



INTERNAL USE ONLY

September 25, 2025

| U.S. EQUITY FUTURES | LAST | CHANGE | %CHG | COMMODITIES/ FX | LAST | CHANGE | |
|--------------------------|-----------|---------|--------|------------------|------------|-----------|-------|
| Dow Jones MINI futures | 46,344.00 | -97.00 | -0.21% | CRUDE OIL WTI | \$64.66 | -\$0.33 | |
| S&P500 MINI futures | 6,661.25 | -31.00 | -0.46% | NATURAL GAS | \$2.92 | \$0.07 | |
| NASDAQ MINI futures | 24,572.25 | -167.00 | -0.68% | GOLD | \$3,733.84 | -\$2.08 | |
| CANADA EQUITY MARKET | LAST | CHANGE | %CHG | COPPER | \$4.75 | \$0.00 | |
| S&P/TSX 60 futures | 1,752.80 | -7.20 | -0.41% | CAD / USD | \$0.7188 | -\$0.0006 | |
| OVERSEAS MARKETS | LAST | CHANGE | %CHG | CAD / EUR | € 0.6147 | € 0.0019 | |
| STOXX EUROPE 600 INDEX | 549.66 | -4.22 | -0.76% | USD / EUR | € 0.8553 | € 0.0035 | |
| FTSE 100 INDEX | 9,208.94 | -41.49 | -0.45% | USD / JPY | ¥149.30 | ¥0.40 | |
| DAX GERMANY | 23,418.87 | -247.94 | -1.05% | GOVERNMENT BONDS | 2YR | 5YR | 10YR |
| CAC 40 Index | 7,763.24 | -64.21 | -0.82% | CANADA (YLD%) | 2.48% | 2.77% | 3.23% |
| NIKKEI 225 INDEX | 45,754.93 | 124.62 | 0.27% | U.S. (YLD%) | 3.67% | 3.78% | 4.19% |
| HANG SENG INDEX | 26,484.68 | -33.97 | -0.13% | | | | |
| SHANGHAI COMPOSITE INDEX | 3,853.30 | -0.34 | -0.01% | Source: LSEG | | | |

Source: LSEG

Morning News

U.S. stock index futures extended declines after economic data this morning, pointing to a pause after a record-breaking rally this week. The moves reflect a broader sense of caution ahead of Friday's release of the Personal Consumption Expenditures index, the Federal Reserve's preferred inflation measure, which could shape expectations for the path of interest rates. Data this morning showed Initial claims for state unemployment benefits dropped 14,000 to a seasonally adjusted 218,000 for the week ended September 20. Economists had forecast 235,000 claims for the latest week. Also, the US economy expanded an annualized 3.8% in Q2 2025, much higher than 3.3% in the second estimate, and marking the strongest performance since Q3 2023 (see chart). The stronger-than-anticipated figure primarily reflected an upward revision to consumer spending. PCE rose 2.5%, much higher than 1.6% seen in the second estimate. Investors will monitor commentary from a slate of Fed officials to gauge the central bank's evolving stance. Fed Vice Chair for Supervision Michelle Bowman is scheduled to speak in Washington, while Chicago Fed President Austan Goolsbee will participate in a discussion on the economy in Michigan. A potential government shutdown could also be looming in Washington, where budget negotiations have so far failed to yield an agreement, a development that could inject fresh volatility into an already uncertain market backdrop. Futures linked to Canada's main stock index are subdued this morning, after the index pulled back from recent record highs and investors take a breather as the end of the quarter approaches. Meanwhile, Canada plans to create duty-free access for up to 95% of its exports to Indonesia over the next eight to 12 months, the International Trade Minister said, as Canada attempts to diversify its trading partners. European shares fell this morning, with med-tech stocks down after news of the U.S. opening new import-related probes, while focus was on comments from Federal Reserve officials and data to assess the U.S. central bank's policy path. The Swiss National Bank held its key interest rate at zero, the lowest among major central banks, as it warned that U.S. President Donald Trump's tariffs had dimmed the outlook for the Swiss economy going into 2026. Chinese stocks rose, led by AI and chip shares, while Hong Kong-listed tech stocks headed towards a record week as investors remained focused on sector trends during a quiet policy period ahead of major holidays. Investors will also watch for today's staff-level technical talks between U.S. and Chinese officials at the U.S. Treasury, focused on trade and economic issues. Japan's Nikkei share average marked a record high close for a third session, as investors scooped up cheap shares, betting on the potential for further market gains. The services producer price index, which tracks the price companies charge each other for services, rose 2.7% in August from a year earlier, accelerating from a revised 2.6% gain in July.

U.S. Economic Calendar

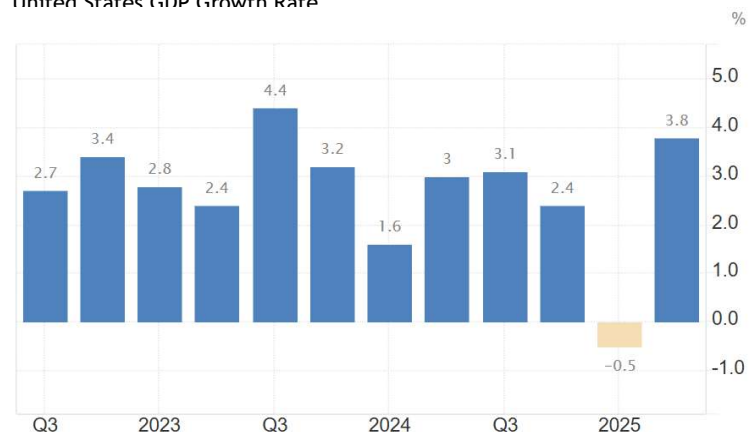
| Local Time | Indicator Name | Period | Reuters Poll | Actual | Prior | Revised |
|------------|--------------------------------|-------------|--------------|---------|----------|---------|
| 08:30 | Durable Goods | Aug | -0.5% | 2.9% | -2.8% | -2.7% |
| 08:30 | Durables Ex-Transport | Aug | 0.0% | 0.4% | 1.0% | |
| 08:30 | Nondefe Cap Ex-Air | Aug | -0.1% | 0.6% | 1.1% | 0.8% |
| 08:30 | GDP Final | Q2 | 3.3% | 3.8% | 3.3% | |
| 08:30 | GDP Sales Final | Q2 | 6.8% | 7.5% | 6.8% | |
| 08:30 | GDP Cons Spending Final | Q2 | | 2.5% | 1.6% | |
| 08:30 | GDP Deflator Final | Q2 | 2.0% | 2.1% | 2.0% | |
| 08:30 | Core PCE Prices Fnal | Q2 | 2.5% | 2.6% | 2.5% | |
| 08:30 | PCE Prices Final | Q2 | 2.0% | 2.1% | 2.0% | |
| 08:30 | Initial Jobless Clm | 20 Sep, w/e | 235k | 218k | 231k | 232k |
| 08:30 | Jobless Clm 4Wk Avg | 20 Sep, w/e | | 237.50k | 240.00k | 240.25k |
| 08:30 | Cont Jobless Clm | 13 Sep, w/e | 1.935M | 1.926M | 1.920M | 1.928M |
| 08:30 | Adv Goods Trade Balance | Aug | -95.20B | -85.50B | -102.84B | |
| 08:30 | Wholesale Inventories Adv | Aug | 0.2% | -0.2% | 0.1% | 0.0% |
| 08:30 | Retail Inventories Ex-Auto Adv | Aug | | 0.3% | 0.1% | 0.2% |
| 10:00 | Existing Home Sales | Aug | 3.96M | | 4.01M | |
| 10:00 | Exist. Home Sales % Chg | Aug | | | 2.0% | |
| 10:30 | EIA-Nat Gas Chg Bcf | 19 Sep, w/e | 74B | | 90B | |

Canada Economic Calendar

No major data expected

Chart of the Day

United States GDP Growth Rate





Morning News

Air Canada: The company expects a hit of C\$375 million to its operating income, citing labor disruptions, after its flight attendants went on a four-day strike in August, the carrier said on Wednesday. The company also provided a revised outlook for 2025 results, after it withdrew its forecast due to operation disruptions from the strike. Air Canada now expects 2025 adjusted core profit between C\$2.9 billion and C\$3.1 billion, compared to the prior range of C\$3.2 billion to C\$3.6 billion. The strike, where 10,000 Air Canada flight attendants represented by the Canadian Union of Public Employees defied government efforts to return them to work, ended when a tentative agreement was reached. The company also provided an outlook for the third quarter ending Sept. 30, guiding for adjusted Ebitda between C\$950 million and C\$1 billion and capacity down about 2% from a year ago.

BlackBerry Ltd: BlackBerry raised its fiscal 2026 revenue forecast on Thursday, banking on strong demand for its cybersecurity software amid a rise in online hacking. BlackBerry raised its annual revenue forecast to between US\$519 million and US\$541 million, compared with its prior expectation of between US\$508 million and US\$538 million. The company reported total second-quarter revenue of US\$129.6 million, beating analysts' average estimate of US\$122.1 million, according to data compiled by LSEG. BlackBerry reported earnings of 2 US cents per share in the second quarter, compared with a loss of 3 US cents per share a year ago.

Brookfield Business Partners LP: Brookfield Business Partners plans to simplify its structure in a move that would convert Brookfield Business Partners LP, a limited partnership, and Brookfield Business Corp., a corporation, into one corporation. The company said it expected the reorganization to appeal to global investors who prefer corporate structures, and would mean improved trading liquidity through a single listed security. The move also is expected to mean increased demand from expected index inclusion, and simplified financial reporting and the elimination of partnership tax reporting forms. All limited partnership units, Brookfield Business Corp. class A exchangeable shares and redemption-exchange units in Brookfield Business Partners LP held by Brookfield will be exchanged for new class A shares of BBU Inc. on a one-for-one basis. The class A shares of BBU Inc. are expected to be listed on both the NYSE and Toronto Stock Exchange and have a market capitalization that reflects the combined capitalization of the two listed arms. The reorganization is expected to be completed during 1Q 2026.

Emera Inc: Emera's board has bumped up its quarterly dividend by 1%, to C\$0.7325 from C\$0.725. The new payout, equal to C\$2.93 a year, represents an annual yield of about 4.51% based on Wednesday's closing price of C\$64.95, up from 4.46%. The company on Thursday said it has now raised its dividend for 19 consecutive years, adding that its continued dividend growth is supported by its expectations for 7% to 8% rate base growth through 2029 and its target of 5% to 7% average adjusted per-share earnings growth through 2027.

Royal Bank of Canada: Canadian federal police charged a former bank's employee in Ottawa with allegedly accessing banking profiles of senior political leaders, including Prime Minister Mark Carney. The accused, Ibrahim El-Hakim, was charged with fraud, unauthorized use of a computer, identity theft and trafficking in identity information, the RCMP said on Wednesday. RCMP opened an investigation in early July following a complaint from RBC, the country's biggest bank. El-Hakim was allegedly using the bank's internal IT systems to access personal information without authorization and committed fraud by sharing the information, RCMP said. El-Hakim, 23, was allegedly lured by a scheme on social media platform Telegram that paid him C\$500 for each order to extend credit lines or other activities, according to La Presse, which first reported the news.

STEP Energy Services Ltd: STEP Energy Services' majority shareholder has made a non-binding offer to buy the rest of the provider of coiled tubing, fluid and nitrogen pumping, and hydraulic-fracturing solutions. STEP on Thursday said energy-focused private-equity firm ARC Financial has proposed paying C\$5.50 apiece for shares of the Calgary, Alberta, company it doesn't already own, a 29% premium to Wednesday's closing price of C\$4.26. ARC currently owns or exercises control or direction of more than 55% of STEP's shares outstanding. STEP said its board has formed a special committee of independent directors to review and consider the offer.

Wesdome Gold Mines Ltd: Wesdome Gold Mines appointed former Eldorado Gold finance chief Philip Yee as its next chief financial officer. Yee will take on the role effective Monday. Interim CFO Raj Gill will then resume his position as senior vice president of corporate affairs and investor relations. Yee was CFO of Eldorado Gold from 2018 to 2024. Prior to that he held a number of senior roles at several gold producers. Wesdome last October appointed Yee to its board. Gill took on the role of interim CFO in June following the departure of Fernando Ragone.



NBF Research

Rating and Target Price Changes

Paramount Resources Ltd. - [Accelerating Option Value; Target: C\\$27.50 \(Was C\\$25\)](#)

Daily Bulletin Highlights

Oil, Gas & Consumable Fuels - Sustainable Returns Driven by Capital Discipline

Event: We highlight the shift in capital discipline and resilience across our coverage, which continues to show signs of improvement, despite the relatively range-bound commodity prices.

Key Takeaways: Although oil and gas prices have remained relatively range-bound (since early 2024, oil down by 8% vs. energy index +30%), resilience across our coverage continues to show signs of improvement, driven by a recent paradigm shift in capital discipline across the sector aimed at enhancing return on capital profiles. In our view, this is evidenced by a combination of stronger corporate-level returns, improved payout ratios, healthier leverage metrics, and, consequently, attractive and sustainable return of capital profiles that support total return for investors.

MTY FOOD GROUP INC. - Q3 F2025 Preview: (1) Canada to remain resilient (2) Exploring a takeout

| | | |
|---------------------------|----------------------------------|---|
| MTY (TSX): | C\$37.88 | Event: MTY is expected to report Q3/F25 results in October 2025. Key Takeaways: (1) We expect MTY's Q3/F25 performance to be flattish y/y, reflecting ongoing sssg pressure in the U.S. and International, offset by resilience in Canada. (2) We project EBITDA of \$72 mln vs. cons. at \$71 mln; last year was \$72 mln. We project system sales of \$1,480 mln, vs. \$1,473 mln last year and revenue of \$304 mln vs. cons. at \$297 mln; last year was \$293 mln. (3) We believe valuation at 6.3x our NTM EBITDA versus the five-year average of 8.8x is supportive. In addition, we believe that the F2026 FCF yield of 14% is strong. (4) In our view, valuation will re-rate higher upon demonstration of sustained growth. (5) In this note, we explore the opportunity for a takeout given attractive FCF yield. (6) Maintain Outperform rating; price target is \$51. |
| Target: | C\$51.00 (Unchanged) | |
| Stock Rating: | Outperform (Unchanged) | |
| Est. Total Return: | 38.1% | |

PARAMOUNT RESOURCES LTD. - Accelerating Option Value

| | | |
|---------------------------|--------------------------------------|---|
| POU (TSX): | C\$22.12 | Event: The company recently provided an operations update highlighting the value momentum being generated within the business, significantly pulling forward option value across multiple fronts. |
| Target: | C\$27.50 (Was C\$25.00) | |
| Stock Rating: | Sector Perform (Unchanged) | Key Takeaways: Increased Valuation Multiple & Target Price to \$27.50 Within, we have increased our target valuation multiple (7x vs. 6x) on 2026 debt-adjusted cash flow to better reflect the significance of that embedded opportunity, which sees us increasing our target price to \$27.50 (from \$25), while we maintain our Sector Perform rating on the back of valuation (trading at 5.5x vs. peers 4.0x, with strength of recent performance), and will be tactical towards upgrading that rating around execution catalysts. |
| Est. Total Return: | 27.0% | |



Other Comments

Oil, Gas & Consumable Fuels - [Sustainable Returns Driven by Capital Discipline](#)
Cogeco Communications Inc. - [4Q Comes Oct. 29 \(Call Next Day\) Along With F2026 Guidance and Expected Dividend Increase](#)
Corus Entertainment Inc. - [Q4 Could Get Reported Oct. 24 Unless It Comes Earlier Amid Anticipated Debt Restructuring](#)
MTY Food Group Inc. - [Q3 F2025 Preview: \(1\) Canada to remain resilient \(2\) Exploring a takeout](#)

Research Flashes

Aura Minerals Inc. - [Borborema Commercial Production Achieved](#)
The Descartes Systems Group Inc. - [Answering Important Questions – Investor Meeting Takeaways](#)
Snowline Gold Corp. - [Regional Exploration Bears Gold at Jupiter](#)
Uranium Energy Corp. - [Q4/FY25 Results Below Our Estimates; First Production Reported From Christensen Ranch](#)
Versamet Royalties Corp. - [Two New Cash Flowing Additions to a Rapidly Growing Portfolio](#)

Street Rating and Target Changes

Air Canada AC.TO: Canaccord Genuity cuts target price to C\$25 from C\$28
Aya Gold & Silver Inc AYA.TO: CIBC raises target price to C\$23 from C\$22
Discovery Silver Corp DSV.TO: CIBC raises target price to C\$7 from C\$6
Endeavour Silver Corp EDR.TO: CIBC raises target price to C\$12 from C\$10
Imperial Oil IMO.TO: RBC raises target price to C\$115 from C\$108
Lithium Americas Corp LAC.N: TD Cowen cuts to hold from buy
Lululemon Athletica Inc LULU.O: Needham cuts to hold from buy
Pan American Silver Corp PAAS.N: CIBC raises target price to US\$50 from US\$46
Paramount Resources Ltd POU.TO: National Bank of Canada raises target price to C\$27.50 from C\$25
Skeena Resources Ltd SKE.TO: CIBC raises target price to C\$36 from C\$26
Versamet Royalties Corp VMET.V: Ventum Financial raises target price to C\$13 from C\$10
Vizsla Silver Corp VZLA.TO: CIBC raises target price to C\$7.50 from C\$7
Wheaton Precious Metals Corp WPM.N: CIBC raises target price to US\$135 from US\$130

S&P/TSX Composite Index Earnings Calendar

Figure 1: S&P/TSX Composite Index Earnings Calendar

| DATE | COMPANY NAME | RIC | TIME | MEAN ESTIMATE |
|--------|----------------|-------|------|---------------|
| 25-Sep | BlackBerry Ltd | BB.TO | BMO | 0.01 |

Source: LSEG



Morning News

Apple Inc & Intel Corp: The chipmaker has approached Apple about securing an investment in the struggling chipmaker, Bloomberg News reported on Wednesday, citing people familiar with the matter. The iPhone maker and Intel have also discussed how to work more closely together, the report said, adding that the talks are at an early stage and may not lead to an agreement. Intel CEO Lip-Bu Tan has been trying to bring in partners as part of a turnaround at the ailing chipmaker. The reported investment from Apple would come as another vote of confidence for Intel. Apple had been a longtime customer of Intel before it transitioned to using its own custom-designed silicon chips from 2020.

Birkenstock Holding Plc: The German sandal maker raised its expectations for fiscal year 2025 revenue, driven by demand for its clogs and shoes from affluent shoppers despite price hikes. Birkenstock has been increasing prices to mitigate the impact of a 15% U.S. tariff on European imports, but demand has been strong for its products, including the suede leather closed-toe Boston clogs, which are priced as high as \$275 online. The company said it had acquired a production facility near Dresden, Germany, for 18 million euros to boost its manufacturing capacity. The site is expected to be operational by the end of fiscal 2027. Birkenstock maintained its target of *31.3% to 31.8% growth in adjusted earnings before interest, taxes, depreciation, and amortization for the year ending September 30.*

Eli Lilly and Co: The company plans to launch its experimental oral weight-loss drug orforglipron in India, a senior executive said, offering an alternative to injectables that many patients in the world's most populous nation resist. Orlforglipron is part of a new class of GLP-1 drugs that suppress appetite and follow the same pathway targeted by Eli Lilly's blockbuster tirzepatide, sold globally as the blockbuster Mounjaro for diabetes and Zepbound for weight loss. The drug has not been launched anywhere globally but Lilly plans to file for approval of orforglipron with regulators in the United States, Britain, European Union, Japan and China.

Qualcomm Inc: The company on Wednesday announced a suite of new chips for PCs and phones, including a PC chip with a new security feature for businesses that analysts say is likely the first of its kind. Qualcomm is one of the world's biggest sellers of the chips at the heart of mobile phones, connecting them to wireless data networks. But for the past two years, the company has been pushing into the PC market, where it competes against Apple to sell energy-efficient chips for laptops and PCs that run the Windows operating system. Qualcomm's newest laptop chip, called the Snapdragon X2 Elite, which it said will start shipping next year, will include a new feature called Guardian aimed at corporate buyers of desktops and laptops.

Walt Disney Co: Several investors in the company on Wednesday asked the media giant to share documents about its decision to suspend Jimmy Kimmel's show last week for inspection. Kimmel returned to the air Tuesday night, six days after his remarks about the accused killer of right-wing activist Charlie Kirk provoked social media outrage and pressure from the Trump administration. In a letter to the company, lawyers for the American Federation of Teachers, U.S. labor federation AFL-CIO, and Reporters Without Borders requested Disney to turn over records related to Kimmel's suspension. The demand seeks to probe potential wrongdoing, mismanagement and fiduciary breaches by the Disney board and its leadership, according to the letter.

Evercore ISI Research

Focus Research

ConocoPhillips (COP) (Outperform, TP: US\$115.00)

Staying the Course. Roadshow Takes.

- Roadshow Takes. Staying the course with COP seems promising as management highlights a de-risked multi-year FCF growth outlook. Our recent roadshow with CEO Ryan Lance provided clarity on COP's strategic direction, particularly in FCF growth, which is expected to outpace upstream peers.
- Growth Outlook: COP's focus on FCF growth, driven by LNG platform expansion and Alaskan projects, sets it apart from peers. Cost Reduction Initiatives: A \$1 billion cost reduction program is underway, aided by a new ERP system and a functional



organization structure. Willow and Alaska Projects: Concerns about Willow's capex due to inflation are overstated; Alaska's potential is underappreciated with recent legislative changes easing development. LNG Developments: COP's investment in Port Arthur LNG is positioned to significantly boost FCF, with long-term offtake agreements solidifying its strategy.

- Additional Key takes:
 - Long-Cycle Investments: These investments, including Willow and Port Arthur, are expected to drive significant FCF growth with a peak capex in 2025.
 - Equity Stake in Port Arthur: COP's 30% stake in Port Arthur Phase 1 is valued at ~\$2.9Bn, with potential for significant returns as operations ramp up.
 - Market Position: COP remains one of the highest quality and value-conscious upstream names globally, with a strong focus on organic growth opportunities.
- Overall, while the near-term stock performance has been challenging, COP's strategic initiatives and cost efficiencies are expected to de-risk its growth outlook significantly

T-Mobile US, Inc. (TMUS) (Outperform, TP: US\$270.00)

New CEO, Same Attractive Playbook: Sustained Core Momentum, Augmented by a Busy Year of Dealmaking

- T-Mobile is riding a wave of sustained core momentum and strategic dealmaking, positioning itself as a standout growth story in telecom. Expect continued strength in wireless trends and healthy iPhone demand, bolstered by strategic M&A and a smooth leadership transition from Mike Sievert to Srinu Gopalan.
- Core Momentum: Wireless trends are exceeding expectations, with postpaid phone net adds projected at 850k/875k for 3Q/4Q. Initial iPhone pre-orders are also trending positively, indicating strong consumer demand. Leadership Transition: Srinu Gopalan steps in as CEO, bringing a fresh yet aligned vision to "unleash the un-carrier." His approach promises continuity and innovation, with Mike Sievert staying on as vice chairman to guide long-term strategy. M&A Contributions: Recent acquisitions like UScellular, Metronet, and Lumos are forecasted to enhance T-Mobile's revenue and EBITDA. The integration of these assets is expected to drive synergy and growth.
- Additional Key takes:
 - Financial Capacity: T-Mobile's balance sheet flexibility is set to generate substantial excess financial capacity, with \$20bn through 2027 and \$40bn through 2030.
 - Fiber Expansion: T-Mobile Fiber is projected to reach ~4.5mm subscribers and ~\$4.4bn in revenue by 2030. This expansion will likely drive wireless service revenue growth and improve postpaid phone net adds.
 - ARPA Dilution: While short-term ARPA dilution from recent acquisitions is expected, the long-term synergy potential remains promising.
- T-Mobile is navigating a competitive landscape with confidence, leveraging its strategic assets and leadership to drive growth and shareholder value.

Target Price Changes

Birkenstock Holding Ltd (BIRK) (Outperform, TP: US\$68.00)

BIRK Germany Trip Flash: 4Q Trending At/Above Consensus

- BIRK's pre-released 4Q results show promising growth, with revenues reaching at least €1.520m, up 18% YOY excluding FX. This beats both our estimate and the Street's, providing a solid foundation for the upcoming analyst meetings in Germany.
- Revenue Growth: The 4Q revenue growth of 18% ex-FX surpasses our 17% expectation, indicating strong underlying business performance despite FX challenges. EBITDA Outlook: BIRK is on track to exceed our/Consensus EBITDA estimates for F4Q,



with today's release alleviating concerns about visibility during the critical Summer '25 season. New Production Facility: BIRK's acquisition of a new facility in Germany is a strategic move to boost production of core products, reinforcing confidence in future growth prospects.

- Additional Key takes:
 - Strategic Expansion: The acquisition at a favorable cost highlights BIRK's commitment to expanding its production capabilities and exploring further opportunities in the EU.
 - Guidance Reaffirmed: Despite FX pressu es, BIRK maintains its FY25 guidance for Adj. EBITDA margin, aligning closely with our and Street's estimates.

Other Comments

- KB Home (KBH) 3Q25 (August) Review
- Surface Transportation Rails: It's a Good Thing We Have Consolidation to Talk About
- Guardant Health, Inc. (GH) Takeaways from NYC Analyst Day
- Marvell Technology Group Ltd (MRVL) CEO Webinar: Positive Custom-AI and Optics Trends
- Constellation Brands (STZ) Expecting an uneventful F2Q; Outlining key debates going forward

S&P500 Index Earnings Calendar

Figure 1: S&P500 Index Earnings Calendar

| DATE | COMPANY NAME | RIC | TIME | MEAN ESTIMATE |
|--------|-----------------------|---------|-------|---------------|
| 25-Sep | Accenture PLC | ACN.N | BMO | 2.96 |
| 25-Sep | Carmax Inc | KMX.N | BMO | 1.05 |
| 25-Sep | Costco Wholesale Corp | COST.OQ | 16:15 | 5.80 |
| 25-Sep | Jabil Inc | JBL.N | BMO | 2.92 |

Source: LSEG

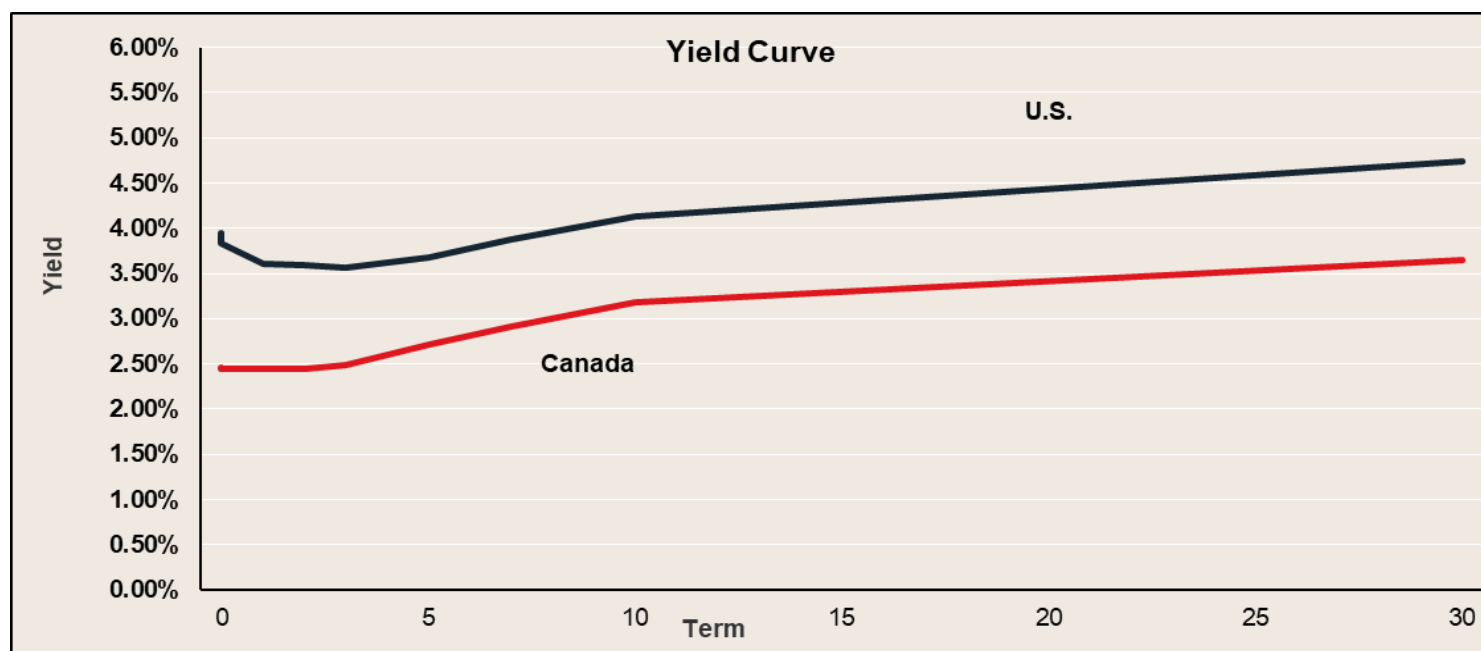


Figure 1: Key Interest Rates (Canada & U.S.)

| Canadian Key Rate | Last | Change bps | Canadian Key Rate | Last | Change bps |
|-------------------------------------|---------|------------|--------------------|---------|------------|
| CDA o/n | 2.50% | 0.0 | CDA 5 year | 2.75% | 1.0 |
| CDA Prime | 4.70% | 0.0 | CDA 10 year | 3.22% | 1.1 |
| CDA 3 month T-Bill | 2.44% | 0.0 | CDA 20 year | 3.58% | 1.1 |
| CDA 6 month T-Bill | 2.43% | 0.0 | CDA 30 year | 3.69% | 1.1 |
| CDA 1 Year | 2.44% | 0.5 | | | |
| CDA 2 year | 2.47% | 1.1 | | | |
| US Key Rate | Last | Change bps | US Key Rate | Last | Change bps |
| US FED Funds | 4-4.25% | 0.0 | US 5 year | 3.74% | 2.4 |
| US Prime | 7.25% | 0.0 | US 10 year | 4.16% | 1.7 |
| US 3 month T-Bill | 3.88% | 1.3 | US 30 year | 4.76% | 0.6 |
| US 6 month T-Bill | 3.85% | 1.0 | 5YR Sovereign CDS | 41.23 | |
| US 1 Year | 3.65% | 1.3 | 10YR Sovereign CDS | 47.91 | |
| US 2 year | 3.62% | 2.0 | | | |
| Preferred Shares Indicators | | | Last | Daily % | YTD |
| S&P Preferred Share Index | | | 676.11 | 0.02% | 6.40% |
| BMO Laddered Preferred Shares (ETF) | | | 11.9 | 0.17% | 8.68% |

Source: LSEG

Figure 2: Yield Curve (Canada & U.S.)





Source: LSEG



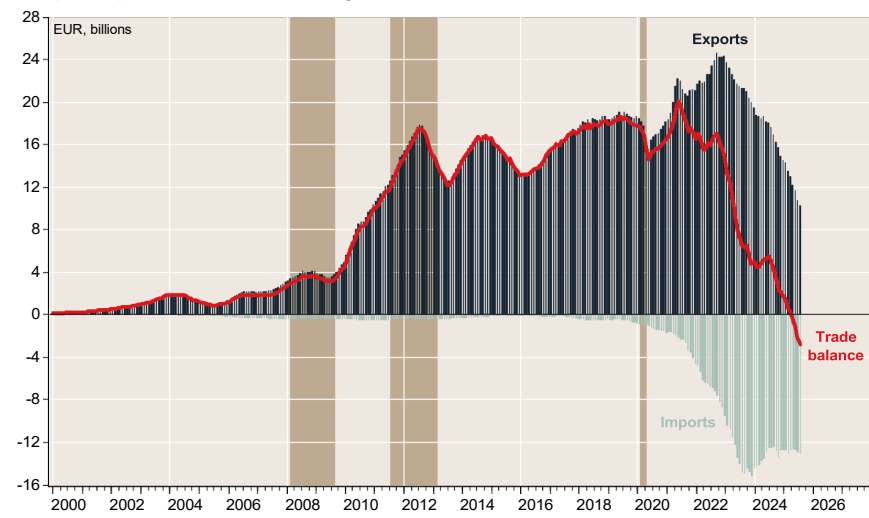
NBC Economics & Strategy

EU: The automotive trade balance with China now in deficit

We have repeatedly expressed our concerns in recent months about the erosion of Canada's industrial base. However, this phenomenon is not limited to our homeland, as evidenced by the latest trade data published by Eurostat. After recording huge surpluses in previous years — up to €20 billion per year just four years ago, as today's Hot Chart shows — the European Union's trade surplus with China in the automotive sector has declined at a staggering pace since the pandemic. In fact, the latest data shows that the surplus has now turned into a deficit, a scenario that would have been considered far-fetched just a few years ago, when European car manufacturers still viewed the emergence of the Chinese middle class as a windfall. What has happened since then? Massive investments (and subsidies) in the electric car sector in recent years have transformed China from a marginal player into a leader in the field. The increase in car production has been so large that domestic demand can no longer absorb it, even amid a cutthroat price war. Car manufacturers have responded by turning to foreign markets, enabling China to surpass Japan in 2023 as the world's leading exporter of motor vehicles. In the European Union, this has resulted in an increase in imports from China from almost nothing just a few years ago to around €13 billion per year today. To halt this phenomenon and protect its local producers, the European Union decided in October 2024 to impose customs duties of up to 45% on Chinese electric cars. While this did not reverse the trend, it stopped the increase in imports. What tariffs failed to do, however, is stem the collapse of exports to China, which have fallen from around €24 billion per year in 2022 to just €10 billion today. This is a worrying trend in countries most exposed to the automotive sector, such as Germany, Slovakia, and the Czech Republic. And even if this reversal of the trend has not had only negative consequences — the influx of cheaper Chinese cars has certainly helped to lower inflation on the Old Continent — we do not believe it will be welcomed in European capitals. In fact, we expect more measures aimed at protecting local producers, both in the European Union and in other jurisdictions. New fronts could yet open up in the global trade war.

Figure 1: EU27: The automotive trade balance with China now in deficit

Merchandise trade with China: motor cars and other motor vehicles principally designed for the transport of persons, 12-month moving sum



Source: NBC Economics and Strategy (data via Eurostat)

[Click for the full report](#)

Quebec: GDP in Q2 severely hit by trade conflict

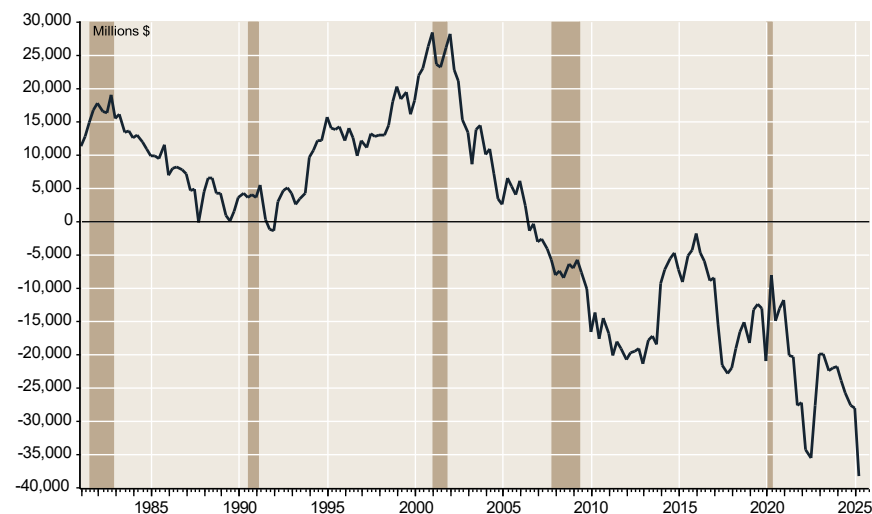
We now have a complete picture of the first quarter during which the U.S. tariffs were imposed, and it's far from reassuring. Quebec's real GDP contracted by the most since the 2008-2009 financial crisis (excluding Covid), and by more than the country as a whole in Q2.



The main reason for this underperformance was the strongest ever negative contribution from international trade (tied with 1987Q4), due to a sharp drop in exports, which were not accompanied, as elsewhere in the country, by a reduction in imports to cushion the blow. As a result, the province's trade deficit reached its highest level ever. The climate of uncertainty also undermined business confidence, with investment in machinery and equipment also falling sharply. However, both exports and these investments weighed less heavily on the downside than was observed across the country as a whole, and it was rather residential construction investment, and more specifically a 15.2% annualized quarterly decline in renovation, that accounted for the sharper contraction in the Quebec economy during the quarter. On the upside, inventories made a strongly positive contribution, as did household consumption. However, the sustainability of this strength is questionable, given that it occurred despite a decline in employee compensation, pushing down the household savings rate. This may be explained by the fact that Quebec was the province with the sharpest deterioration in its labor market during the quarter, according to the SEPH. On a sectoral basis, a majority of industries contracted in Q2, but some were particularly hard hit, notably the utilities sector, which saw an annualized quarterly decline of 20.7%, and whose production level reached its lowest level since Q2 2024 due to low water levels in Hydro-Québec's reservoirs. The manufacturing sector was also heavily affected with a quarterly decline of 11.6%, while production levels were the lowest since Q1 2017 (excluding Covid). Although the economy should regain strength in the months ahead, the strongly negative Q2 results prompt us to revise down our already conservative real GDP growth forecast for 2025 from 0.9% to 0.7% (Canada: +1.2%).

Figure 2: Québec: Trade deficit hits record high

Trade balance (exports-imports)



Source: NBC Economics and Strategy (data via ISQ)

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Evercore ISI Research

Economics & Fixed Income Strategy

Capital Markets Chronicle

Morning Thought

Unemployment claims, durable goods orders and the advance trade release for Aug are key today. We see no sign yet, that claims should trend materially higher. We estimate September's payroll employment rose around +75K. Merchandise trade gap, which surged in July, likely narrowed sharply in August as tariffs were imposed. Real GDP in 2Q may be revised down a touch. And there is a 7-year Treasury auction today. Yesterday's 5-year auction was soft. We grade it a C-. Today's 7-year auction will probably mimic those results.



Capital Markets

The yield curve is a little higher overnight. The 10-year Treasury yield is at 4.150% and the 2-year is at 3.612%. Other developed global sovereign yields are mixed. Germany and France are lower, while most other are up. The dollar, the bitcoin and oil are lower overnight. Gold is higher. The odds of a U.S. government shutdown seem more likely next week as President Trump turned down the offer to meet with key Democrats and threatens more government layoffs. Hungary's policies should boost their household income according to their central bank. U.S. opened national security trade investigations on machinery, robotics and medical equipment. Tariffs could be the next step.

Figure 3: Value of the dollar remains in a range in place since 2021



Source: Evercore ISI Research

New Home Sales Surge

Key Points

New home sales for August surged and were some +23% above consensus estimates. That said they are still -15% below long-term demographic demands. (Consensus expected 0.650 million in Aug). New home demand had been soft, but lower mortgage rates are firming demand. Mortgage rates below 6.5% appears low enough to boost new home sales as is further confirmed by the recent rise in mortgage applications. Today's reports should boost the 10-year Treasury yield and the dollar.

August's new home sales surged 20.5% to 0.800 million from a 0.664 pace in July. Home sales were strong in all regions. The median new home price (seasonally adjusted) rose +1.2% m/m in Aug and are up +1.9% y/y. Lower priced homes are attracting the most demand. The stock of unsold new homes fell again.

Concerning the key upcoming releases, we forecast September's payroll employment will advance +75K and the unemployment rate will likely stay at 4.3%. Average hourly earnings, which are increasingly influential upon capital markets, should advance +0.3%. This would put the y/y gain at 3.7%.

Global Policy & Politics| Political Analysis

As Trump and Democratic Leadership Meeting Pulled Down, Odds of Government Shutdown Going Up

Odds of a government shutdown are rising and now around 65% after President Trump cancelled a planned meeting with Leaders Schumer and Jefferies noting in a Truth Social post "that no meeting with their Congressional Leaders could possibly be productive."



As we have written, there is pressure on Democratic leaders (particularly on Leader Schumer) to show Democrats are standing up to President Trump and fighting for something. It was possible that a meeting would have provided an offramp but as Trump has pulled down the meeting it makes it even harder for Democrats to accept the Republican proposal with nothing in return.

Thus far, the House has passed a bill to fund the government at current levels through Nov 21, but the bill failed to reach the 60-vote threshold in the Senate. The Senate returns Monday with just two workdays before a shutdown.

Right now, neither side is feeling the political pain shutdowns can bring, and until that happens, there might be no break to the impasse. We think once a shutdown gets underway it will be clear that either Democrats or Republicans are losing the message war and risk being blamed. There is a good chance that could happen within a week, but it could stretch longer.

Whoever feels they are getting more of the blame for the shutdown, likely the Democrats, will be more accommodating to end the shutdown, likely via a short-term continuing resolution. At which point, we would expect for Congress to return to debate over full-year appropriations and, importantly, the expiring ACA premium tax credits where we do expect some action before the end of the year.

Even though odds are rising, the macroeconomic impact of a short shutdown is small, temporary, and made up in later weeks, with reduced Federal employee salaries as the primary driver.

Important for markets, a short shutdown could impact the September jobs report scheduled for release on Oct 3. We do not expect for the BLS to release the September jobs report if we are in a full government shutdown on Oct 3, consistent with 2013, however, we would expect the BLS to release the report shortly after the shutdown ends.

Figure 4: Summary of Previous Government Shutdowns

| Calendar Year | Days | Employees Furloughed | Growth Impact |
|---------------|------|----------------------|------------------------|
| 2018-19 | 34 | 300,000 | 0.4 p.p. (2019:Q1) |
| 2013 | 16 | 800,000 | 0.2-0.6 p.p. (2013:Q4) |
| 1996 | 21 | 280,000 | |
| 1996 | 5 | 800,000 | |

Source: CRS, CBO, OMB, Evercore ISI



First Edition Calls

This Week on TEAMS:

MONDAY: Research Services - [8:30 am English call](#) / [9h00 appel français](#)

TUESDAY: Jocelyn Paquet, NBCM Economist - [8:30 am English call](#) / [9h00 appel français](#)

WEDNESDAY: Dennis Mark, NBCM Technical Analyst - [8:30 am English call](#) / [9h00 appel français](#)

THURSDAY: Research Services - [8:30 am English call](#) / [9h00 appel français](#)

FRIDAY: Shane Nagle, NBCM Base Metals Analyst - [8:30 am English call](#) / [9h00 appel français](#)

A replay is available in the Event Calendar of [Research Services SharePoint](#)

Research Services Publications (Links)

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[Better than Bonds Canada - September 2025](#)

[U.S. Turnaround Stories - Update](#)

[Vision Monthly - September 2025](#)

[Selection List - September 2025](#)

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This report along with all the research from NBCM Research Services can also be accessed on our [SharePoint](#)

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