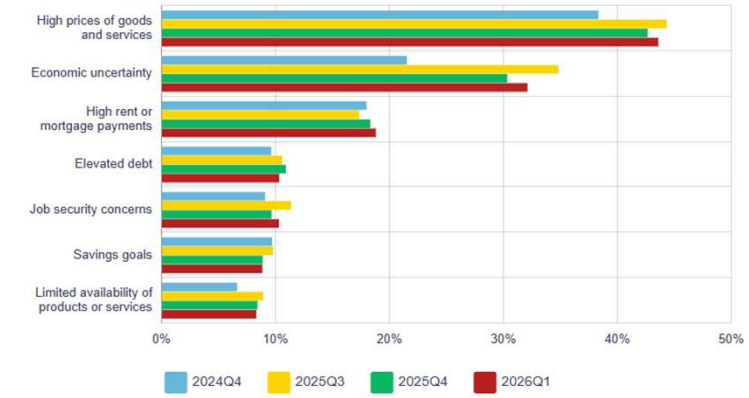
May – This is the Q1 release in April. There will be no updates for a couple months.

April - "In the first quarter of 2026, before the war in the Middle East began, consumers had become less negative about their spending plans. The improvement from the previous quarter was concentrated among workers in trade-sensitive sectors, suggesting that trade policy uncertainty is weighing less on consumers' spending plans. Regarding the impact of trade tensions on the economy, one respondent said, "I think maybe we're through the worst of it now…. It changed with the actions of the Supreme Court in the USA," referring to the US Supreme Court's decision that invalidated some US tariffs on Canada."

BoC Spending Plans – cont. – Q1 No Updates

Chart 4: Concerns about high prices and economic uncertainty continue to weigh on consumer spending plans

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)

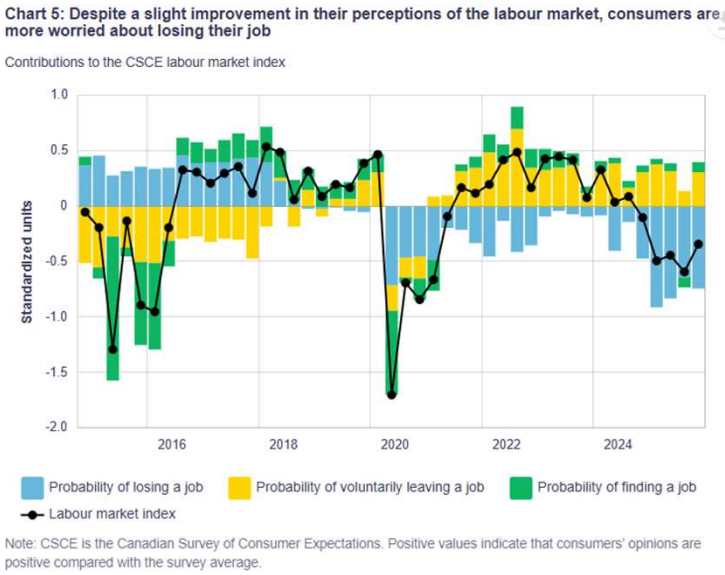


Note: Respondents could select more than one option. Results for 2024Q4 are included to compare with results from before trade tensions began.

May – This is the Q1 release in April. There will be no updates for a couple months.

April – No substantive changes here.

BoC Expectations – Job Security – cont. – Q1 No Updates

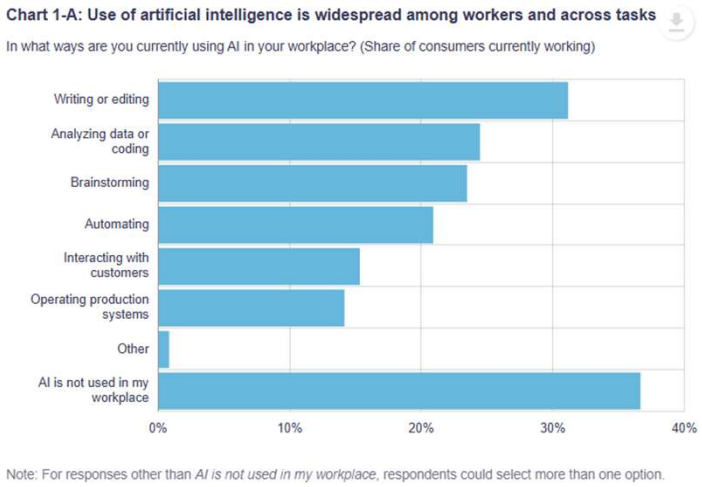


May – This is the Q1 release in April. There will be no updates for a couple months.

April - Consumers still see the labour market as soft

"The CSCE labour market index has changed little over the past 12 months and remains well below its level before the start of trade tensions. Consumers' perceived chances of voluntarily leaving a job or finding a job were nearly unchanged relative to the previous quarter. By contrast, the perceived probability of losing a job increased marginally and remains above the level recorded before the start of trade tensions. In follow-up interviews, one person noted, "There are lots and lots of lost jobs because of the fact that we cannot sell to the States, or that the market has become prohibitive.""

BoC Expectations – Report Addendum – Q1 No Updates



May – This is the Q1 release in April. There will be no updates for a couple months.

April – This is an addendum to the usual report.

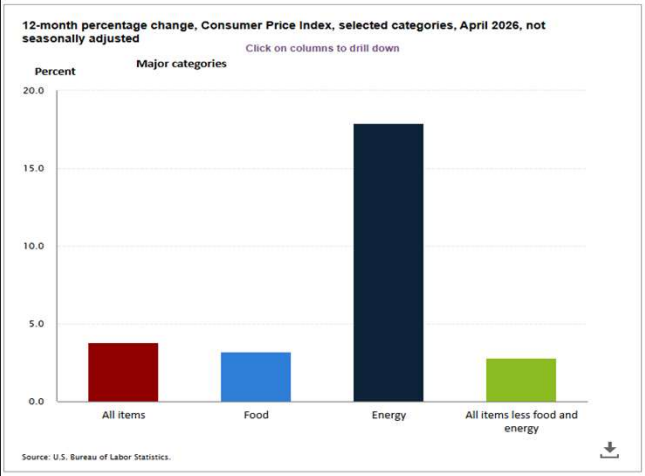
"Workers are mainly using AI for tasks that improve their individual productivity, such as writing, planning and data analysis. Fewer consumers reported AI being used in core business processes, where AI tools are embedded in activities like automating workflows. In follow-up interviews, one person noted, "I think it can help and take care of mundane tasks that you don't need to think about."

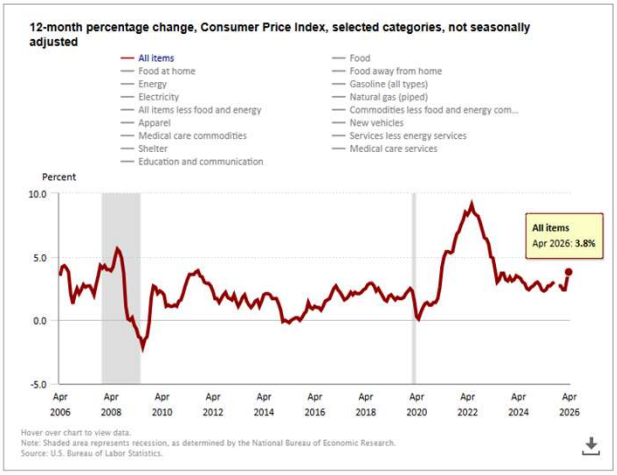
As a result, early gains from AI adoption could partly reflect improvements in worker efficiency. Broader firm-level productivity gains may take longer to materialize until AI becomes more fully integrated into production processes and operations. As one respondent explained, "Right now, it's the beginning of AI…. It is used as an aid, not as a replacement."

Although AI is being used for a range of workplace tasks, few workers assign a greater than 50% chance that AI will significantly affect their work over the next year. Among workers who are more convinced AI will affect their work, those who already use AI in their jobs are more likely to expect AI to improve their productivity over the next year. These workers

also report stronger expectations for wage growth than those who do not use AI at work. However, all workers—those who do and don't use AI at work—expect a modest negative net impact on their employment prospects and to work fewer hours."

US Inflation Rate





All items : 3.8% + 0.5
Food : 2.4 + 0.8
Energy : 17.9 + 5.4
All items less food and energy : 2.8 % + 0.2

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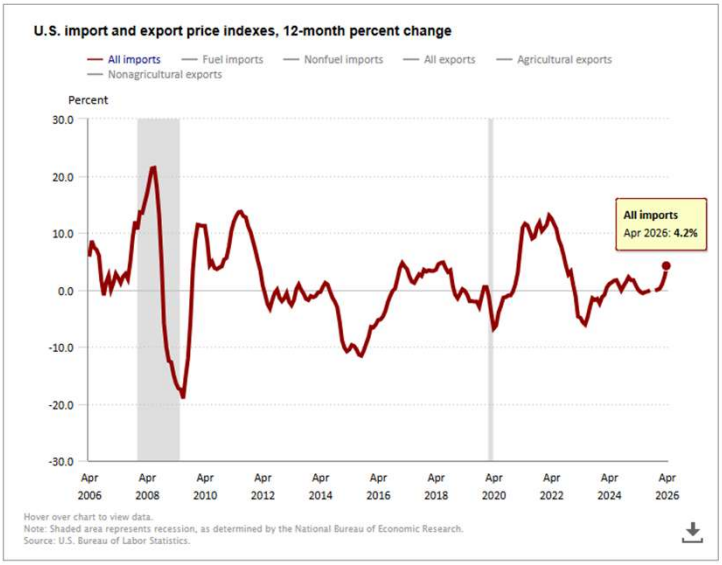
May – gasoline and food prices are having a significant impact on US consumers.

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

Right Chart is here
https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm

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



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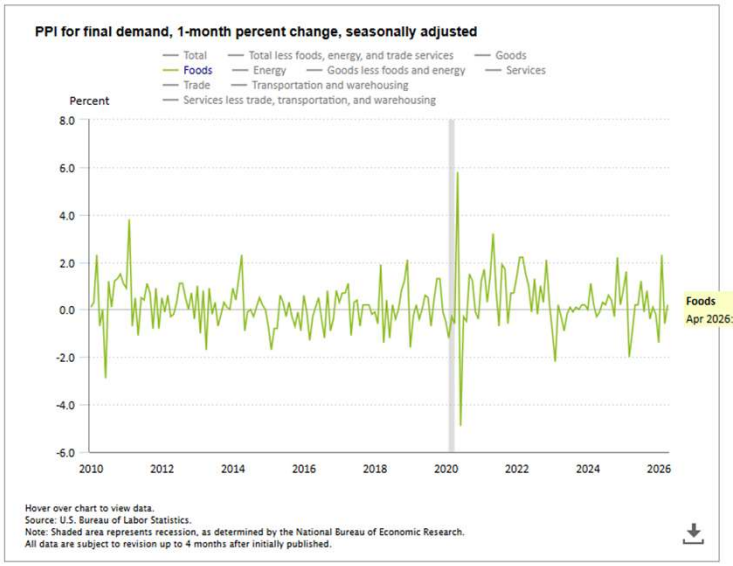
May 23, 2026

May – Last month was 2.1

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/

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



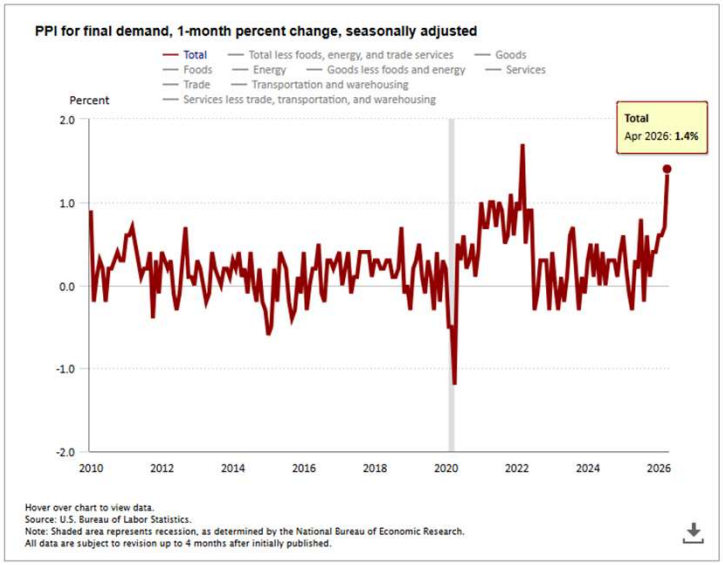
May – Last month was -0.3 %

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



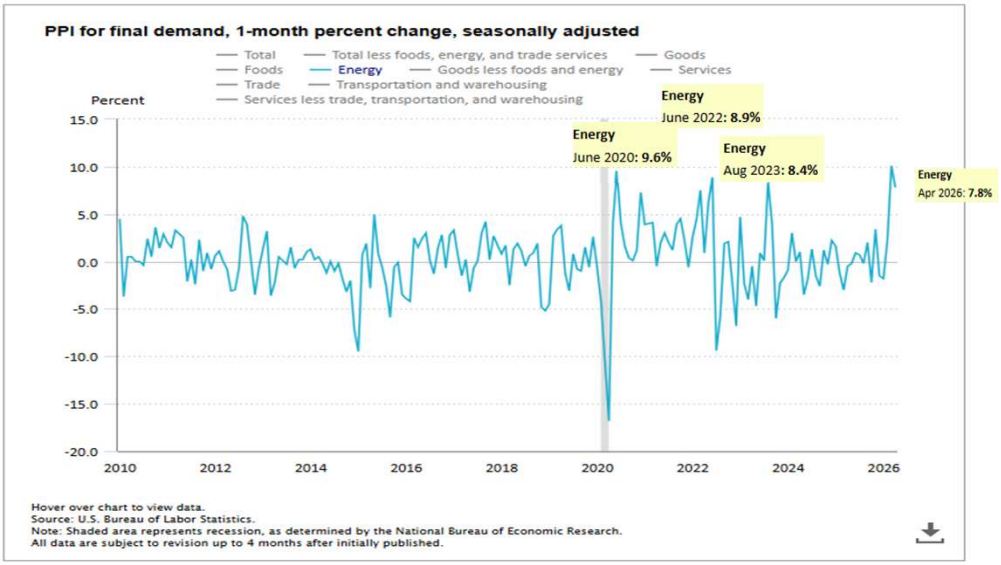
May – Last month was 0.5%. This tends to foreshadow price increases coming down the pipe.

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



May – Last month was 8.5%,

The august 2023 was heat wave, and in particular Texas had some outsized price increases, combined with strong air travel , and increased demand for oil in China.

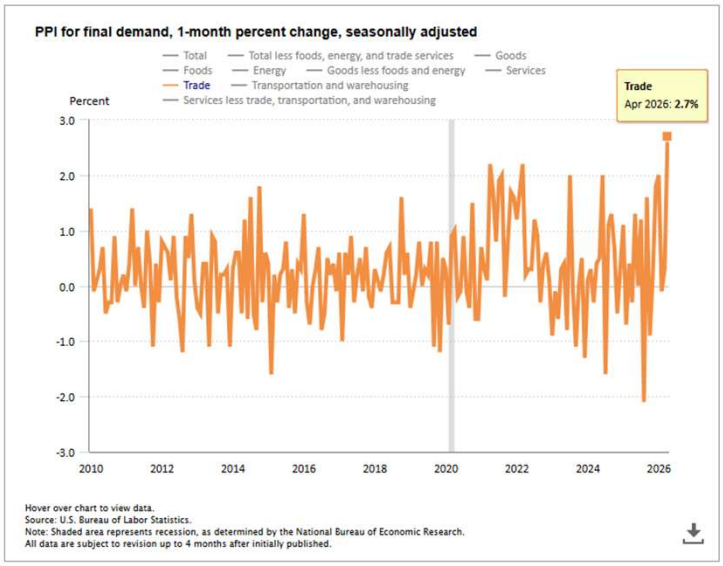
June 2022 was the Russian invasion of Ukraine

June 2020 – knock on affects of Covid caused some whiplash in the energy demand, causing some shortages due supply issues.

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

Producer Price Index – Trade

1-month percent change, seasonally adjusted

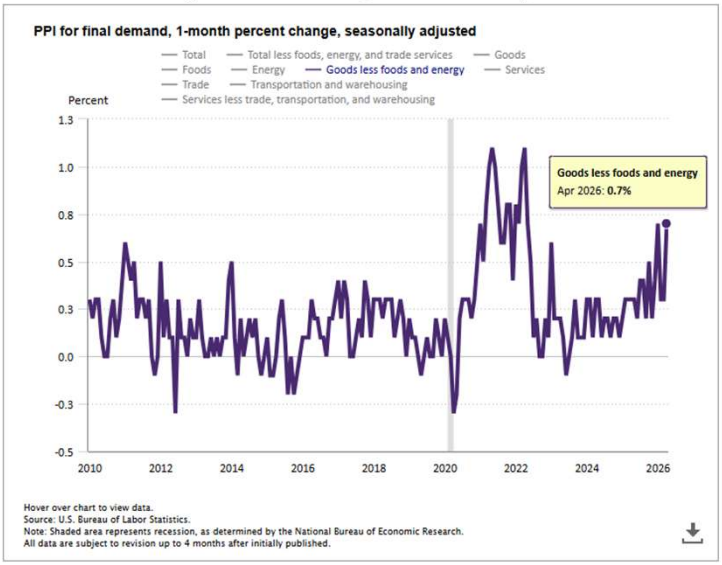


May – trade remains volatile !

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

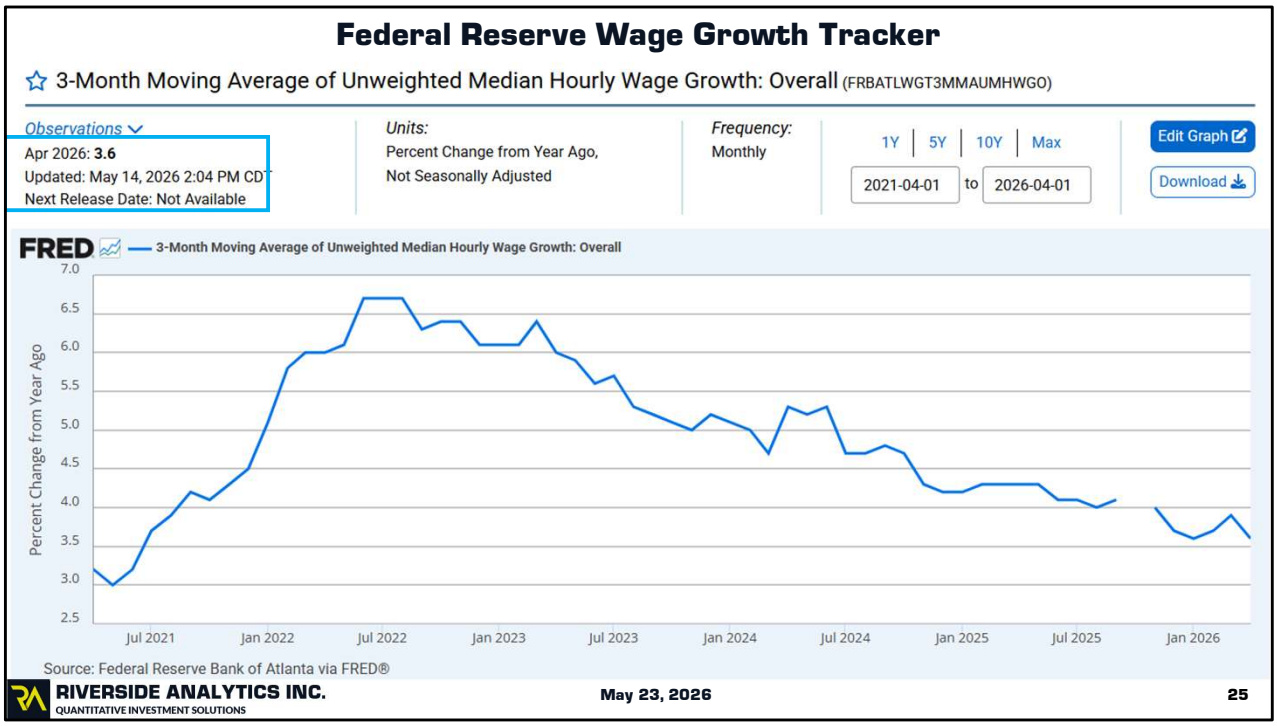
Producer Price Index – Goods less foods and energy

1-month percent change, seasonally adjusted



May – Last month was 0.2% - Food and energy are usually the trouble makers !

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

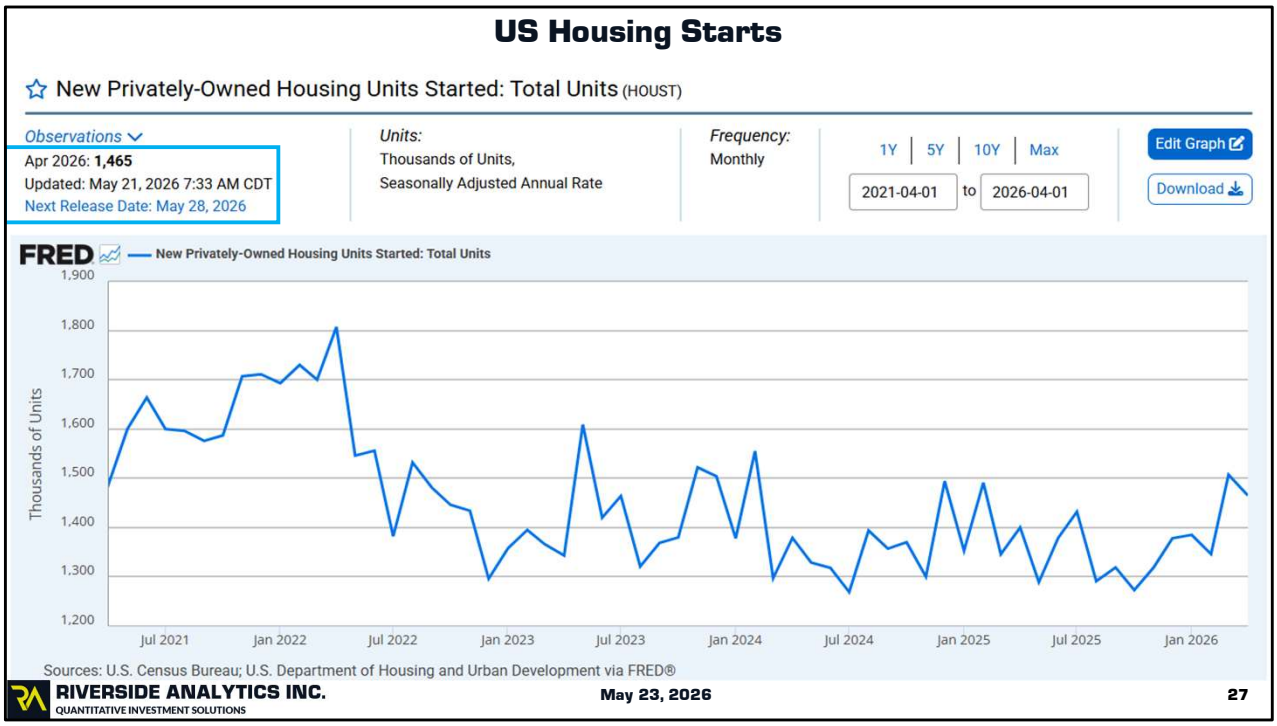


May – Last month was 3.9

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

Leading Indicators

Housing Starts
Manufactures New Orders
Commodity Prices
Average Hours Worked

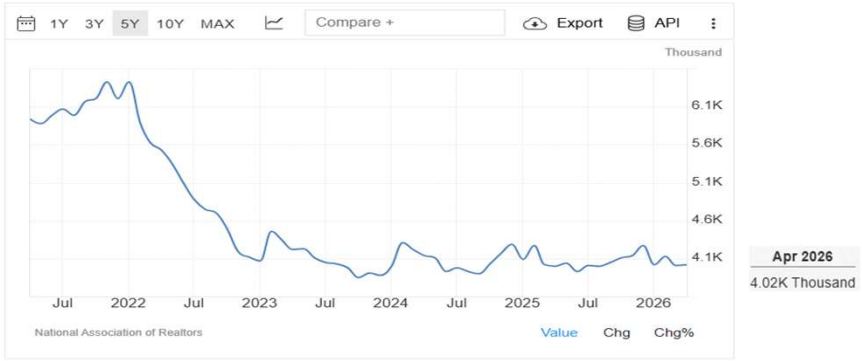


May – There was no update last month. January was 1,487

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

US Existing Home Sales

Existing home sales in the United States inched higher by 0.2% from the seven-month low in the previous month to an annualized rate of 4.02 million units in April of 2026. The result was slightly below expectations 4.05 million units sold, pressured by higher mortgage rates after the surge in energy prices drove long-term Treasury yields to increase. Sales fell sharply in the West (-2.6% to 750 thousand), offsetting an increase in the Midwest (2.2% to 950 thousand). Inventory grew by 5.8% to 1.47 million, equivalent to 4.4 months of supply. Still, the NAR saw the result as optimistic. "Despite mixed macroeconomic signals—including a record-high stock market and historically low consumer confidence —home sales were modestly boosted by the continued improvement in housing affordability," said NAR Chief Economist Dr. Lawrence Yun. "Mortgage rates are lower from a year ago, and average income growth is outpacing home price gains.". source: National Association of Realtors



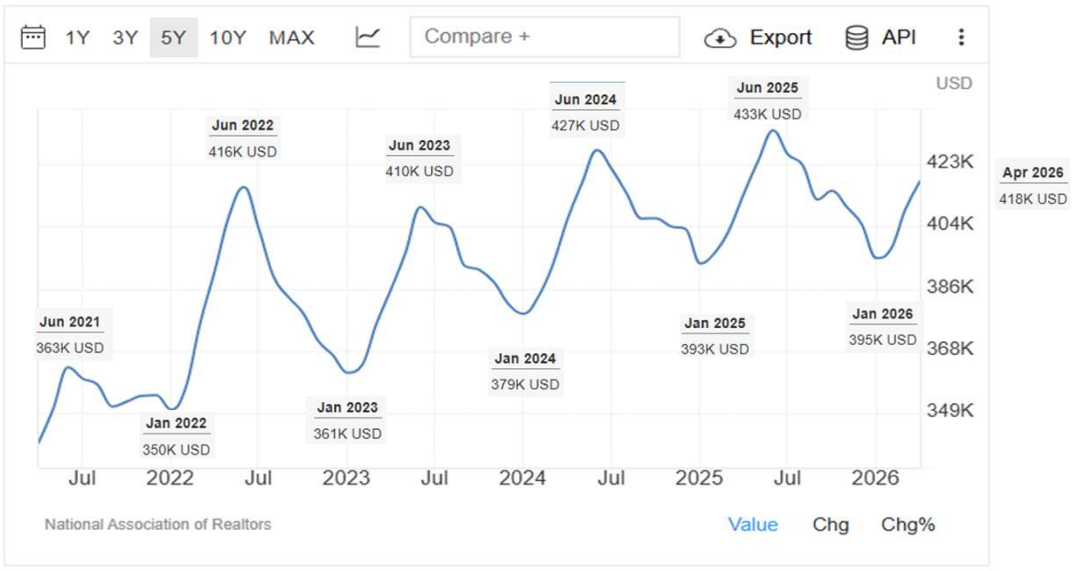
May – last month was 3.98m

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

Source : https://tradingeconomics.com/united-states/existing-home-sales

US Existing Home Sales Prices

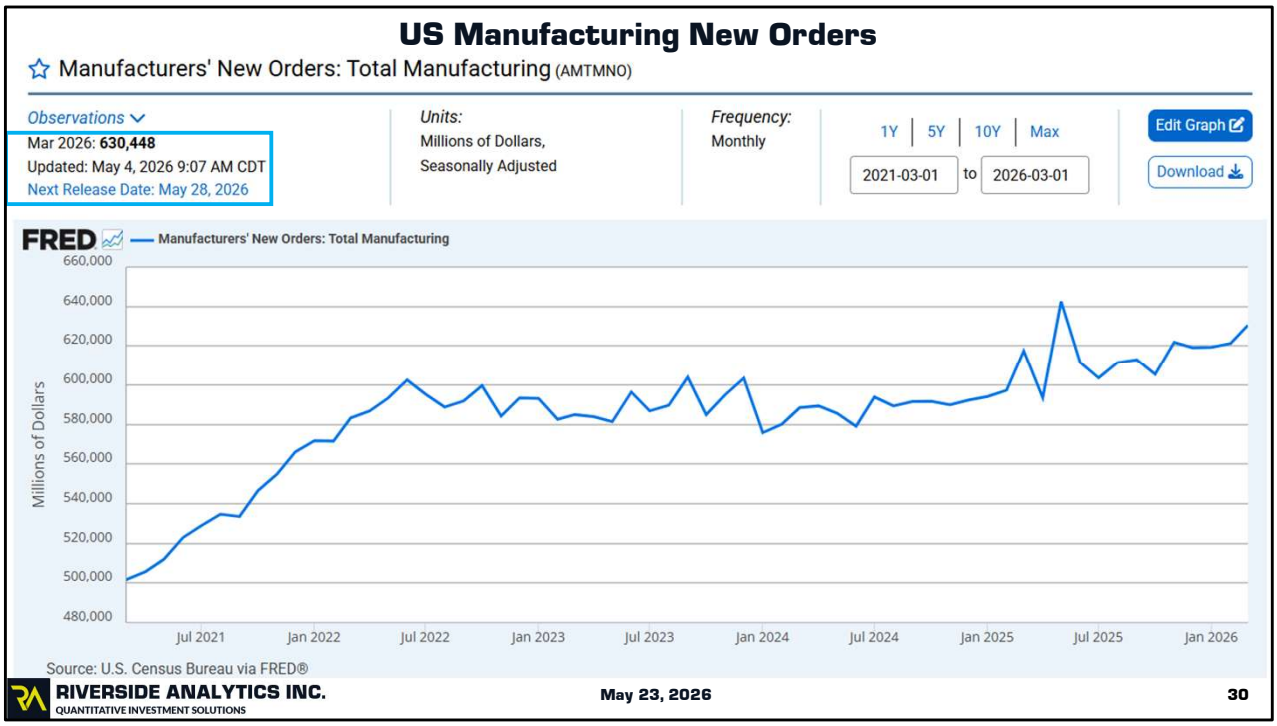


May – Usual pattern is being followed

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/

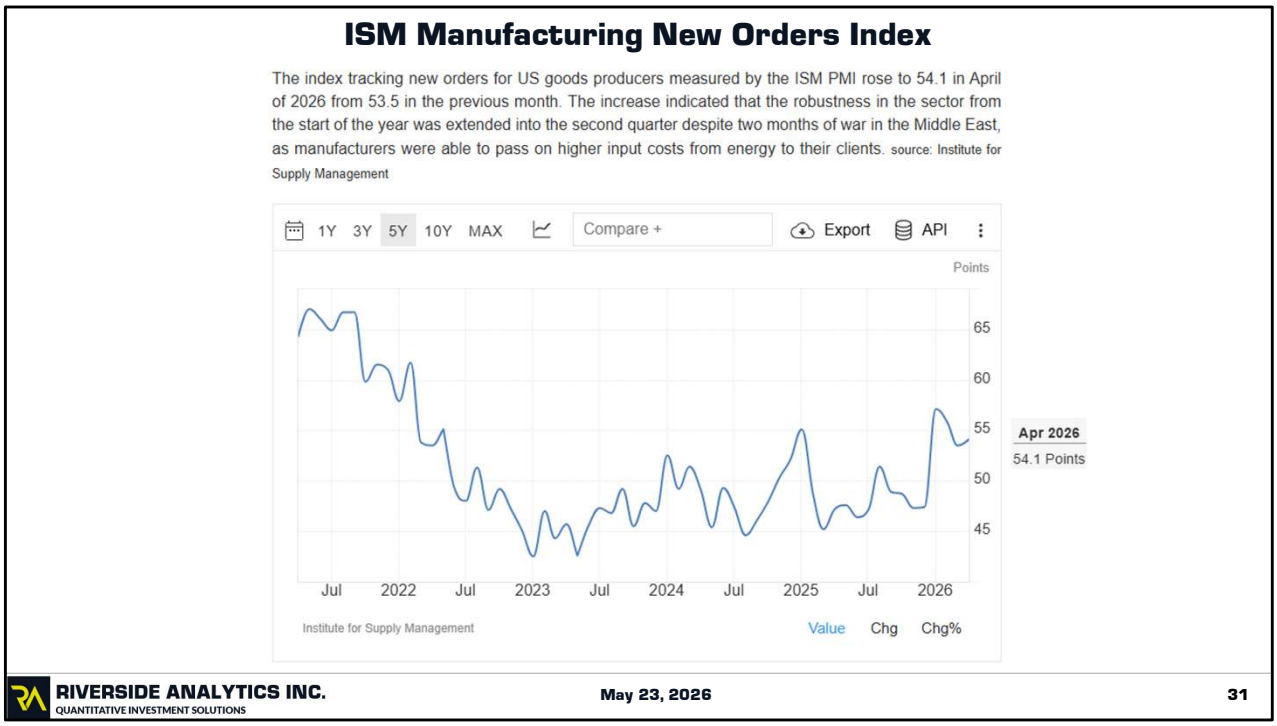
“Home prices generally rise over time, but they do fluctuate in the short-term. For example, seasonality plays a role: Prices will typically rise in spring, peak around June, then steadily drop during the fall and hit a low point mid-winter before the cycle starts again. In addition, prices can very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



May – Last month was 619,607

April – January was 620,052 – holding its own. It will be another month or two before the Iran war shows fully up in the data. Impacts will depend on how much inventory of raw material feed stock any given industry has, and how long that lasts before it affects production.

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

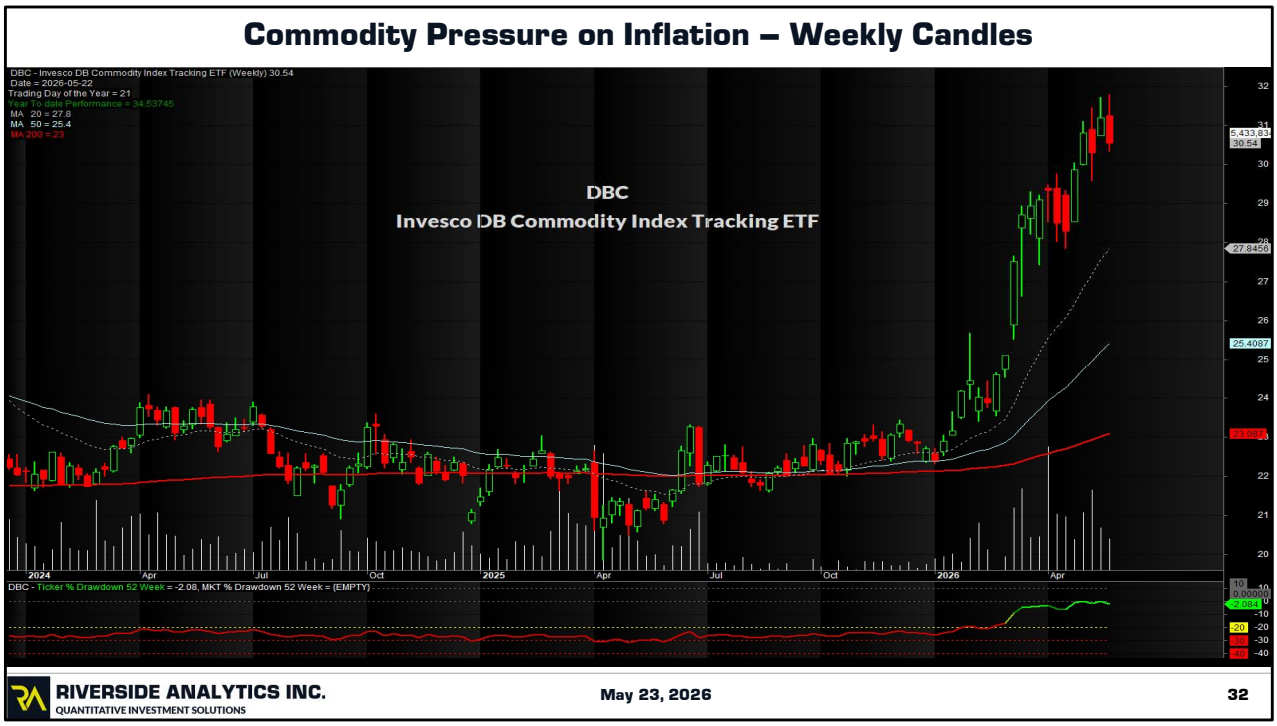


May – Last month was 53.5

“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)

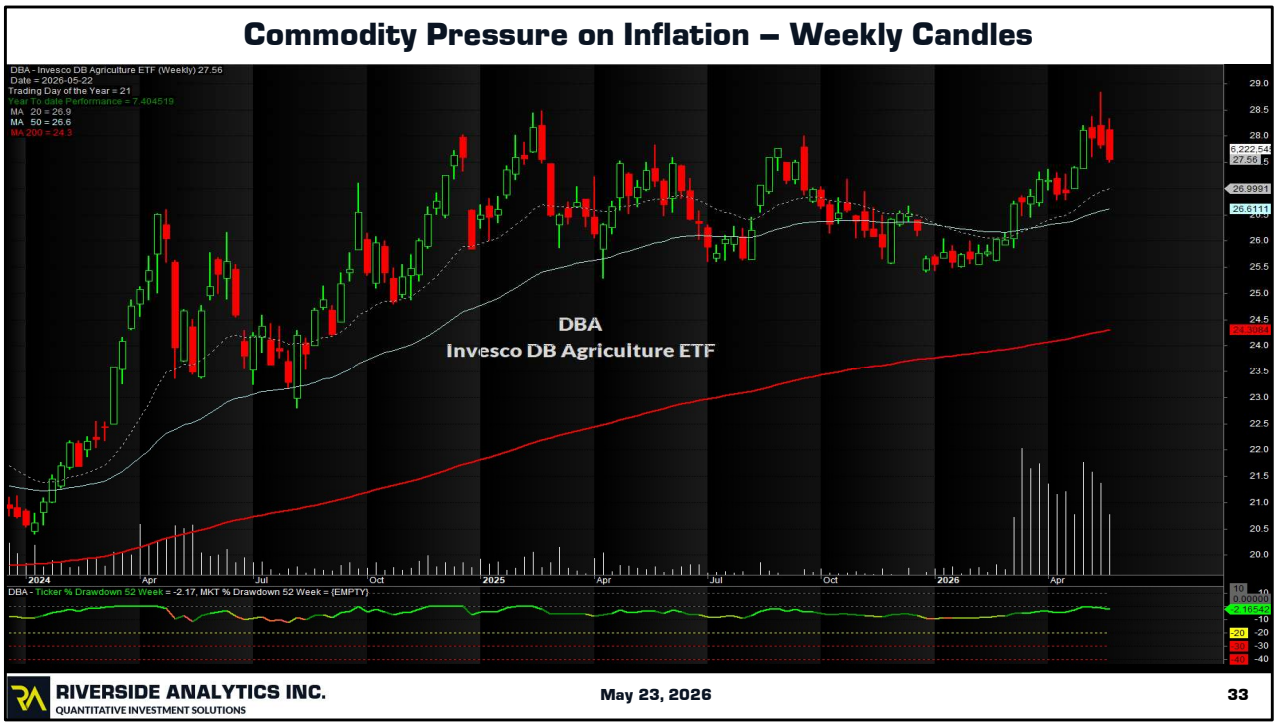
Chart Source : Trading Economics
https://tradingeconomics.com/united-states/ism-manufacturing-new-orders



May – carbon based energy is showing its influence over the past month !

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.

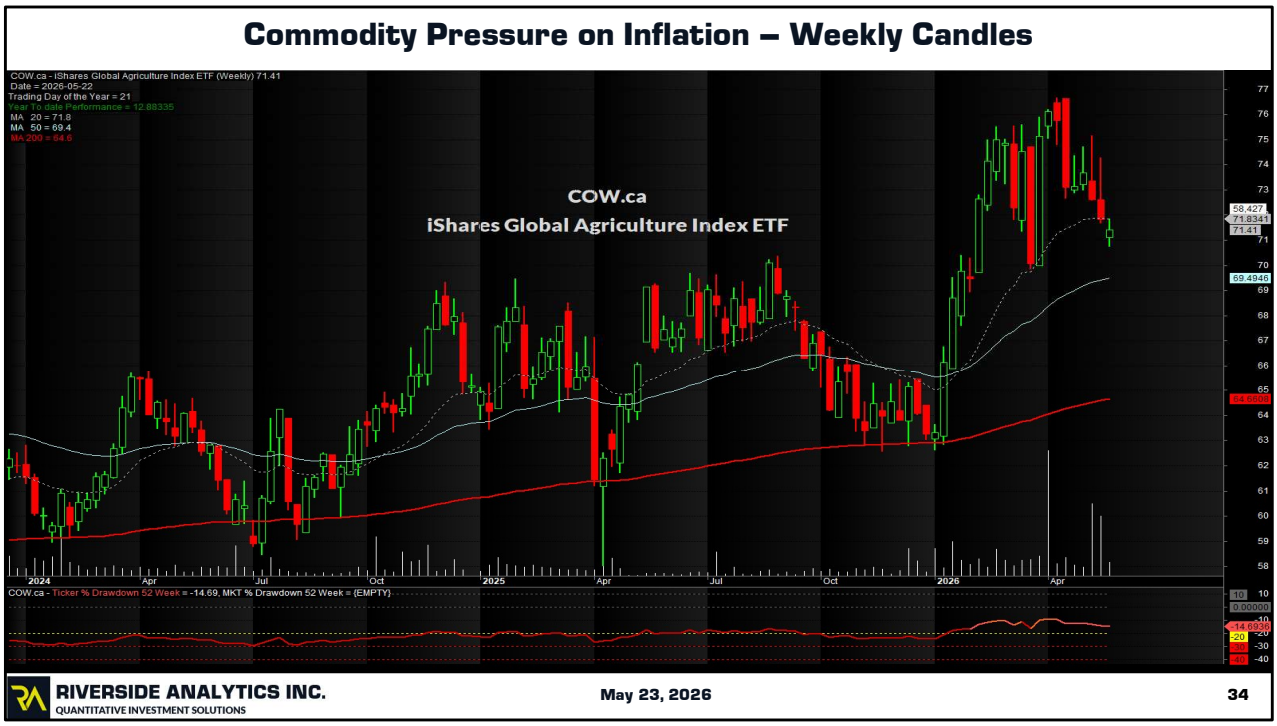
Source : Amibroker



May – A little conflict in the Middle East, and trade volume and price climbs. That is about the same price level as spring of 2025.

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.

Source : Amibroker



May – The range of the new higher trading channel is being tested.

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 !

Source : Amibroker

Hot Rolled Steel – 5 Year

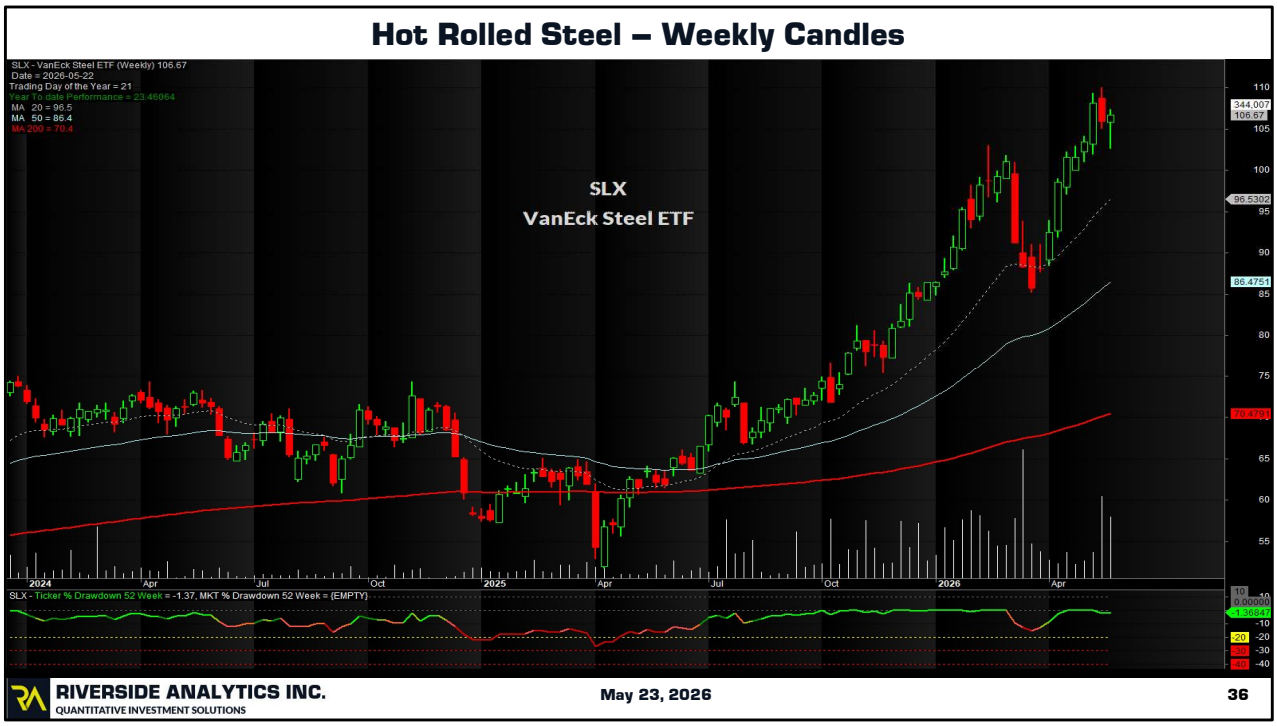
HRC Steel rose to 1,161 USD/T on May 22, 2026, up 1.31% from the previous day. Over the past month, HRC Steel's price has risen 4.69%, and is up 41.59% compared to the same time last year, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.



May – Last month was 1110.1

This is not going to help with affordability of vehicles, appliances, construction equipment, machinery… That said, the market has been here before in spring 2024, 2023, 2022. Spring spikes are not unusual !

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



May – inflation is alive and well in the steel industry.

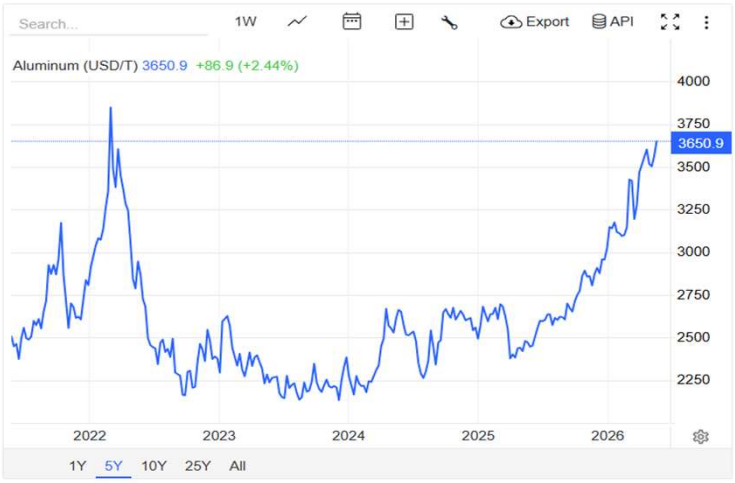
Automotive companies use long term fixed price steel contracts.

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 !

Source : Amibroker

Aluminum – 5 Year

Aluminum rose to 3,650.90 USD/T on May 22, 2026, up 0.35% from the previous day. Over the past month, Aluminum's price has risen 0.87%, and is up 47.67% compared to the same time last year, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.



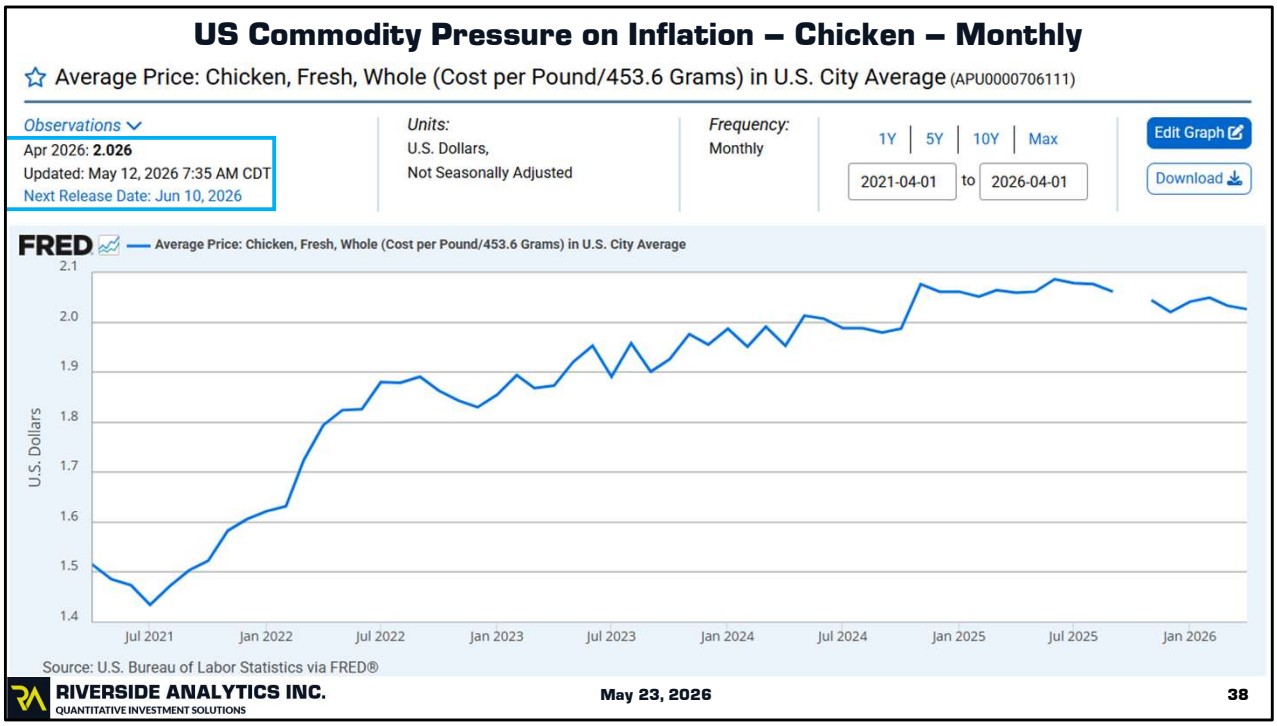
May – last month was 3629.0 –

The US imports about 80% of the aluminum it consumes !

“Some of the many uses for aluminum are in transportation (automobiles, airplanes, trucks, railcars, marine vessels, etc.), packaging (cans, foil, etc.), construction (windows, doors, siding, etc), consumer durables (appliances, cooking utensils, etc.), electrical transmission lines, machinery, and many other applications.” (USGS)

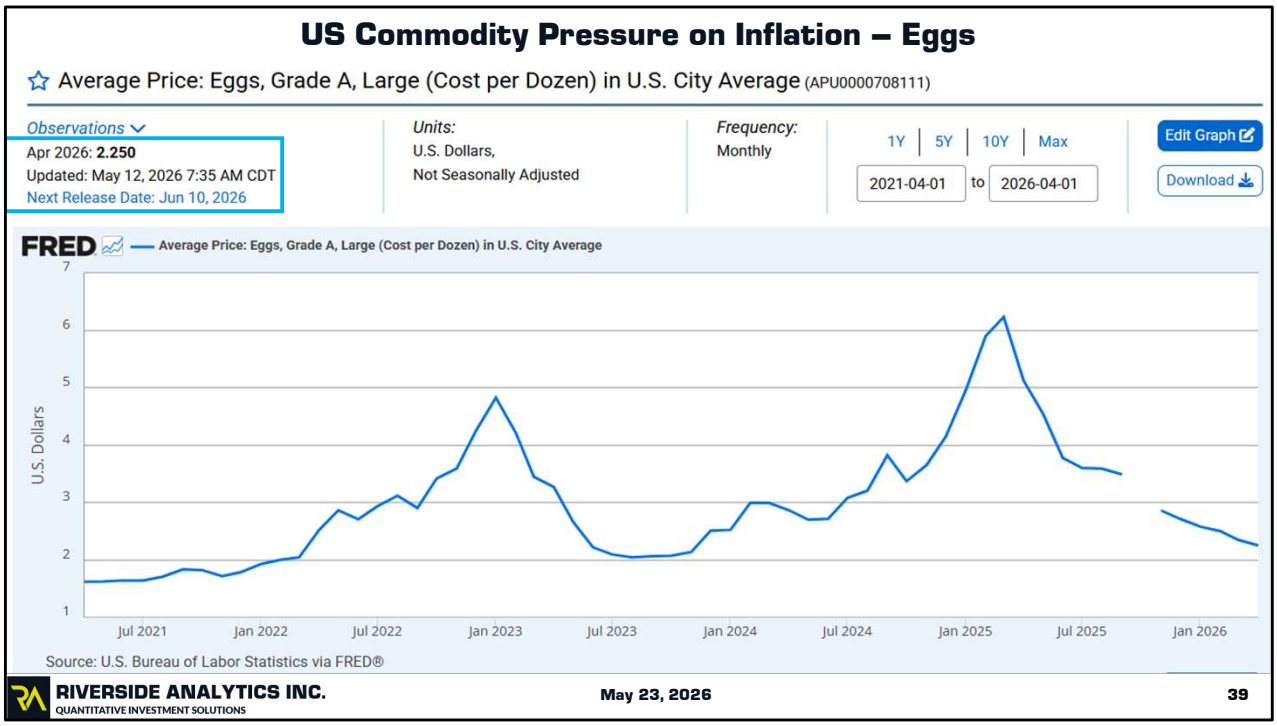
I switched this to the 5 year to give some longer term context.

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



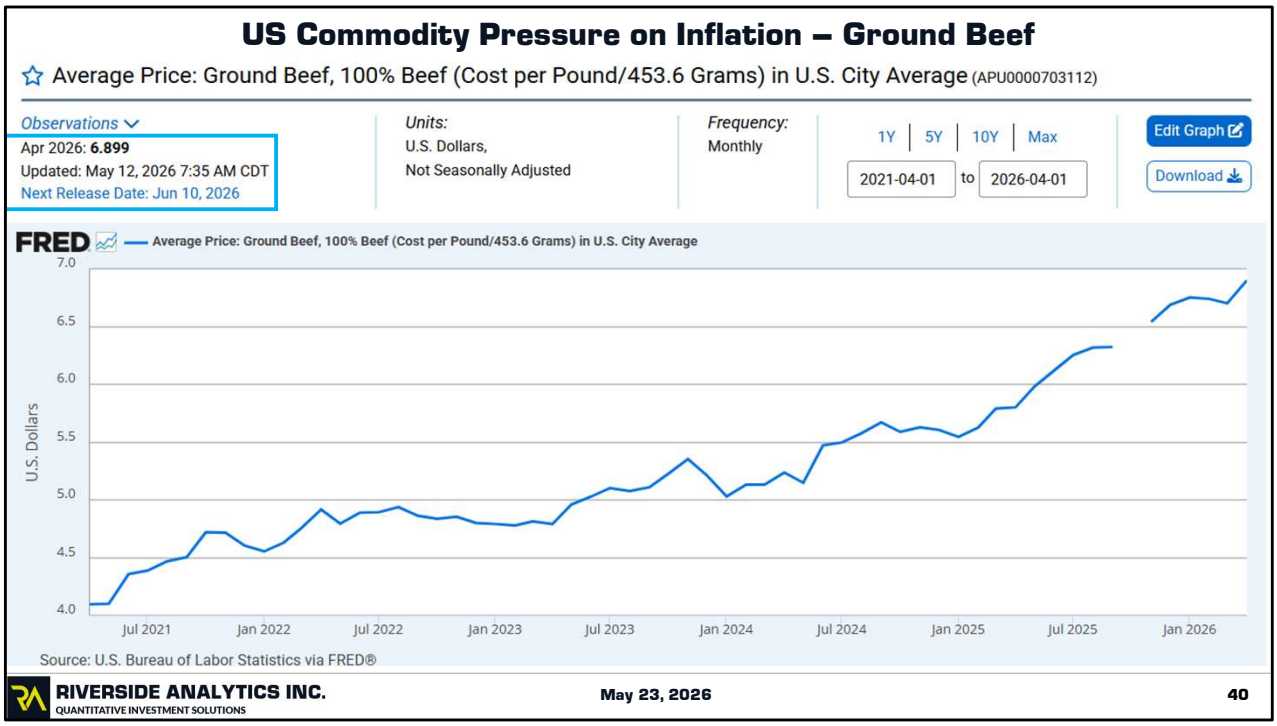
May – last month was 2.033

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



May – last month was 2.348

Source : https://fred.stlouisfed.org/series/APU0000708111

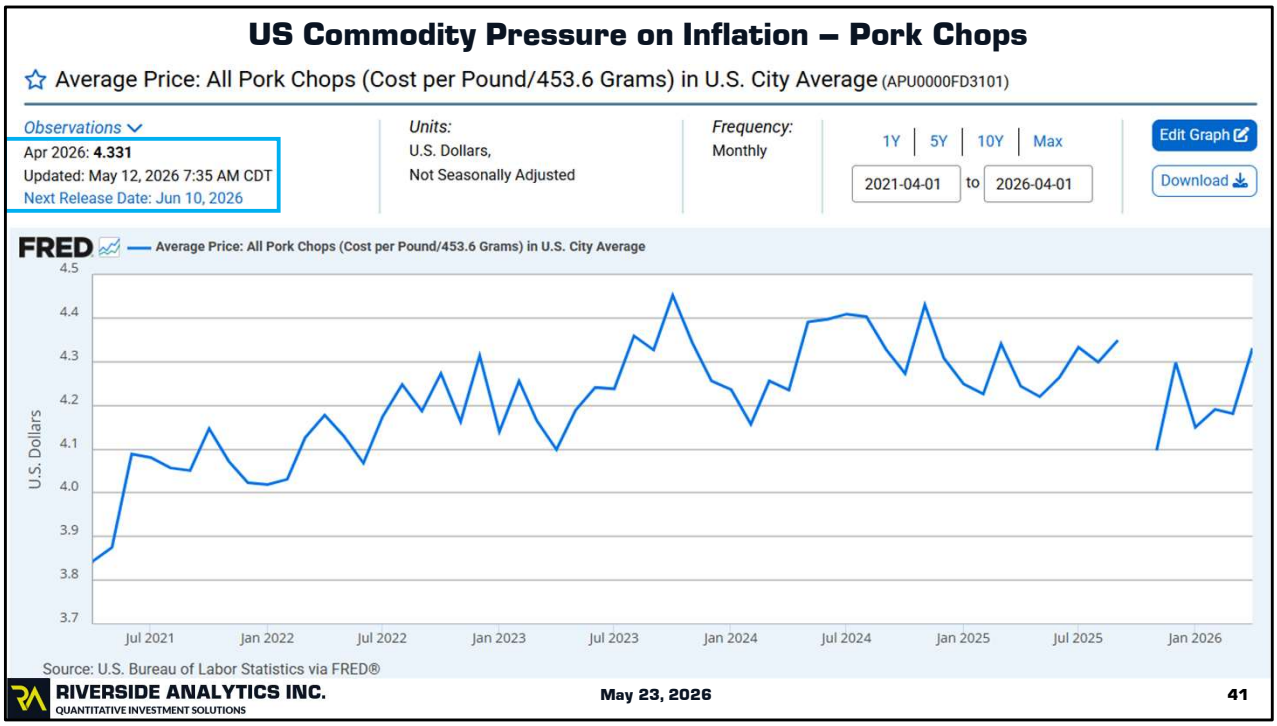


May – Last month was 6.701

In Canada, the price of beef is up 62.6 percent since 2021, and up 12.5% Y/Y this year !

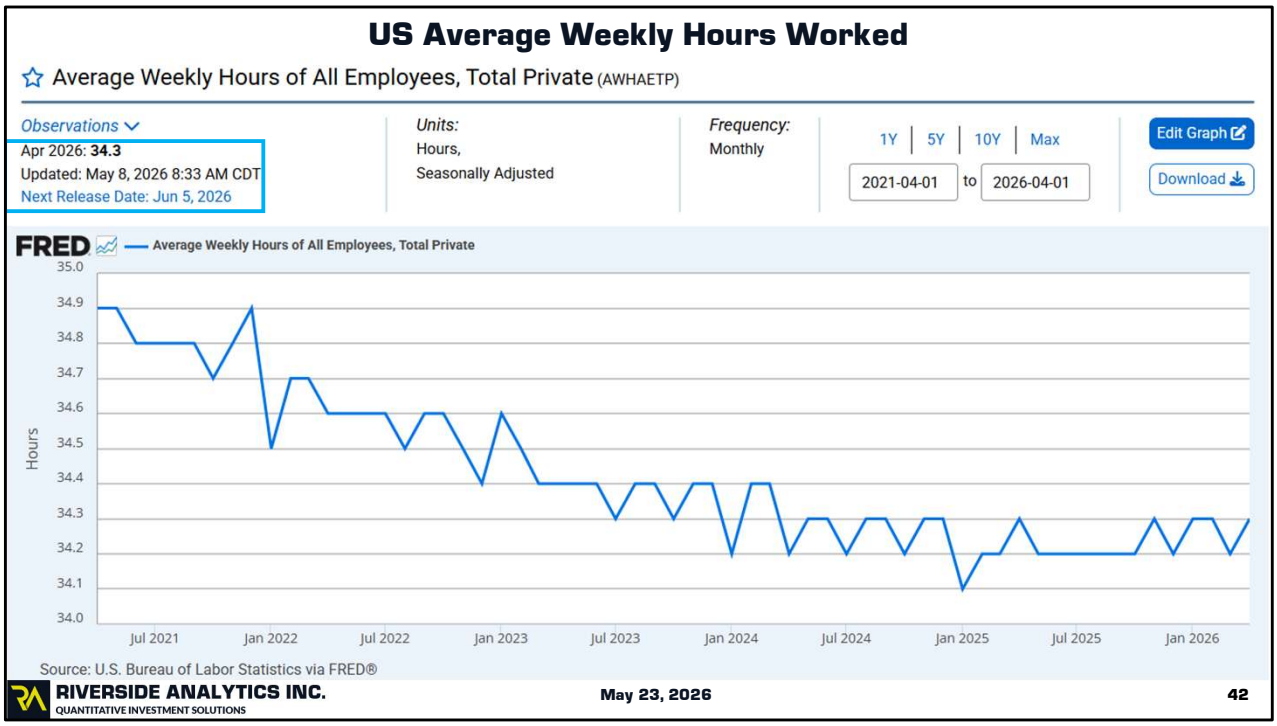
Restaurants have noticed much smaller drinking portions of bills as consumers still want to eat out, but need to save some money somewhere. Drinks are where restaurants make margin.

Source : https://fred.stlouisfed.org/series/APU0000703112



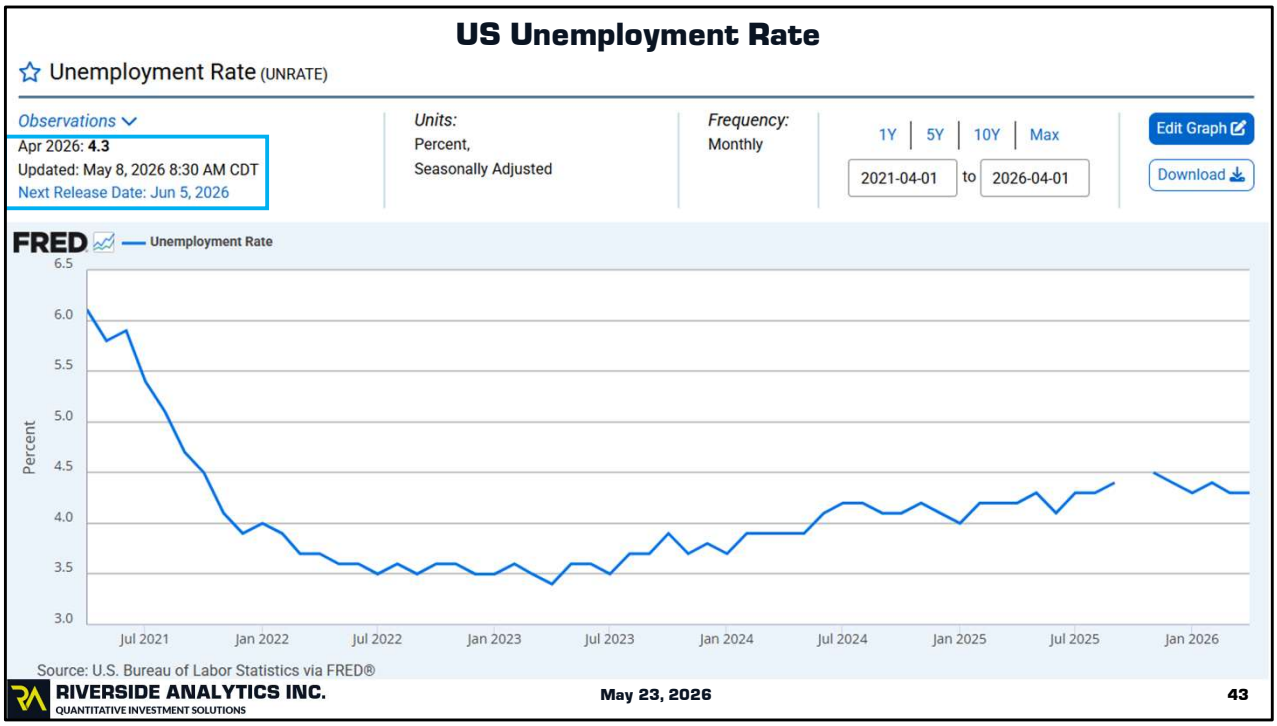
May – last month was 4.331

Source : https://fred.stlouisfed.org/series/APU0000FD3101



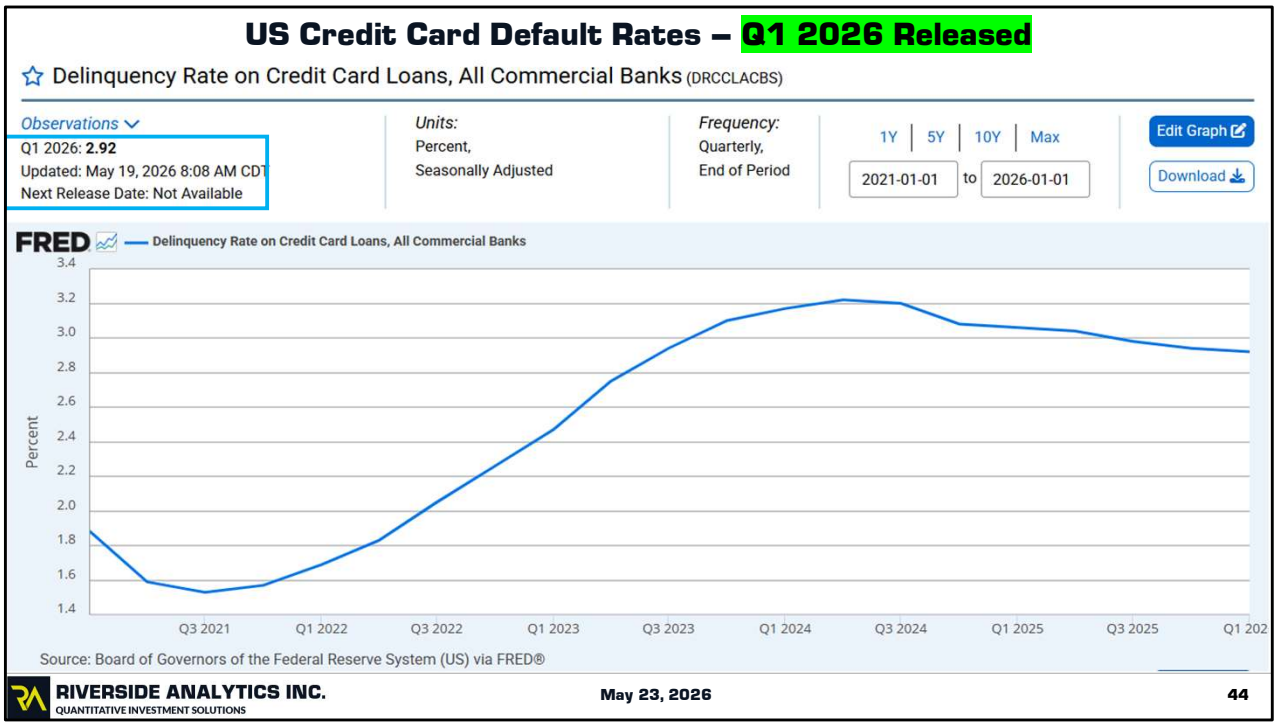
May – Last month was 34.2

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



May – Last month was 4.3 – No change !

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

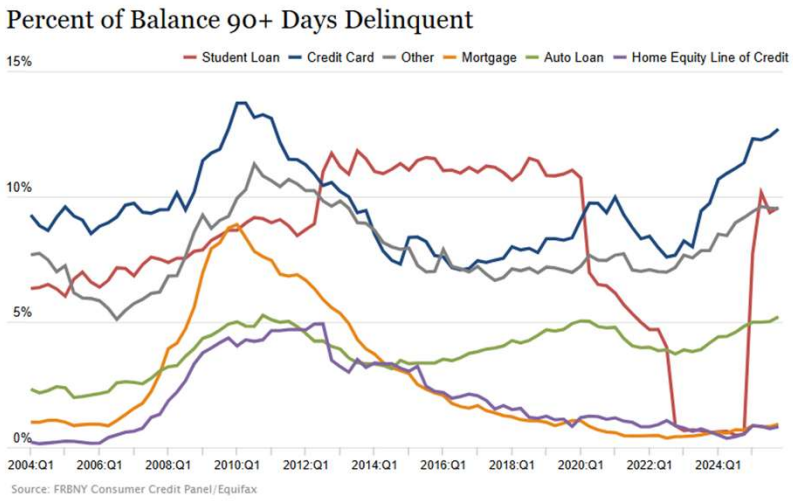


May – Q1 2026 data released. Q4 20205 was 2.94

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 Updates



Aggregate delinquency rates worsened in the fourth quarter of 2025. As of the end of December, 4.8% of outstanding debt was in some stage of delinquency, 0.3 percentage points higher than 2025Q3. Transition into early delinquency ticked up for mortgages, but held mostly steady for autos, credit cards, and HELOCs.

May – **No Updates**

Summary – Balances are growing, Mortgage Delinquencies are growing, but near normal levels, none household Delinquencies are level.
Student loans is the outlier in part due to a technicality. Approximately 1 million of them were transferred to US Department of Education's Default Resolution Group. All were more than 120 days past due. **Outstanding student loans stand at 1.7 Trillion.**

As of the end of December, 4.8% of outstanding debt was in some stage of delinquency, 0.3 percentage points higher than 2025Q3. Transition into early delinquency ticked up slightly for mortgages and more significantly for student loans, but held mostly steady for autos, credit cards, and HELOCs.

Of you really want to get into the weeds with details >>
https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2025Q4

November – Federal Reserve Bank of New York.

https://www.newyorkfed.org/microeconomics/hhdc.html

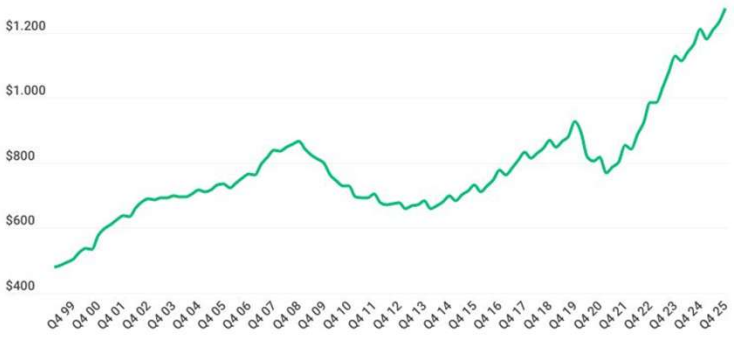
Another way to look at the credit card delinquency rate. About 47% of cardholders carry a month to month balance. If 11 percent of those are in trouble, this infers about 23 percent of those carrying a balance, are in serious trouble.

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

US Credit Card Outstanding Balances – No Updates

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%

RIVERSIDE ANALYTICS INC.
QUANTITATIVE INVESTMENT SOLUTIONS

May 23, 2026

46

May – **No Updates** - 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.

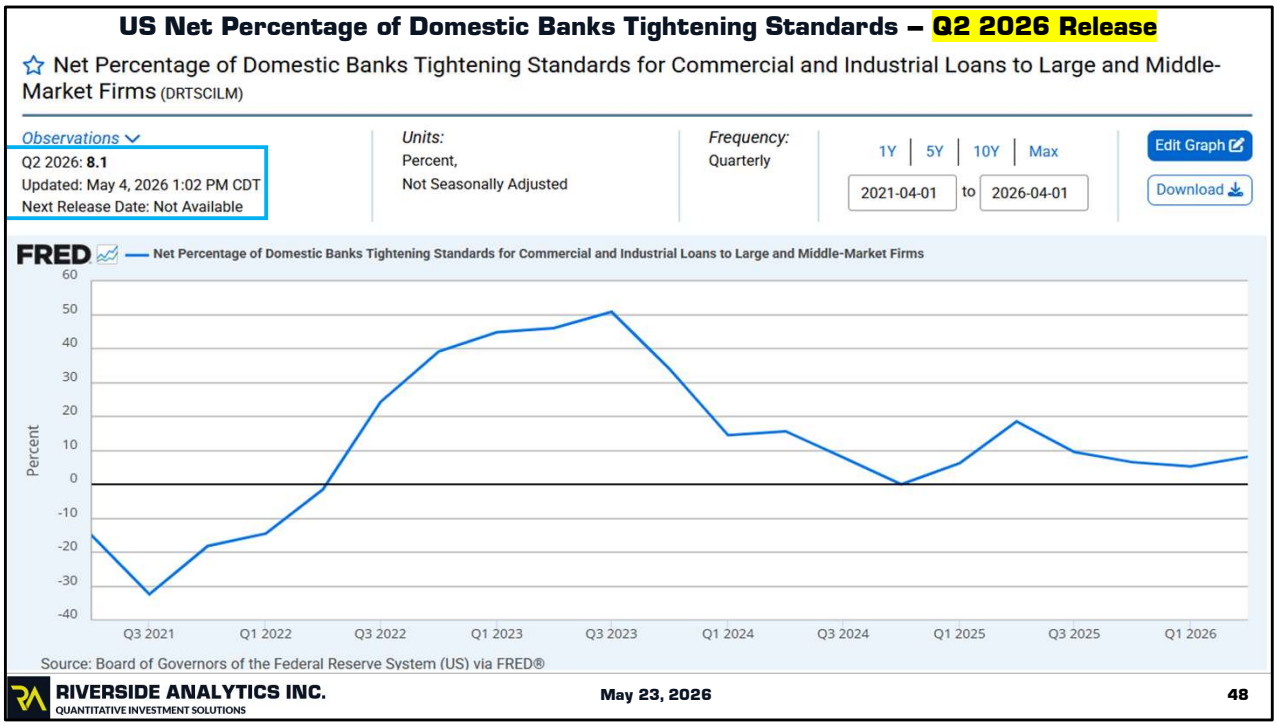
https://www.lendingtree.com/credit-cards/study/credit-card-debt-statistics/
Additional detail here > https://www.bankrate.com/credit-cards/news/credit-card-debt-survey/#many-carry-debt-for-more-than-a-year



May – Q4 2025 was 1.66

It is interesting that Federal Reserve Bank of New York says mortgage defaults are rising.
Note this chart ONLY includes commercial banks, thus includes commercial loans.

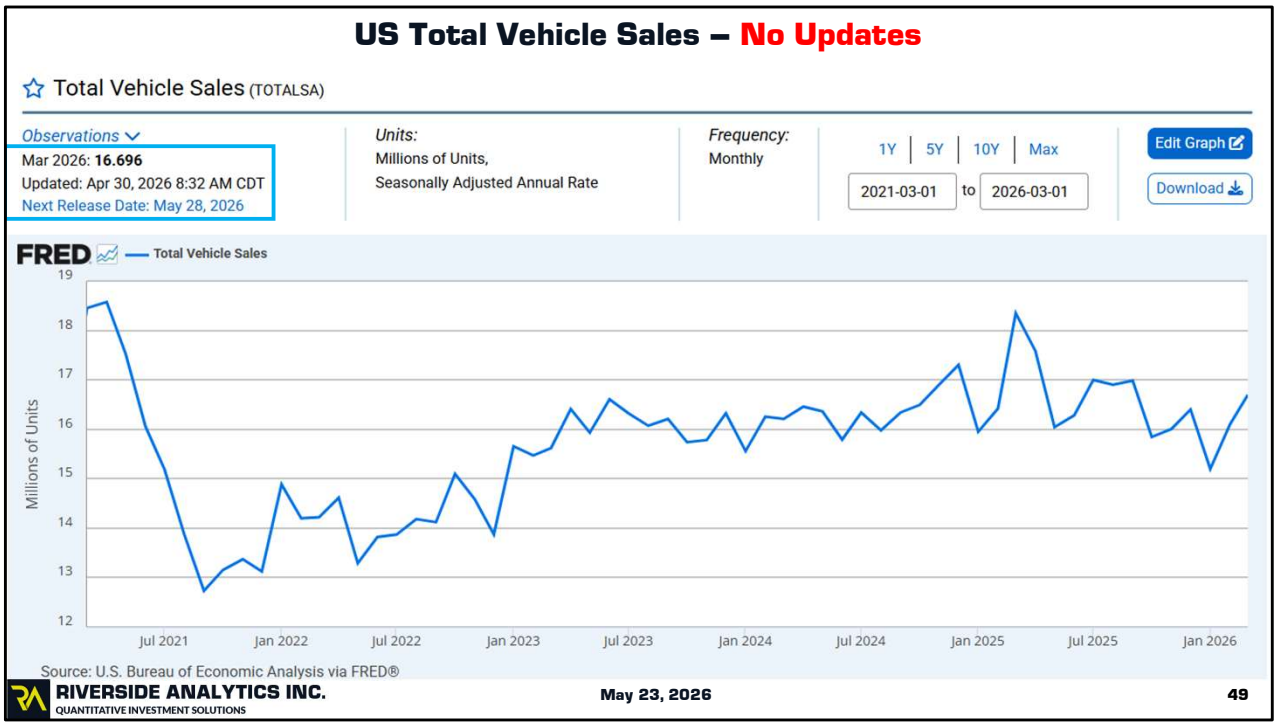
Only about 10 percent of US Real Estate mortgages are variable rates.
Source : https://fred.stlouisfed.org/series/DRSREACBS



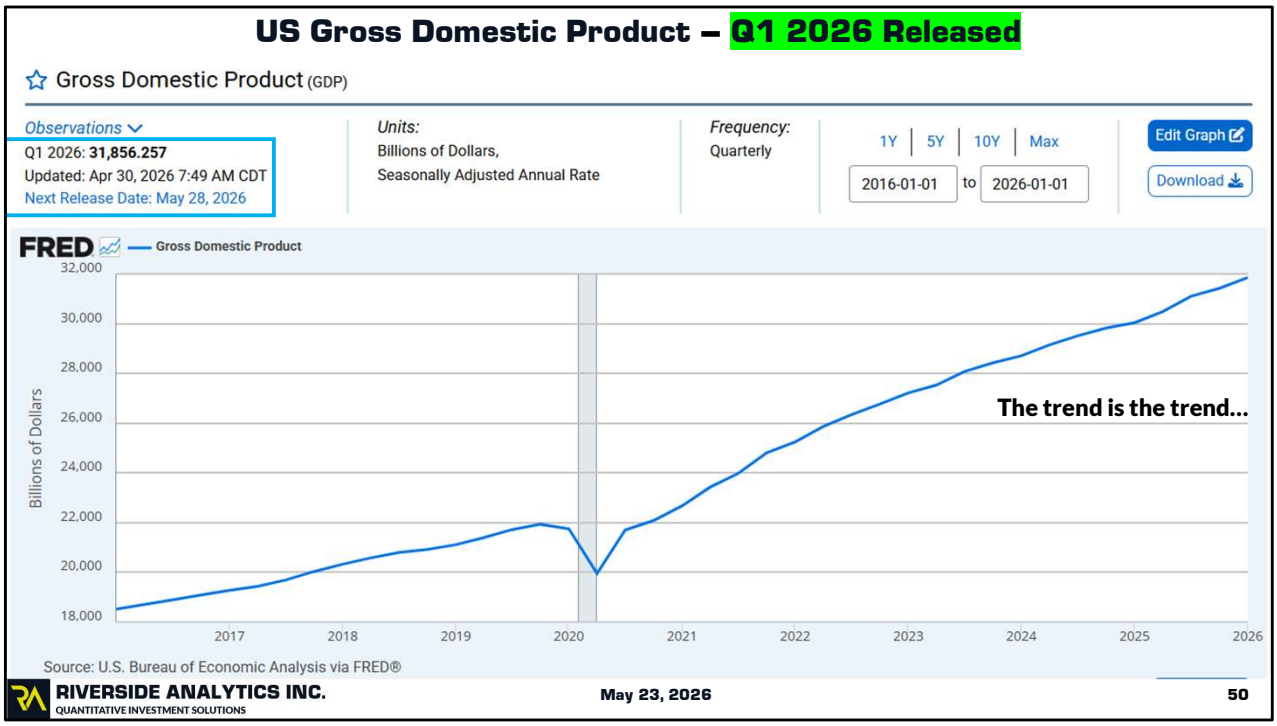
May – **Q2 2026 Preliminary released -** Q4 2025 was 6.5

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

US Total Vehicle Sales – No Updates



May – **No Updates, except the next release date** – February was 16.118



May – Q1 2026 Released – Divide out Q/Q and it's a 1.32% growth. I big chunk of this - is AI investments.

Note - I searched for updated numbers on AI's contribution to GDP. I did not find any credible sources.

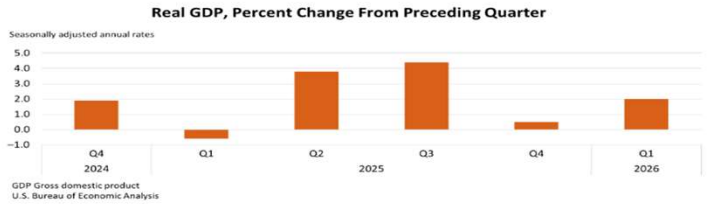
Last month was 31,442.483 –
St Louis fed estimates that AI investment in 2025 contributed 1.29% to GDP. Early estimates put this at nearly 60% of the overall GDP growth in 2025. Overall US economy is ok, just not nearly as strong as the headline numbers suggest !

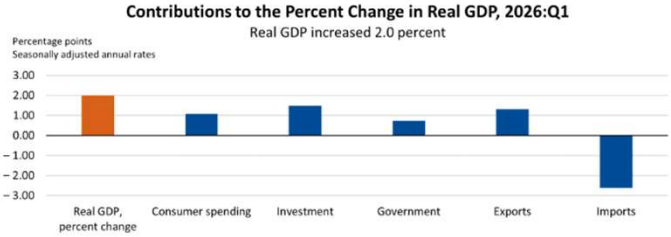
Source of AI data >> https://www.stlouisfed.org/on-the-economy/2026/jan/tracking-ai-contribution-gdp-growth

US GDP – Percent Change – No Updates

GDP (Advance Estimate), 1st Quarter 2026

Real gross domestic product (GDP) increased at an annual rate of 2.0 percent in the first quarter of 2026 (January, February, and March), according to the advance estimate released today by the U.S. Bureau of Economic Analysis. In the fourth quarter of 2025, real GDP increased 0.5 percent.





May – Bea – “Compared to the fourth quarter of 2025, the acceleration in real GDP in the first quarter of 2026 reflected upturns in government spending and exports, and an acceleration in investment that were partly offset by a deceleration in consumer spending. Imports turned up.”

Source : https://www.bea.gov/news/2026/gdp-advance-estimate-1st-quarter-2026

US Gross Domestic Purchase Price Index – Q1 2026 Released



The big picture is running hotter than CPI indicates !

Real GDP and Related Measures
[Percent change (SAAR) from 2025:Q4 to 2026:Q1]

	Advance Estimate
Real GDP	2.0
Current-dollar GDP	5.6
Real final sales to private domestic purchasers	2.5
Gross domestic purchases price index	3.6
PCE price index	4.5
PCE price index excluding food and energy	4.3

May – “The price index for gross domestic purchases increased 3.6 percent in the first quarter, compared with an increase of 3.7 percent in the fourth quarter. The personal consumption expenditures (PCE) price index increased 4.5 percent, compared with an increase of 2.9 percent, and the PCE price index excluding food and energy increased 4.3 percent, compared with an increase of 2.7 percent.”

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/gdp-advance-estimate-1st-quarter-2026

S&P 500 YEARLY RETURNS

AVERAGE YEAR vs YEAR #1 OF THE US PRESIDENTIAL CYCLE

US Presidential Election Cycle - S&P 500 Performance Analysis

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

May – June of year 2 of a Republican administration tends to go poorly !

The best plan is follow your plan !

CME FedWatch Tool

TARGET RATE PROBABILITIES AS OF April 21

FED FUND FUTURES												
ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7	ZQG7	ZQH7	ZQJ7
96.3588	96.3575	96.3575	96.3625	96.3675	96.3775	96.3875	96.3975	96.4175	96.4225	96.4300	96.4375	96.4450

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES							
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400
4/29/2026		0.0%	0.0%	0.0%	0.0%	0.0%	99.5%	0.5%
6/17/2026	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	97.6%	0.5%
7/29/2026	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	95.6%	0.5%
9/16/2026	0.0%	0.0%	0.0%	0.0%	0.3%	10.8%	88.4%	0.5%
10/28/2026	0.0%	0.0%	0.0%	0.0%	0.8%	14.3%	84.5%	0.4%
12/9/2026	0.0%	0.0%	0.0%	0.1%	2.1%	21.0%	76.4%	0.4%
1/27/2027	0.0%	0.0%	0.0%	0.2%	2.7%	22.9%	73.8%	0.4%
3/17/2027	0.0%	0.0%	0.0%	0.3%	3.9%	25.9%	69.5%	0.4%
4/28/2027	0.0%	0.0%	0.0%	0.4%	4.2%	26.4%	68.7%	0.4%
6/9/2027	0.0%	0.0%	0.1%	0.9%	7.3%	32.3%	59.1%	0.3%
7/28/2027	0.0%	0.0%	0.1%	1.5%	9.8%	35.0%	53.3%	0.3%
9/15/2027	0.0%	0.0%	0.4%	3.0%	14.3%	38.3%	43.8%	0.2%
10/27/2027	0.0%	0.1%	0.8%	4.8%	18.2%	39.2%	36.8%	0.2%
12/8/2027	0.1%	1.0%	5.3%	18.9%	39.1%	35.4%	0.2%	0.0%

April – Interest rates are going nowhere for the foreseeable future.

CME FedWatch Tool

TARGET RATE PROBABILITIES – Aggregated AS OF April 21

FED FUND FUTURES												
ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7	ZQG7	ZQH7	ZQJ7
96.3588	96.3575	96.3575	96.3625	96.3675	96.3775	96.3875	96.3975	96.4175	96.4250	96.4325	96.4375	96.4450

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES			
MEETING DATE	300-325	325-350	350-375	375-400
4/29/2026	0.00 %	0.00 %	99.48 %	0.52 %
6/17/2026	0.00 %	1.34 %	98.66 %	0.00 %
7/29/2026	0.00 %	3.48 %	96.52 %	0.00 %
9/16/2026	0.00 %	11.05 %	88.95 %	0.00 %
10/28/2026	0.00 %	15.48 %	84.52 %	0.00 %
12/9/2026	0.00 %	26.04 %	73.96 %	0.00 %
1/27/2027	0.00 %	29.48 %	70.52 %	0.00 %
3/17/2027	0.00 %	34.41 %	65.59 %	0.00 %
4/28/2027	0.00 %	35.48 %	64.52 %	0.00 %
6/9/2027	0.00 %	49.52 %	50.48 %	0.00 %
7/28/2027	0.00 %	59.48 %	40.52 %	0.00 %
9/15/2027	0.00 %	77.41 %	22.59 %	0.00 %
10/27/2027	0.00 %	93.48 %	6.52 %	0.00 %
12/8/2027	97.27 %	2.73 %	0.00 %	0.00 %

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

April – Aggregates are sending the same message

CME FedWatch Tool – Probabilities

TARGET RATE PROBABILITIES AS OF – Friday May 22

FED FUND FUTURES											
ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7	ZQG7	ZQH7	ZQJ7	ZQK7
96.3725	96.3750	96.3600	96.3250	96.2900	96.2550	96.2100	96.1500	96.1200	96.0800	96.0500	96.0150	95.9850

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES							
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500
6/17/2026	0.0%	0.0%	96.0%	4.0%	0.0%	0.0%	0.0%	0.0%
7/29/2026	0.0%	0.0%	81.6%	17.8%	0.6%	0.0%	0.0%	0.0%
9/16/2026	0.0%	0.0%	60.3%	34.4%	5.1%	0.2%	0.0%	0.0%
10/28/2026	0.0%	0.0%	48.3%	39.6%	10.9%	1.1%	0.0%	0.0%
12/9/2026	0.0%	0.0%	32.1%	42.5%	20.6%	4.4%	0.4%	0.0%
1/27/2027	0.0%	0.0%	26.2%	40.6%	24.6%	7.4%	1.1%	0.1%
3/17/2027	0.0%	0.0%	19.6%	37.0%	28.6%	11.7%	2.7%	0.3%
4/28/2027	0.0%	0.0%	17.1%	34.7%	29.7%	13.9%	3.9%	0.7%
6/9/2027	0.0%	0.0%	17.0%	34.7%	29.7%	13.9%	3.9%	0.7%
7/28/2027	0.0%	0.4%	17.4%	34.6%	29.4%	13.7%	3.8%	0.6%
9/15/2027	0.1%	2.7%	19.8%	33.9%	27.2%	12.4%	3.4%	0.6%
10/27/2027	0.1%	3.1%	20.1%	33.7%	26.9%	12.1%	3.3%	0.6%
12/8/2027	1.2%	9.1%	24.9%	31.3%	21.7%	9.1%	2.4%	0.4%

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May – last month there was some possibility of a rate CUT late in 2027. This month, cuts are off the table, and increases are possible towards the end of this year and into next. **There is a REMOTE chance of a full percent increase by the end of 2026.**

CME FedWatch Tool – Aggregated

TARGET RATE PROBABILITIES AS OF – Friday May 22

FED FUND FUTURES											
ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7	ZQG7	ZQH7	ZQJ7	ZQK7
96.3725	96.3750	96.3600	96.3250	96.2900	96.2550	96.2100	96.1500	96.1200	96.0800	96.0500	96.0150	95.9850

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES		
MEETING DATE	350-375	375-400	400-425
6/17/2026	95.97 %	4.03 %	0.00 %
7/29/2026	81.00 %	19.00 %	0.00 %
9/16/2026	54.93 %	45.07 %	0.00 %
10/28/2026	35.00 %	65.00 %	0.00 %
12/9/2026	1.37 %	98.63 %	0.00 %
1/27/2027	0.00 %	83.00 %	17.00 %
3/17/2027	0.00 %	57.86 %	42.14 %
4/28/2027	0.00 %	45.00 %	55.00 %
6/9/2027	0.00 %	44.79 %	55.21 %
7/28/2027	0.00 %	47.00 %	53.00 %
9/15/2027	0.00 %	60.70 %	39.30 %
10/27/2027	0.00 %	63.00 %	37.00 %
12/8/2027	0.00 %	98.04 %	1.96 %

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.

May – Aggregate is pretty much locking in a 25 point INCREASE by December 2026

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

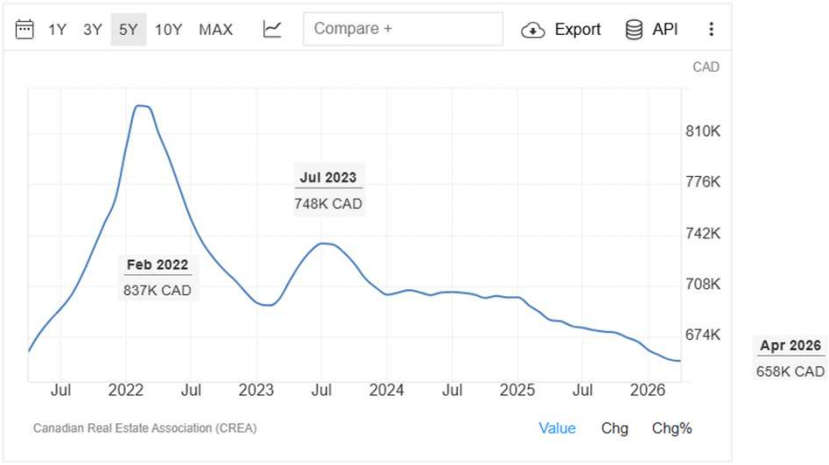
New Vehicle Sales

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 658100 CAD in April from 659100 CAD in March of 2026. Average House Prices in Canada averaged 470050.78 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)

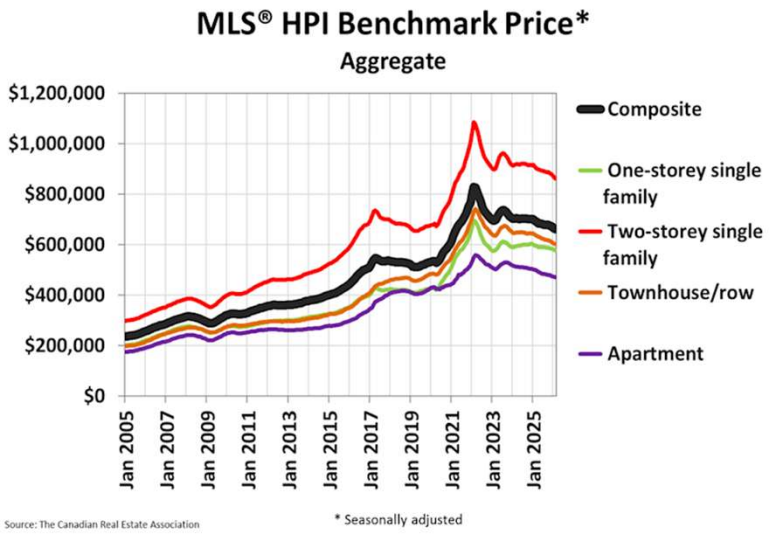


May – Last month was 659K –

It needs to get to about 560k to be on par with current US “average” prices.

Source : Trading Economics - https://tradingeconomics.com/canada/average-house-prices

Canada Average House Price

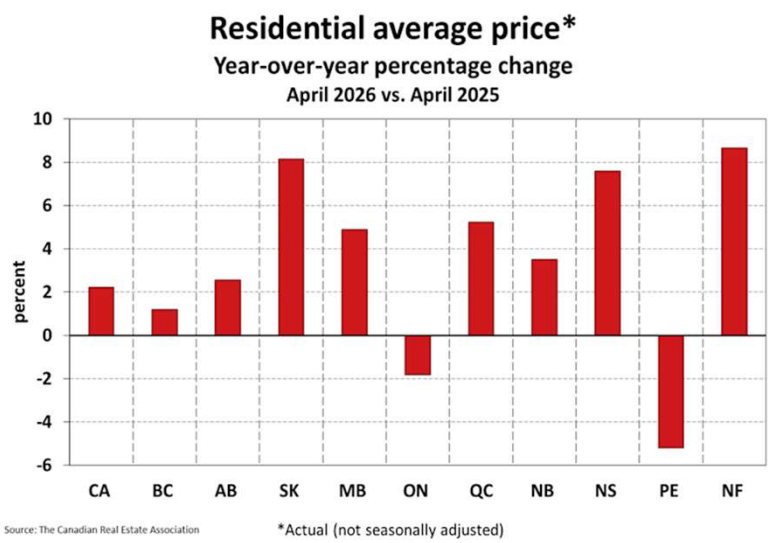


May – National home sales increased 0.7 % month / month.

“While home sales were up only modestly from March to April, the small increase reflected a slow start to the month with a stronger handoff into May, alongside falling days on market and stabilizing prices,” said Shaun Cathcart, Senior Economist with the Canadian Real Estate Association (CREA). “This latest bout of global economic uncertainty and higher mortgage rates means the previously expected rebound in housing markets this year will continue to be muted, but it does not mean there will be no upward momentum at all.”

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

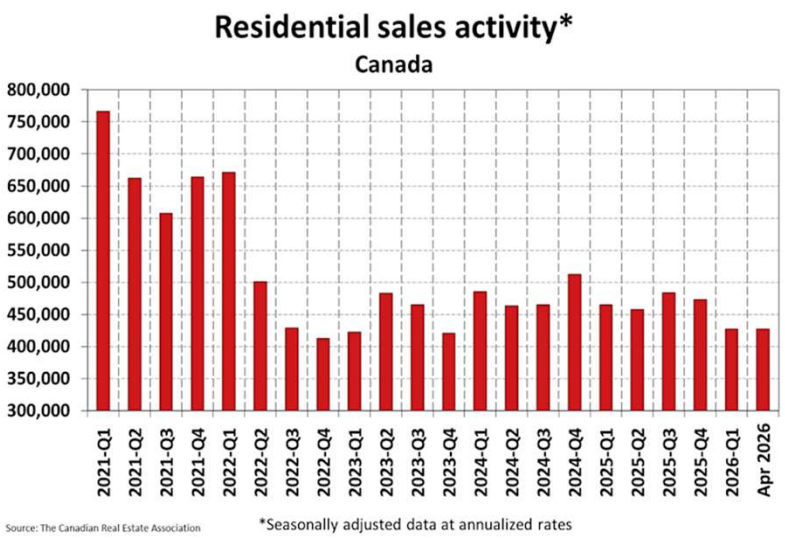
Average House Prices for Canada – cont.
By Province



May – Ontario remains the perennial basement dweller. BC flipped to the positive side for the first time in a long time.

Price wise, a decent start to the season for sellers.

Home Sales Activity for Canada



May – Q2 is following in Q1's foot steps with slowish number of units sold.

Number of new listings jumped 4.1 % m/m. Sales to new listings dropped from 47.1% to 45.6%. Conditions are considered to be balanced between buyers and sellers.

This is from The Canadian Real Estate Association.

Housing Starts - % Change – Canada

Housing starts in Canada jumped 17% to an annualized 279,300 units in April 2026 from the previous month, well above market forecasts of 240,000 units. The reading marked the highest level of housing starts in four months, pointing to renewed strength in residential construction activity. Rural starts were estimated at 13,694 units. Meanwhile, the six-month moving average of housing starts, which smooths monthly volatility, rose 3.2% to 256,777 units. source: Canada Mortgage And Housing Corporation

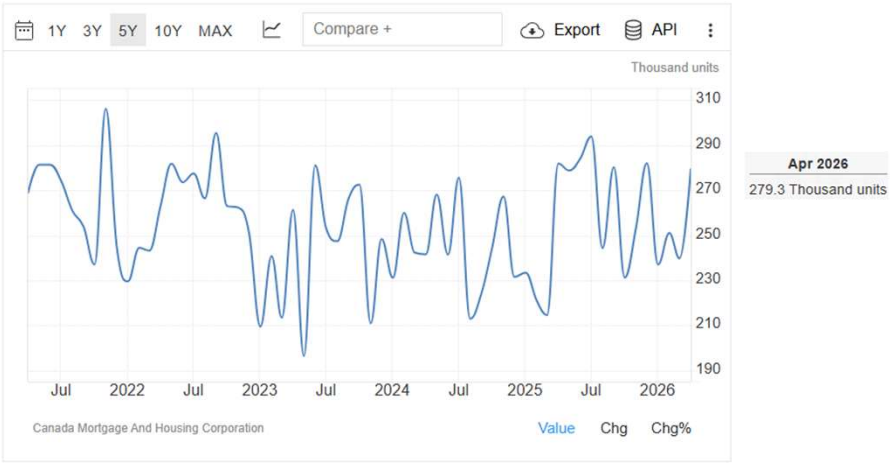


May – A slow first couple months is not unusual, April is making up for it.

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

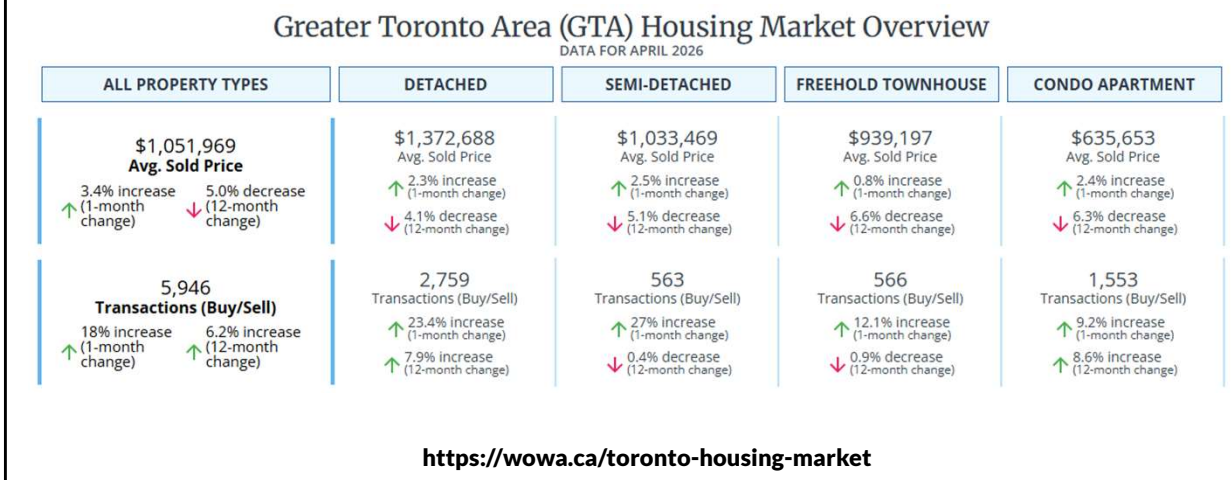
Housing Starts – 5 Year – Percent Change - Canada
6 Month Seasonally Adjusted Annual Rate



May – last month was 238.7. – Nothing out of the ordinary.

Trading Economics - https://tradingeconomics.com/canada/housing-starts

Housing Sales Activity for GTA



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

May – another Month over month units sold is up. M/M prices are up, with Y/Y prices down 4 to 7 %

Housing Sales Activity for GTA

Single-Family Detached Home Prices in the GTA



Statistics for April 2026

Average Price:	$1,372,688	↓-4.1% from Apr. 2025
Units Sold:	2,759	↑7.9% from Apr. 2025
New Listings:	8,028	↓-5.5% from Apr. 2025

Semi-Detached Home Prices in the GTA



Statistics for April 2026

Average Price:	$1,033,469	↓-5.1% from Apr. 2025
Units Sold:	563	↓-0.4% from Apr. 2025
New Listings:	1,205	↓-16.8% from Apr. 2025

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

May – This is where you need to pay attention – Y/Y is down, but M/M is up. This infers a potential floor in prices is being built. With new listings outnumbering sales by a wide margin, price increases likely remain muted.

Units sold are about 1/3 to ½ of what came on the market.

Housing Sales Activity for GTA

Townhouse Prices in the GTA



Statistics for April 2026

Average Price:	$939,197	↓-6.6% from Apr. 2025
Units Sold:	566	↓-0.9% from Apr. 2025
New Listings:	1,585	↑0.1% from Apr. 2025

Apartment Prices in the GTA



Statistics for April 2026

Average Price:	$635,653	↓-6.3% from Apr. 2025
Units Sold:	1,553	↑8.6% from Apr. 2025
New Listings:	4,726	↓-15.8% from Apr. 2025

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

May – New listings vastly outnumber sales.

WOWA - Housing Activity for GTA

Median Prices by Region

	City	Median Sold Price	1-Year Change	Total Transactions
#1	City of Toronto	$838,750	↓-9.8%	2,312
#2	Peel Region	$872,750	↓-5.1%	996
#3	York Region	$1,050,000	↓-9.5%	994
#4	Durham Region	$800,000	↓-6.4%	708
#5	Halton Region	$1,030,000	↓-3.5%	693
#6	Simcoe County	$800,000	↓-2.9%	210
#7	Dufferin County	$715,000	↓-5.0%	33
	GTA	**$880,000**	**↓-7.4%**	**5,946**

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

Note these are year over year changes

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

WOWA - Housing Activity for GTA

Median Prices by City

	City	Median Sold Price	1-Year Change	Total Transactions
#1	City of Toronto	$838,750	↓-9.8%	2,312
#2	Mississauga	$900,000	↓-1.4%	516
#3	Brampton	$830,500	↓-7.2%	406
#4	Vaughan	$1,116,000	↓-6.3%	257
#5	Oakville	$1,338,000	↑3.7%	254
#6	Markham	$1,084,000	↓-9.7%	250
#7	Burlington	$917,500	↓-8.4%	250
#8	Richmond Hill	$1,055,900	↓-13.5%	184
#9	Oshawa	$670,000	↓-14.2%	167
#10	Milton	$900,000	↓-10.8%	143
	GTA	**$880,000**	**↓-7.4%**	**5,946**

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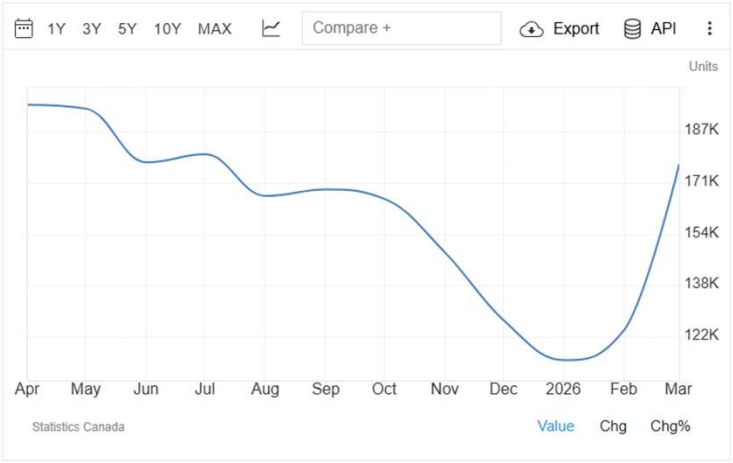
May – Breaking out the areas within GTA, here is how they compare. Note, this is the MEDIAN not the AVERAGE !

Note these are year over year changes

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

New Vehicle Sales Activity for Canada

In March of 2026, 176,500 new motor vehicles were sold in Canada, decreasing 6.6% from March 2025. Over the same period, the number of new passenger cars sold fell by 4.3%, while the number of new trucks sold saw a decline of 6.9%. source: Statistics Canada



May – The cold start to the season is recovering ! Y/Y numbers are negative. Poor consumer sentiment is keeping some people on the sidelines.

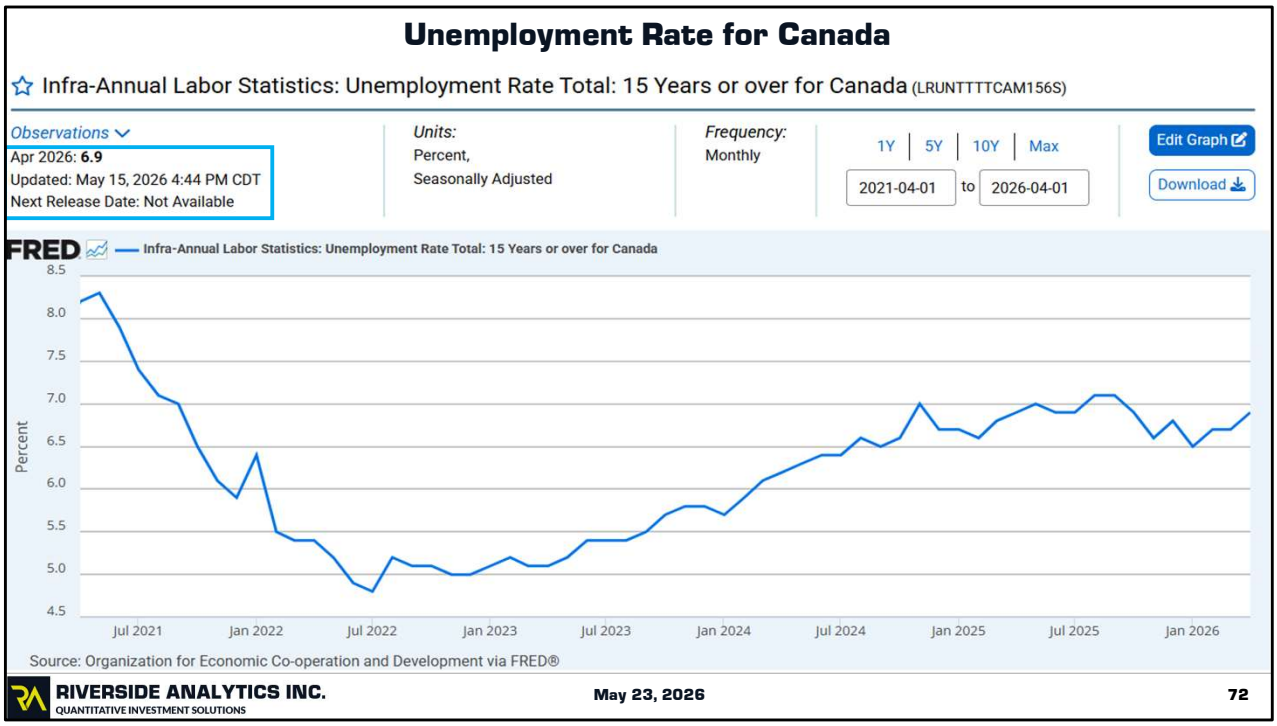
Source : Trading Economics

New Vehicle Sales Activity for Canada – 5 Year Chart



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

May - Trading Economics – This is running a little behind last year's data. It will be another couple months before we see the peak for the year.

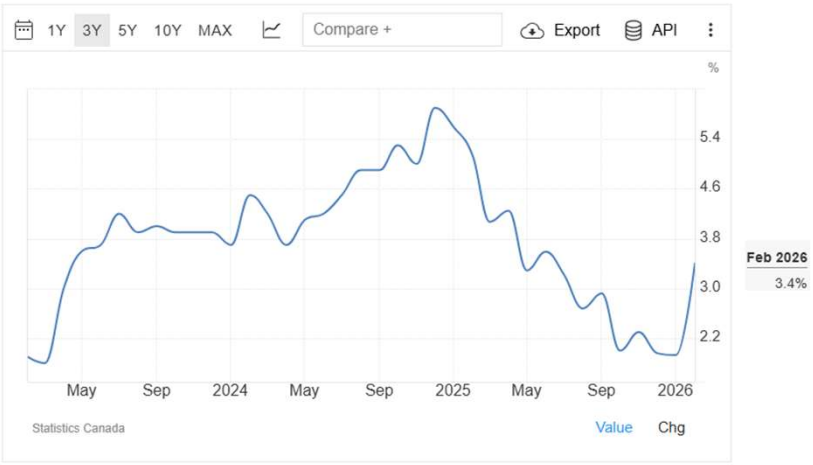


May – The January data from last month, finally updated. 6.5 > 6.9

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

Canada Average Weekly Earnings YOY – 3 Year Chart

Wages in Canada increased 3.40 percent in February of 2026 over the same month in the previous year. Wage Growth in Canada averaged 2.57 percent from 1992 until 2026, 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



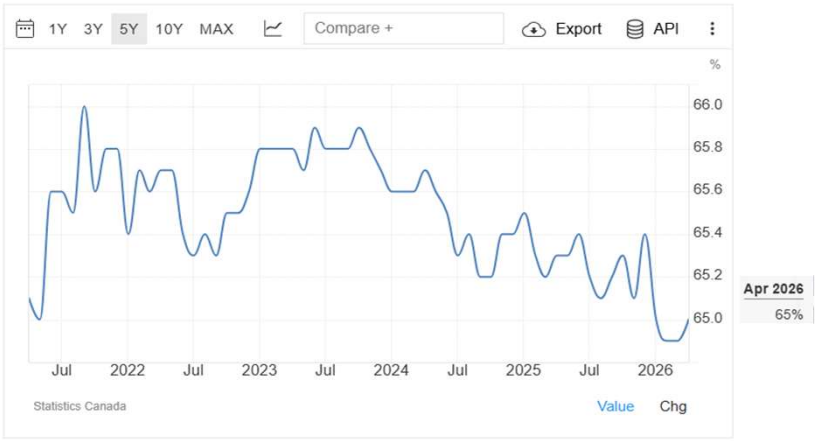
May – That is nice to see. With food and Energy inflation running hot, workers need a break.

Source is Trading Economics

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

Participation Rate - Employed Persons for Canada

Labor Force Participation Rate in Canada increased to 65 percent in April from 64.90 percent in March of 2026. Labor Force Participation Rate in Canada averaged 65.71 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

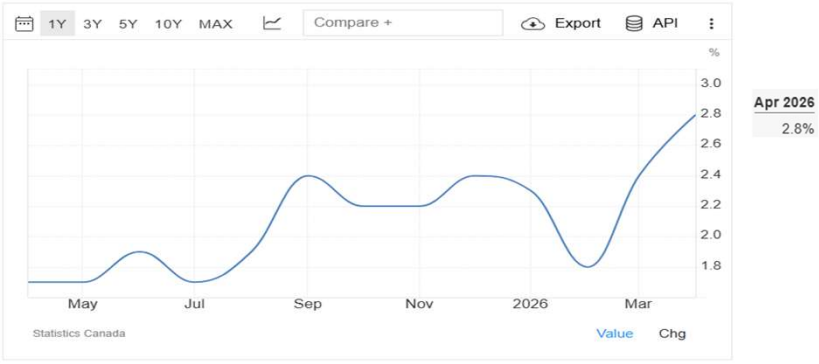
May – Up 1/10th from last month. Due note, this data series does not change much. Working age people are very slowly disappearing from the work force ! Essentially, this means that about 35 percent of the population that could be working, are not.

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 rose to 2.8% in April of 2026 from 2.4% in the previous month, the highest in two years, albeit firmly under the market consensus of 3.1%. The increase extended the jump from the previous month as the disruption of energy supply from the Middle East, due to the war in the region, raised prices of fuel and power. Transportation inflation surged to 7.6% from 3.7% in March amid 19.2% surge in energy prices (vs 3.9% in March). In turn, prices for core sectors of the economy grew at a more moderate pace, aligned with the Bank of Canada's note that it did not see higher energy prices spread into inflation expectations so far. The trimmed-mean and median core inflation rates followed by the BoC fell to 2% and 2.1%, respectively, below market expectations to their lowest in five years. Food inflation eased to 3.5% from 4%, and shelter inflation inched marginally higher to 1.8% vs 1.7%. source: Statistics Canada

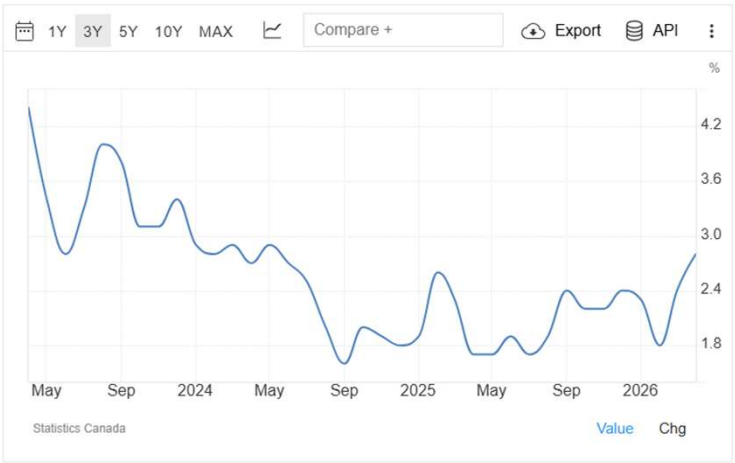


May – Last month was 2.4%
We shall see how food inflation is doing in a couple slides.

With the Iranian war, gasoline prices are going to eat into budgets, especially for commuters. If the war lasts longer than a few months, then it likely pushes North American economies into recession, due to the energy cost increases. Farmers could face significant fertilizer cost pressure, depending on their sources. Farmers typically have on site fuel storage. If they topped up before the increases, that will help cushion some of the blow for planting season.

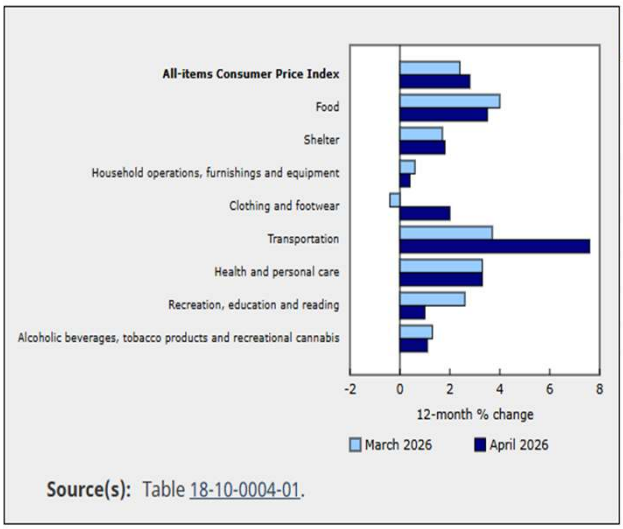
Source : Trading Economics

Consumer Price Index: 3 Year View Canada



May - Inflation – long view – With food and rent being large components of the consumers budget, this chart understates the impact of inflation on households. Now with the spike in gasoline costs, headline inflation is moving further away from actual impact on consumers.

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



March 2026	April 2026
2.4	2.8
4.0	3.5
1.7	1.8
0.6	0.4
-0.4	2.0
3.7	7.6
3.3	3.3
2.6	1.0
1.3	1.1

Food inflation is down, but Still hurts ! I have difficulty believing Transportation is only 7.6%

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May – Energy is conveniently missing ! I will calculate some numbers in the GasBuddy chart.

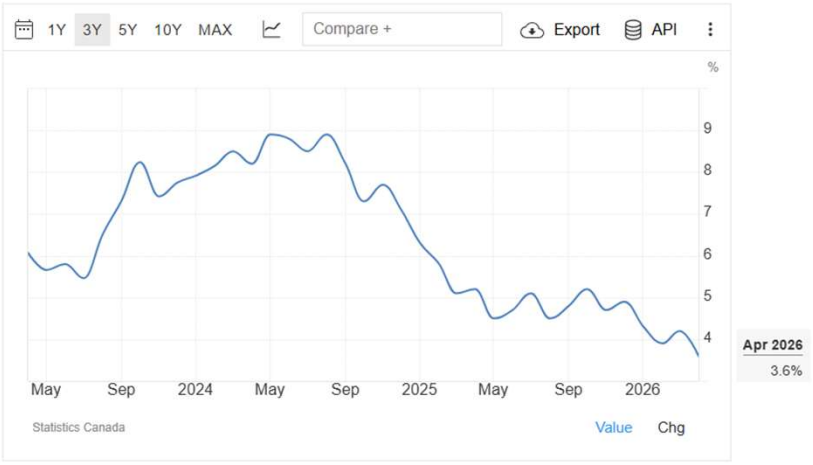
Note some of the reduction experienced in the near past is due to changes in GST/HST. They were reinstated March 2025. Because the base numbers moved up, there is a reduction in the inflation rate. It's the exact reversal of the previous condition. From this point forward, month over month inflation should reflect product price changes, without taxation changes muddying the water.

More details are here
Source : StatsCan - https://www150.statcan.gc.ca/n1/daily-quotidien/260519/cg-a002-eng.htm

Selected food product price change over time can be viewed here – **Just change the start date.**
https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810024502

Consumer Price Index: Rent

Rent Inflation in Canada decreased to 3.60 percent in April from 4.20 percent in March of 2026. 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



May – renters are finally catching a bit of a break. The base levels will not change, but the rates of change are easing.

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

Gasoline Prices – Canada Average



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May – The Ouch continues ! With the eye chronometer, I calculate about a 29% increase year over year, give or take a bit.

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

Canada - M2 Money Supply

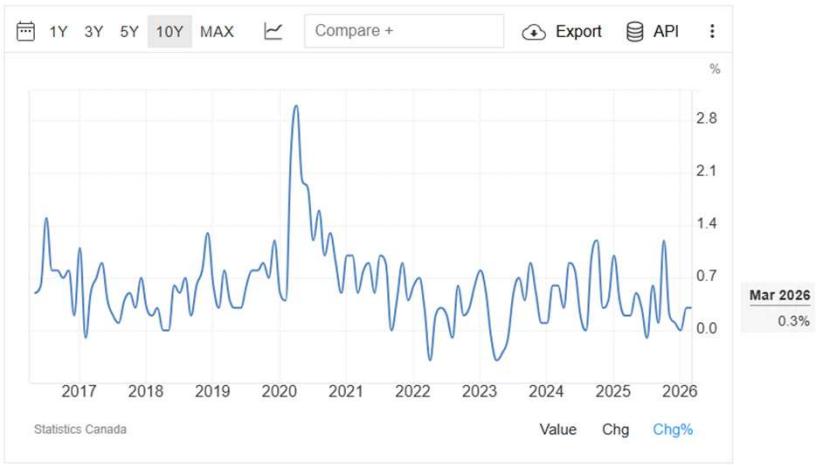
Money Supply M2 in Canada increased to 2796379 CAD Million in March from 2787597 CAD Million in February of 2026. Money Supply M2 in Canada averaged 676963.80 CAD Million from 1968 until 2026, reaching an all time high of 2796379.00 CAD Million in March of 2026 and a record low of 25523.00 CAD Million in January of 1968. source: Statistics Canada



May – Nothing to see here !

Source : Trading Economics

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



May - 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 !

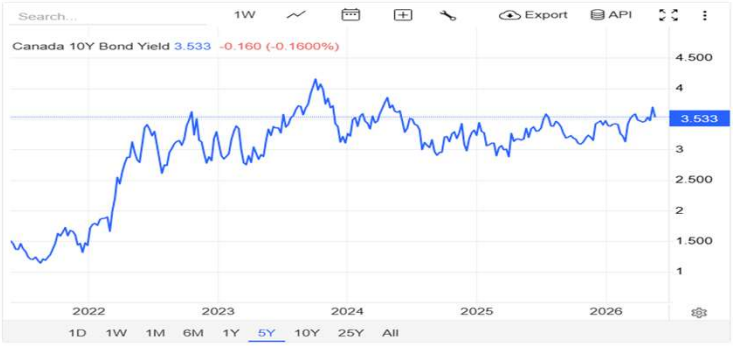
In general inflation happens when corporations raise prices. Demand pull, Cost push and Profit margin expansion all can impact the company's reasons for prices increases. When ever there is excess cash in certain areas of the economy, companies are incentivised to try to harvest it.

Cost push provides cover for margin expansion ! That is excess price increases over and above the actual cost increases.
All three of these can happen at the same time, or in any combination.

Source : Trading Economics

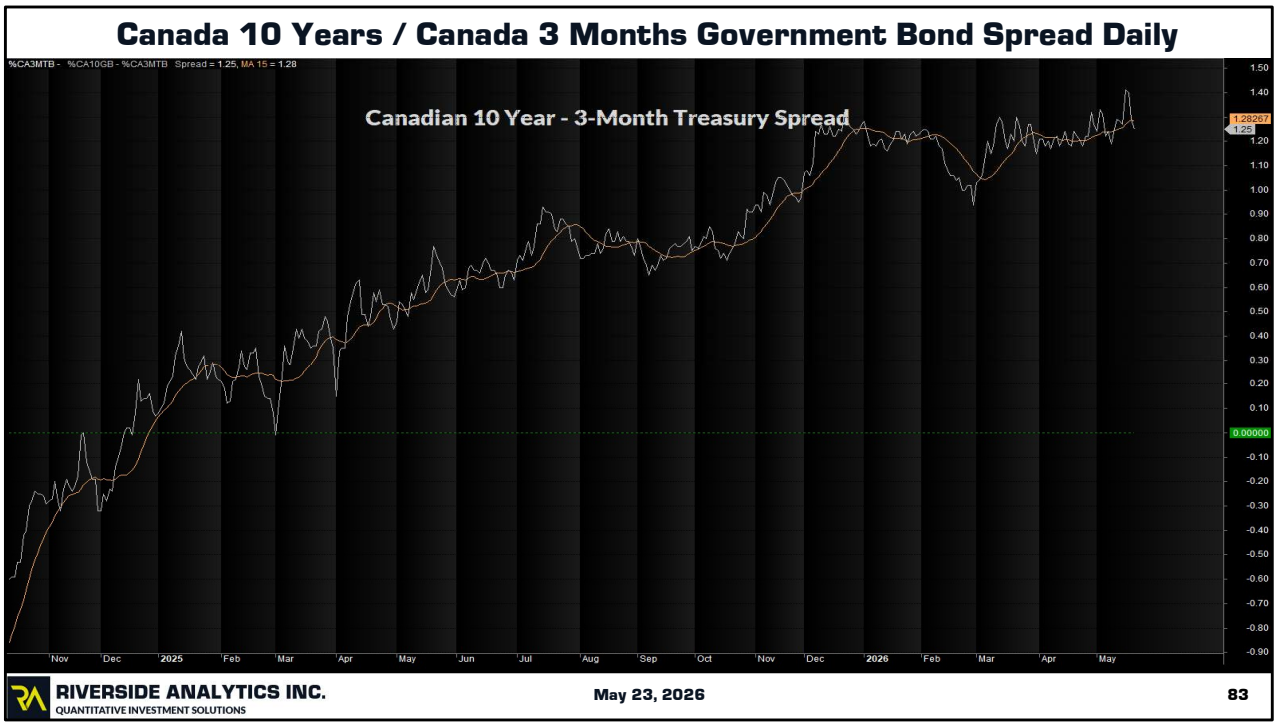
Interest Rates: Yields: 10-Year: Canada

Canada's 10-year government bond yield rose to 3.74% in May, the highest level in over two years amid the surge in US long-term yields, even as soft domestic inflation data reinforced expectations that the BoC will not hike rates. High energy prices and robust economic data in the US drove the yield on their 30-year bond to an 18-year high, spreading into North American bond markets. Meanwhile, domestic headline inflation rose to 2.8% in April due to rising gasoline costs linked to the Middle East conflict. Still, the Bank of Canada's preferred core inflation gauges slowed more than expected to their lowest levels in five years, suggesting underlying price pressures outside energy have eased. The data aligned with recent signals from the central bank that energy-driven inflation may prove temporary and reduced concerns over additional rate hikes. Still, Governor Tiff Macklem has also warned that geopolitical tensions and trade uncertainty could still alter the policy outlook.



May – CAD long bond rates, steady as she goes !

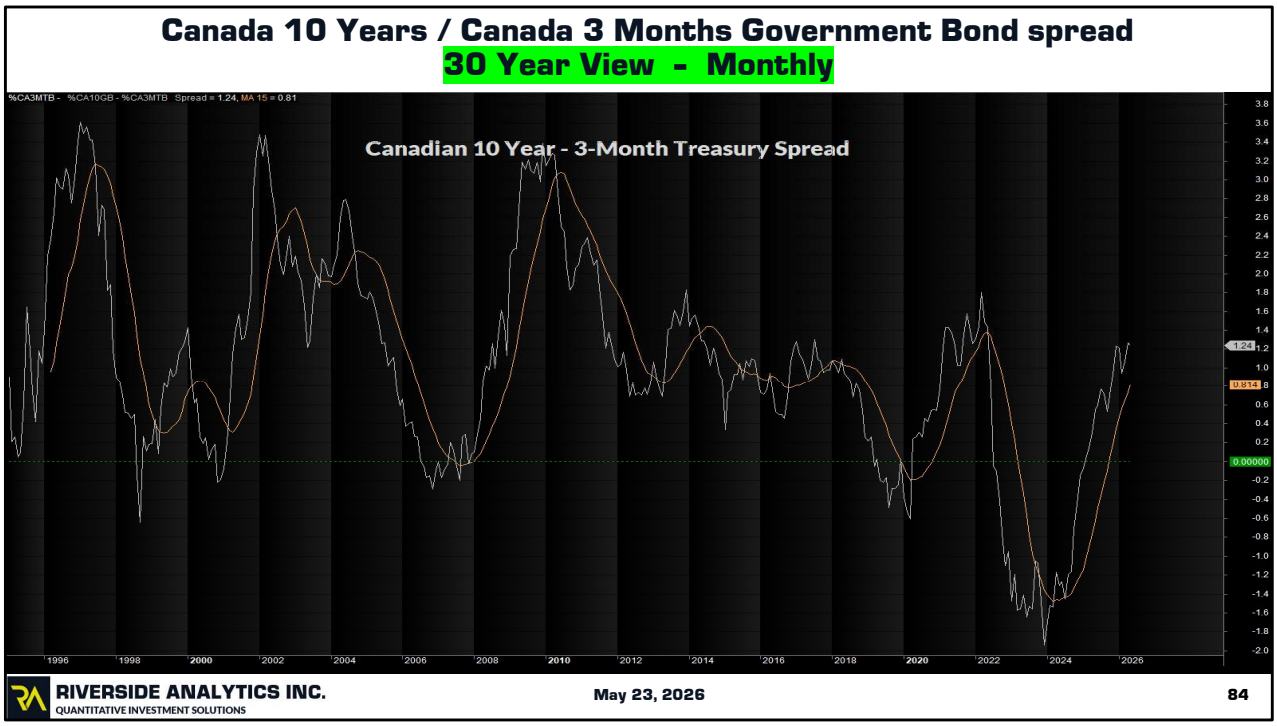
https://tradingeconomics.com/canada/government-bond-yield



May – last month was 1.20

This chart is from Amibroker.

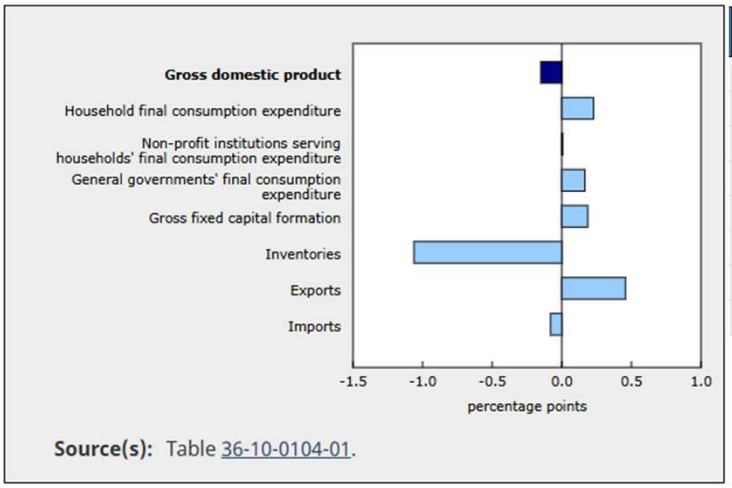
https://www.worldgovernmentbonds.com/spread/canada-10-years-vs-canada-3-months/



May – A quiet couple of months - 30 years of data. Back into the pre-covid range of spreads !

This one is from Amibroker.

Gross Domestic Product for Canada – No Updates



	percentage points
Gross domestic product	-0.151
Household final consumption expenditure	0.228
Non-profit institutions serving households' final consumption expenditure	0.007
General governments' final consumption expenditure	0.166
Gross fixed capital formation	0.187
Inventories	-1.062
Exports	0.457
Imports	-0.081

Real gross domestic product (GDP) declined 0.15% in the forth quarter after increasing 0.6 % in the third quarter of 2025, after falling 0.5% in the second quarter.

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May – **No Updates** – Next release is May 29th.

Real gross domestic product (GDP) declined 0.15% in the forth quarter after increasing 0.6 % in the third quarter of 2025, after falling 0.5% in the second quarter.

Canada is playing footsy with a technical recession definition ! It needs two negative quarters in a row to hit the definition!

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

Market Participant Survey for Canada – BoC Survey Results 2026 Q1 Released

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 = 27)	End of 2027 (n = 26)
25th percentile of responses	1.3	1.7
Median of responses	1.6	1.9
75th percentile of responses	1.7	2.0

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 Q4 data – within 0.1 of the last report.

May – 2026 Q1 Released - This is a quarterly report – **NOTE THIS IS A SURVEY, not an analysis of country GDP from StatsCan.**

https://www.bankofcanada.ca/2026/05/market-participants-survey-first-quarter-of-2026/

Market Participants Survey for Canada - BoC Survey Results - 2026 Q1 Released

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 INCREASED by 5% from the Q4 survey, except 18 – 24 months, which remained the same.

May

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

https://www.bankofcanada.ca/2026/05/market-participants-survey-first-quarter-of-2026/

Market Participants Survey for Canada - BoC Survey Results - 2026 Q1 Released

Monetary policy

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				
April	2.25	2.25	2.25	28
June	2.25	2.25	2.25	28
July	2.25	2.25	2.25	28
September	2.25	2.25	2.25	28
October	2.25	2.25	2.25	28
December	2.25	2.25	2.25	28
2027				
January	2.25	2.25	2.50	27
March	2.25	2.50	2.56	27
Q2	2.25	2.50	2.75	26
Q3	2.25	2.50	2.75	26
Q4	2.31	2.75	2.75	26
2028				
Q1	2.44	2.75	2.75	24
Q2	2.44	2.75	2.75	24

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May – No changes to interest rates are expected this year.

https://www.bankofcanada.ca/2026/05/market-participants-survey-first-quarter-of-2026/

Market Participants Survey for Canada - BoC Survey Results - 2026 Q1 Released

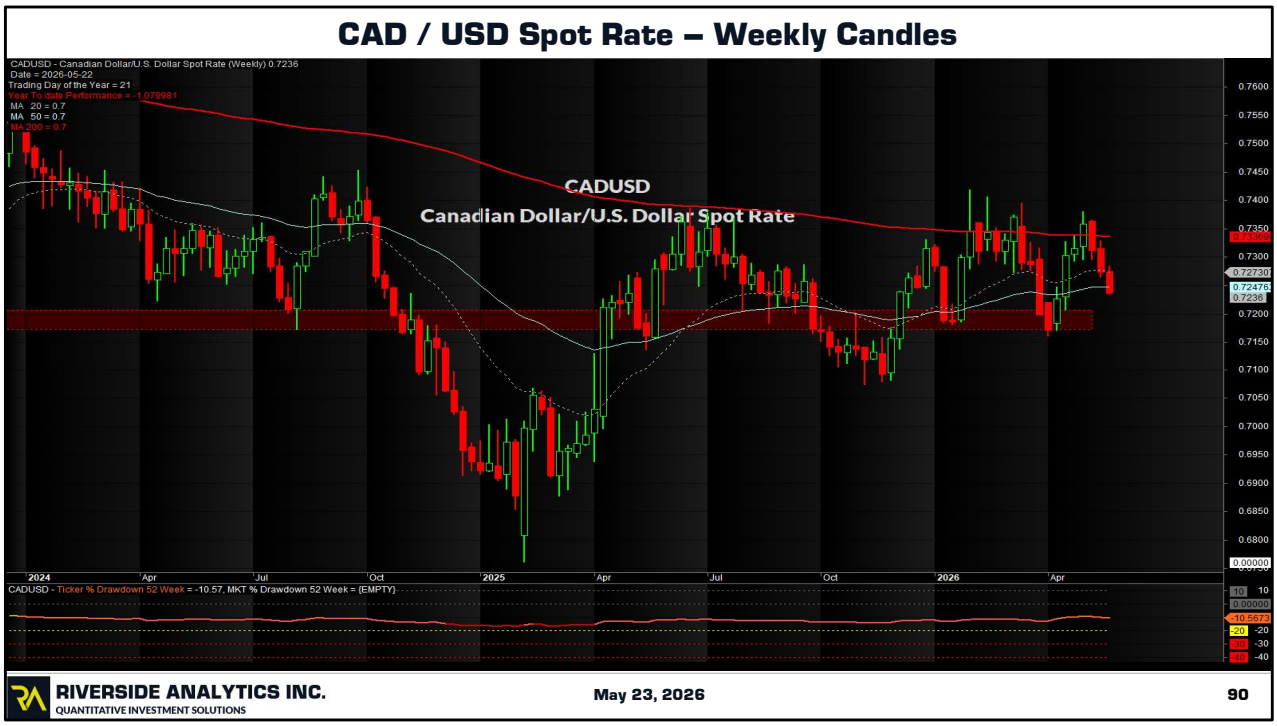
1.4 Please identify up to three downside risks to your growth outlook for Canada.

	Top downside risks
	Share of respondents (%)* (n = 28)
Increasing geopolitical risks	82
Increase in trade tensions	79
Tightening of global financial conditions	57

May – No Surprises here !

The full report is here >>

https://www.bankofcanada.ca/2026/05/market-participants-survey-first-quarter-of-2026/



May – CAD has declined from marginally 72.87 to 72.34 since the last report.

Summary

- US inflation data is running hotter than the Fed would like, and likely remains so for the next few quarters. Hello interest rate increase ! Aluminum prices seem to be peaking.
- Overall, Canada is doing ok.
- US – AI is a significant contributor to GDP. Everything else is treading water.
- Sentiment - Weakest on record - US and Canadians worry about gas prices and inflation.
- Fedwatch tool rates are likely heading higher by the end of the year. This could push Canadian rates up, if CAD falls to much.
- Canadian Y/Y housing prices are slowly trending down, there is a spring bump happening, plenty of stock to choose from.
- Canadian interest rates likely go no where all year.
- United States-Mexico-Canada Agreement (USMCA) is protecting Canadians from many tariffs and protecting Americans from price increases to some extent.
- Iranian war – key industrial inputs continue to be trapped behind the strait (oil, LNG, fertilizer, sulphur, helium (used in semiconductor mfg)
- Tepid growth likely continues with persistent tariff uncertainty.
- 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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John P. Hussman, Ph.D
President, Hussman Strategic Advisors