



February 9, 2026

January was a positive start to 2026 for investors, particularly in Canada, with the S&P/TSX Composite Index closing at a record high on January 28th. However, a sharp reversal of gold and silver prices during the last two trading days of the month then knocked over 1,200 points off the index and erased most of its month-to-date gains. Silver slumped over 30% while gold skidded down more than 8%. U.S. equities did not fall nearly as much as the Materials-heavy Canadian market. Despite the selloff, the stunning rise in **gold and silver** to record levels in January was so steep that both still finished the period with price gains.

The extraordinary rise in gold and silver (while no doubt driven in part by speculation), coupled with a steady slide in the U.S. dollar, was interpreted by some observers as possibly a sign of **growing investor unease** about a potential erosion of Fed independence and increasingly politicized policy making. Rising rhetoric about the issue of Greenland was another potential factor, and the falling dollar raised the possibility that investors were easing away from U.S. assets.

The sell-off in metals followed the announcement that Donald Trump had picked Kevin Warsh as his nominee to succeed Jerome Powell in May as **chair of the U.S. Federal Reserve**. Warsh, a Fed governor from 2006-2011 (including the period of the 2008-2009 financial crisis), has in past years been more concerned with higher inflation than slower growth, and the announcement appeared to calm Wall Street concerns that a new Fed chair would yield to Trump's frequent and vocal demands for lower interest rates that could stoke inflation.

It was also a very busy month **geopolitically**. The possibility of deeper, long-term shifts across the global economic and political landscape was the focus of a widely reported speech by Mark Carney at the annual World Economic Forum in Davos. At the same time, the mounting Greenland crisis came to a head but then was suddenly defused,

for now. Earlier in the month, the US briefly invaded Venezuela and abducted its president, Nicholas Maduro. Late in the month, tensions between Iran and the US ratcheted up again as Trump sent a US Navy carrier fleet to the Persian Gulf and made sweeping demands for any potential agreement between the two nations.

For the month, the S&P/TSX Composite Index rose 0.84%, the S&P 500 Index advanced 1.42%, the Nasdaq Index rose 0.97%, the MSCI World Index gained 1.70%, and the MSCI EAFE Index was up 3.22%. In the U.K., the FTSE 100 Index rose up 2.98% while Germany's DAX Index was essentially flat. In Asia, Japan's Nikkei 225 gained 5.54% and the MSCI China composite Index rose 5.52%. In the U.S., the yield on the 10-year Treasury rose slightly in the month (yields fall as prices rise). In Canada, the FTSE Canada Universe Bond Index rose 0.58% for the month. Gold ended January down from a record high set January 29th but still up 15.61% for the month. Despite the precipitous plunge from a record level at month end, silver ended the month up 43.29%. Brent crude oil rose 13.57% during January on escalating tensions between Iran and the U.S.

Monthly developments

In Canada, **inflation** rose 2.4% in December, year over year (YoY), up from 2.2% in November, according to Statistics Canada. However, the agency flagged the impact of the GST and HST holiday a year ago as a key YoY comparative factor. The Bank of Canada's (BoC) Q4 business and consumer surveys released in January underlined that flat sales, weak hiring intentions, and investment focused mainly on maintenance rather than growth were key issues for executives surveyed in November. The consumer survey indicated a similarly cautious outlook.

November GDP data and an early estimate for December were released near the end of the month. If the December estimate is subsequently confirmed, Q4 2025 GDP could turn out to be negative on an annualized basis. **GDP in November** was flat as declines in manufacturing were offset by growth on the services side of the economy.

Existing **home sales** declined 2.7%, month-over-month, in December, the third monthly decline in the past four. New listings and home prices also dipped. Employment rose by a modest 8,000 jobs in December, adding to gains in the previous three 3 months. However, the **unemployment** rate rose to 6.8%, from 6.6%, as new

entrants searched for work, according to Statistics Canada. Employment rose among people aged 55 and older but fell among youth aged 15 to 24.

Against this data backdrop, the **BoC held its policy rate** at 2.25% on January 28th. Governor Macklem commented that elevated uncertainty makes the timing and direction of future decisions difficult to assess and highlighted the Canada-U.S.-Mexico (CUSMA) trade deal review as a primary risk factor for the BoC current forecast of 1.1% GDP growth for 2026.

In the U.S., the big economic news in January was the release of Q3 2025 GDP data, which grew at a very robust annual rate of 4.4%, according to the U.S. Bureau of Economic Analysis. This was up from 3.8% growth in Q2. The Q3 data reflected increases in consumer spending, exports, government spending, and investment. Imports, which are a subtraction in the calculation of GDP, fell.

Inflation remained relatively contained at the end of 2025 despite tariff turbulence. **U.S. consumer prices** rose 2.7% in December from a year earlier, unchanged from November, and in line with expectations. The December data was down from 2.9% December 2024. Core inflation, a measure that excludes the more volatile food and energy prices, fell even more steeply, from 3.2% to 2.6%. But rent, airline fares and medical costs were higher in December compared with November, according to the Labor Department. Gas and used car, and truck prices fell. Producer prices rose the most in five months in December and the unexpectedly large increase in the Producer Price Index was led by a jump in trade services, which gauges changes in margins received by wholesalers and retailers.

November retail sales bumped up more than expected as motor vehicle purchases climbed and broader household spending suggested solid economic activity in Q4. Retail sales rose 0.6% after a downwardly revised 0.1% drop in October, according to the Commerce Department. Yet spending is mainly driven by higher-income households, with lower-income consumers limited by inflationary pressures. Some evidence of this latter perspective came from the preliminary Conference Board consumer survey for January, which fell by 9.7 points to 84.5 (1985=100), from an upwardly revised 94.2 in December. The January reading was the lowest since 2014 despite the good Q2 and Q3 GDP data.

U.S. employers added 50,000 jobs in December, less than the 73,000 expected. The unemployment rate fell to 4.4%. Payroll **employment** rose by 584,000 in 2025, averaging 49,000 new jobs monthly. However, the 2025 total was well short of the two million jobs added in 2024. The Fed kept the federal funds rate at 3.50%-3.75% at its January 28th meeting. Chair Powell reiterated a data-dependent approach going forward and offered no comments on politically sensitive issues. On January 9th, the Department of Justice opened a criminal probe of Powell, a move which quickly drew an online video retort from Powell himself, who called it a "pretext" to influence interest rate policy.

Eurozone GDP beat expectations in Q4 2025 with an expansion of 0.3% compared with consensus expectations of a 0.2% gain. The data showed the economy expanded 1.3% compared with a year earlier, just above expectations of 1.2%. Monthly unemployment data for the euro area dipped slightly in December, from 6.3% to 6.2%. Spain and Portugal were among the top performing economies in Europe at the end of 2025, with estimates pegging growth for each at 0.8% in Q4. Spain's economy was estimated to have expanded by 2.8% in 2025. Headline inflation eased back to the European Central Bank's (ECB) 2% target in December. Core inflation held at 2.4% in Q4, in line with ECB projections.

The U.K. economy grew by a better than expected 0.3% in November after car production picked up and the services sector got a boost. November's data surpassed analysts' expectations of a 0.1% increase and reversed a 0.1% contraction in October. The U.K. inflation rate rose to 3.4% in December, above estimates of 3.3%. Higher tobacco prices were one reason, following recently introduced tax hikes. Core inflation, excluding energy, food, alcohol, and tobacco, stood at 3.2% in December, unchanged from November, according to the Office for National Statistics.

China's Q4 GDP expanded 4.5% YoY, while monthly activity data for December indicated some softness. Retail sales decelerated to 0.9% YoY, while the real estate slump deepened on broad price declines across all surveyed cities. Yet industrial production remained solid with 5.2% YoY growth led by tech exports. December export data signalled a better-than-expected year end with exports up 6.6% YoY. Export growth across non-U.S. markets more than made up for slumping sales to the U.S.,

and China's global trade surplus hit record levels, underscoring the critical importance of export sales for balancing out persistent domestic economic weakness.

Japan's economic activity surprised to the upside in November as household spending rose 2.9% YoY, led by cars, transportation and communications, and education. The improvement came ahead of the government's latest stimulus package. The Bank of Japan (BoJ) made no change to its key interest rate in January following significant turmoil in Japan's bond market. In December, the BoJ raised its key rate to 0.75%, a 30-year high, in a bid to normalise fiscal policy after many years of near-zero or negative rates.

On Tuesday January 20th, Japanese bonds fell sharply as the yield on the 40-year note rose above 4% for the first time since 2007 (yields rise as bond prices fall). The 30-year yield also rose almost 30 basis points to roughly 3.9%, the highest on record. A key catalyst for the sell-off was Prime Minister Takaichi's announcement a day prior of snap elections for February 8th and her pledge to suspend the 8% consumption tax on food for two years. The potential loss of significant government tax revenue, coupled with proposed spending plans, rattled markets already uneasy over Japan's debt to GDP ratio of 240%, the highest in the developed world.

What can we expect now?

The new year had an eventful start as geopolitical tensions and an overheated rally in gold and silver vied for headlines throughout January. But beyond the steady flow of occasionally dramatic daily news, solid economic growth data and relatively benign inflation suggested a good handoff from 2025 to 2026 for the all-important U.S. economy. The outlook for the Canadian economy in 2026 is less positive, as was the case for much of 2025. A quieter tone recently on the Canada-U.S. trade and tariff front was disrupted in January by new U.S. threats following Mark Carney's successful trip to China to secure the removal of some tariffs on Canadian agriculture products in return for lifting levies on a maximum of 49,000 Chinese EVs. And the self-proclaimed U.S. takeover of the Venezuelan oil industry was initially seen as a competitive threat for record Canadian oil exports, but less so once the scale of needed investment in Venezuela's struggling oil industry was more widely understood. With the sharp sell-off in gold and silver, the S&P/TSX Composite Index fell behind U.S. counterparts for

the month but remains ahead on a longer-term basis. Whether this historically unusual trend can hold in 2026 is a key question as trade negotiations come to a head.

We welcome, as always, your thoughts and questions about your personal investment priorities for the coming year.

Sincerely,

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