

Financial HARTbeat

Weak Canada Inflation
Sept 16th 2025



Good Morning,

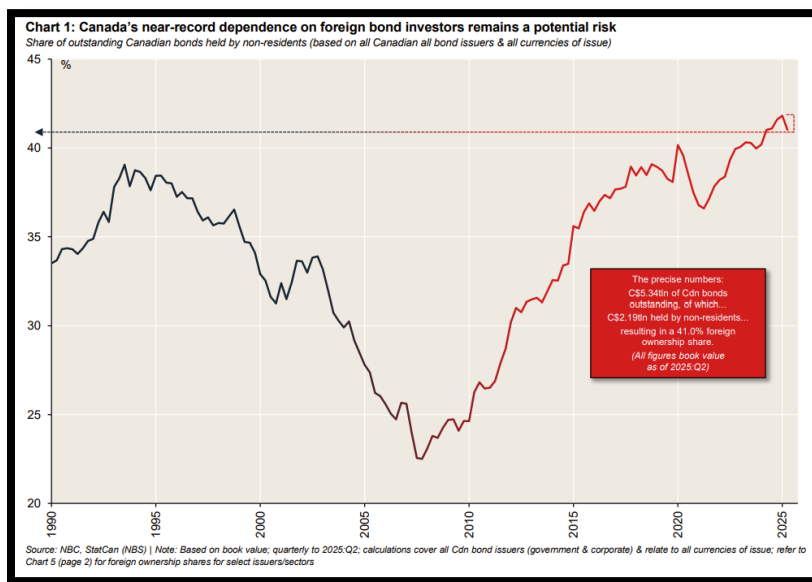
Canada inflation rises less than expected...slight uptick in the chance of 50 bps tomorrow...However, 25 is likely outcome..

Canadian AI firm Cohere targets growth in Europe with Paris office...taking on Mistral France's main AI platform..

Will Qatar and the US finally reach a defence deal?

Catch the playback of our Weekly Roundup [Click here](#)

Chart of the Day: Canada more and more reliant on Foreign investment...risk to CAD and CAD Government Bond Market



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



Top News

Canada's annual inflation rate rose 1.9% in August, which was less than expected as petrol prices on a yearly basis fell and food prices were up only slightly. On a monthly basis, the consumer price index was down 0.1% in August. The annual inflation rate has been largely distorted by the cancellation of the carbon levy on petrol sale which has helped bring down the cost of the fuel on a yearly basis, and economists have focused on core inflation measures to gauge the trend of prices.

Excluding gasoline, the CPI rose 2.4% in August, after increasing 2.5% in each of the previous three months. One of the core measures of inflation, the CPI-median, or the centermost component of the CPI basket, mirrored the prior month's 3.1% rise in August. The other core measure CPI-trim, which excludes the most extreme price changes, fell to 3% from 3.1% in July. Prices for shelter, which accounts for almost 30% of the CPI basket, rose by 2.6% in August from 3% in July as costs for both mortgage costs and rents eased. The lower than expected rise in inflation is likely to bolster chances of a rate cut tomorrow by the Bank of Canada, even though there are still concerns that underlying inflation was still high.

Money markets are expecting almost 87% chances of a 25- basis point rate cut. In the U.S., retail sales increased more than expected in August, but according to economists momentum may ease amid labor market weakness and rising goods prices. Retail sales rose 0.6% last month after an upwardly revised 0.6% advance in July.

Economists polled by Reuters had forecast retail sales, which are mostly goods and are not adjusted for inflation, rising 0.2% following a previously reported 0.5% gain in June. Some of the rise in retail sales last month was probably due to tariff-driven price increases rather than volumes. The government reported last week that consumer prices increased by the most in seven months in August, with strong rises in the costs of food and apparel among other products.

The Federal Reserve is also expected to deliver a quarter-percentage-point interest rate cut tomorrow to support the labor market. The U.S. central bank paused its easing cycle in January because of uncertainty over the inflationary impact of import duties. Retail sales excluding automobiles, gasoline, building materials and food services increased 0.7% last month after an unrevised 0.5% advance in July. These so-



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



called core retail sales correspond most closely with the consumer spending component of gross domestic product.

A Reuters survey of property experts showed that the United States' sluggish housing market will remain weak through next year as high mortgage rates stifle demand with only a modest rebound expected in 2027.

Persistent supply shortages and stretched affordability have kept most first-time buyers on the sidelines. Although that inventory crunch has eased, with active listings climbing to their highest this decade, mortgage rates hovering around 6.5% continue to sap demand. That has pushed home prices, measured by the S&P CoreLogic Case-Shiller composite index of 20 metropolitan areas, into four straight months of decline - the first such streak since February 2023.

Raising 2026 GDP Forecast (Argus)

Options In Sovereign Debt Yields The benchmark U.S. 10-year Treasury bond yield is back near 4.0%, up from 3.6% last fall but still below the current cycle highs near 5.0% in October 2023. Interest rates have risen in part due to President Trump's tariff and trade war rhetoric, but have come down in recent weeks as the domestic employment environment has cooled. Sovereign fund investors around the world see less of a need to prop up U.S. Treasury prices if the country is going to be purchasing less of the goods they produce. Other sovereign rates generally have headed in the same direction, with UK's benchmark yield near 4.5%, up from 3.9% last summer, and the debt of Australia, which we view as a proxy for China growth, at 4.3%. But not all have climbed to heights.

For example, sovereign debt yields for Japan and Switzerland remain near their pandemic lows at sub-1.5% levels, and China has maintained its interest rate near or below 2.0% as well. Elsewhere around the globe, tariff worries in Mexico and political uncertainty in Brazil are keeping sovereign debt interest rates near 10%. Russian debt yields are close to 14%, up 100 basis points from a year ago, as the conflict with Ukraine drags on and inflation runs at a 9.0% rate. Looking ahead, as U.S. inflation once again starts to moderate, the Federal Reserve is expected to follow the lead of the European Central Bank, as well as the banks of England and Canada, and resume its strategy of lowering short-term interest rates in order



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.

Financial HARTbeat



to keep the U.S. economy growing. Should that occur, and tax cuts kick in, longer term U.S. Treasury yields may stay in the 4.0%-5.0% range as the domestic economy continues to grow. That's not a bad return, with inflation moderating.

Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: Key Interest Rates (Canada & U.S.)

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.75%	0.0	CDA 5 year	2.74%	0.5
CDA Prime	4.95%	0.0	CDA 10 year	3.18%	0.4
CDA 3 month T-Bill	2.48%	0.0	CDA 20 year	3.51%	1.1
CDA 6 month T-Bill	2.47%	0.0	CDA 30 year	3.61%	1.1
CDA 1 Year	2.49%	0.5			
CDA 2 year	2.50%	-0.1			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.60%	0.4
US Prime	7.50%	0.0	US 10 year	4.04%	0.5
US 3 month T-Bill	3.91%	0.0	US 30 year	4.66%	0.3
US 6 month T-Bill	3.84%	-1.0	5YR Sovereign CDS	39.98	
US 1 Year	3.64%	-0.6	10YR Sovereign CDS	44.45	
US 2 year	3.53%	-0.7			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			680.25	-0.02%	7.06%
BMO Laddered Preferred Shares (ETF)			11.9	-0.17%	8.68%

Source: LSEG

Things are looking up! Have a great day!

Ben



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.