

Keys to the market

What happened this week

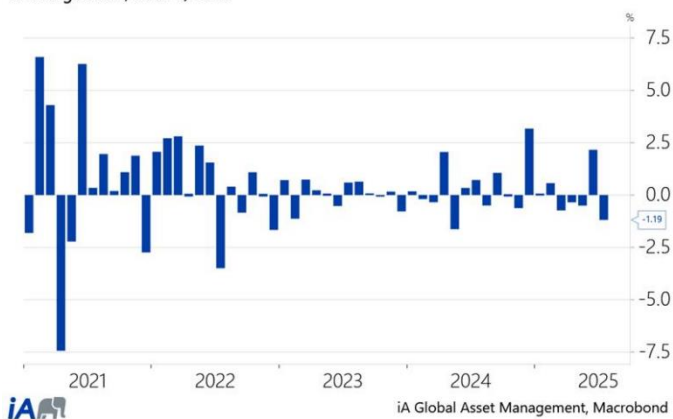
September 19, 2025

In Canada, this week's economic indicators reflected a fragile but evolving landscape. Housing starts were down 16% in August to 245,791 units, falling well short of expectations and marking one of the steepest monthly declines since early 2023. Inflation edged up to 1.9% but remained below the Bank of Canada's 2% midpoint for the fifth straight month, while core inflation held steady at 2.6%. With headline CPI easing and GDP contracting 1.6% in the second quarter amid a sharp drop in exports, the BoC resumed its rate-cutting cycle after a six-month pause, lowering its benchmark rate by 25 basis points to 2.5%. Retail sales rebounded 1% in August, reversing July's drop, although annual growth slowed to 4%, the weakest pace this year.

In the United States, retail sales surprised to the upside, rising 0.6% in August for a second consecutive month, driven by strength in nonstore and clothing retailers. Core retail sales, a key GDP input, jumped 0.7%, beating expectations. Even so, housing data continued to weaken: building permits fell 3.7% to 1.312 million, the lowest since May 2020, while housing starts dropped 8.5% to 1.307 million, the fourth-lowest reading in more than five years. Single-family starts hit a 13-month low, and multifamily activity also declined. In response to softening conditions, the Federal Reserve cut rates by 25 bps to 4.00%–4.25%, its first move since December, and signalled further easing despite upward revisions to growth and inflation projections.

Canada: Retail Sales ex-Motor Vehicles

% change MoM, as at 7/2025



Bond market

It was a very eventful week on both sides of the border, but the reaction was somewhat muted because the cuts were already priced in. If anything, the fact that only one Fed member dissented, preferring a 50-bps cut, took some momentum out of the market as investors were looking for any signs that the

Highlights

- In Canada, slower economic activity and still-subdued inflation prompted a BoC rate cut to 2.5%.
- In the U.S., strong retail sales contrasted with weak housing data as the Fed cut rates to 4.00%–4.25%.

On our radar

- Canada: GDP for July, PPI and new housing price index for August
- United States: Durable goods orders and existing home sales for August, S&P global indexes for September, core PCE price index for August

Trump administration's interference had taken greater hold. Coupled with better-than-expected initial claims in the U.S., yields actually rose 5+ basis points on the week, with a little bit of bear steepening in the curve as concerns about inflation and coming deficit-related supply increases weighed on sentiment. And even though futures are still mostly pricing in another 25-bps cut from the BoC this year and two such moves by the Fed, the conviction has softened. It's still likely that U.S. 10s will end 2025 with a three handle, provided that inflation doesn't worsen between now and then, but the path won't be a straight one. What can be said about spreads? In the U.S., IG hit its lowest level of the year at 72 bps, while HY isn't too far from its nadir. The demand for all-in yield obviously remains vibrant as the risk-on party continues.

Stock market

As expected, the Fed's first rate cut in nine months sent the S&P 500 Index higher. Jerome Powell struck a notably dovish tone, indicating that further cuts may be needed this year.

In a highly unusual move reminiscent of Microsoft's rescue of Apple in the late 1990s, Nvidia has agreed to invest \$5 billion in Intel. As part of the deal, the pair will co-develop CPUs for Nvidia to incorporate into its AI offerings for data centres. The deal also includes a separate project to develop chips for PCs. The agreement comes just a month after the U.S. government decided to take a 10% stake in Intel, with the intention of bolstering the domestic chip ecosystem. Even so, notably absent from the announcement was any reference to whether Nvidia will be using Intel foundries to manufacture its products.

Lastly, shares of economic bellwether FedEx rose this week after it reinstated guidance for the year. That said, the company expects a \$1-billion impact from lower shipments from China to the U.S., partly owing to the closure of the de minimis loophole.

Markets (Total return, in CAD)

As of September 18, 2025	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.42	3.30	9.26	21.43	23.00	17.66
S&P/TSX	0.63	3.25	21.41	28.33	18.57	16.12
NASDAQ	1.17	5.00	11.70	28.35	28.93	18.55
MSCI ACWI	0.31	3.05	11.92	21.34	21.90	15.32
MSCI EAFE	-0.27	2.02	19.58	19.56	20.21	11.46
MSCI EM	1.23	7.68	22.97	29.16	17.39	7.98
Commodities (USD)						
Gold	0.03	5.69	38.86	42.42	29.58	13.31
CRB	-0.23	-0.80	2.60	3.11	-1.08	6.06
WTI	1.40	-0.69	-11.36	-10.35	-9.27	9.11
Fixed income						
FTSE TMX Canada Universe	0.08	1.68	2.76	2.88	4.47	-0.26
FTSE TMX Canada Long	0.05	3.40	0.35	-0.25	3.02	-3.61
FTSE TMX Canada Corporate Overall	0.12	1.32	3.81	5.39	6.44	1.63
Currencies						
DXY	-0.21	-0.43	-10.27	-3.23	-3.92	0.93
USDCAD	-0.34	0.41	-4.08	1.41	1.32	0.88
USDEUR	-0.45	-0.86	-12.16	-5.67	-5.28	0.09
USDJPY	0.22	0.65	-5.85	4.01	1.17	7.19
USDGBP	0.01	-0.36	-7.66	-2.51	-5.55	-0.96

Source: iA Global Asset Management. Bloomberg

	CA	U.S.
Bond yields		
2Y	2.48	3.56
5Y	2.74	3.66
10Y	3.19	4.10
30Y	3.62	4.72
Credit spreads		
IG corporate bonds	95	75
HY bonds	292	271

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Rooted in history, innovating for the future.

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