

Bank of Canada Statement Summary and Commentary: The Bank of Canada (the “Bank”) paused today, keeping its policy rate at 2.75% for the third consecutive meeting.

The Bank stated “In Canada, US tariffs are disrupting trade but overall, the economy is showing some resilience so far. After robust growth in the first quarter of 2025 due to a pull-forward in exports to get ahead of tariffs, GDP likely declined by about 1.5% in the second quarter. This contraction is mostly due to a sharp reversal in exports following the pull-forward, as well as lower US demand for Canadian goods due to tariffs. Growth in business and household spending is being restrained by uncertainty. Labour market conditions have weakened in sectors affected by trade, but employment has held up in other parts of the economy. The unemployment rate has moved up gradually since the beginning of the year to 6.9% in June and wage growth has continued to ease. A number of economic indicators suggest excess supply in the economy has increased since January.”

Regarding inflation, the Bank stated “CPI inflation was 1.9% in June, up slightly from the previous month. Excluding taxes, inflation rose to 2.5% in June, up from around 2% in the second half of last year. This largely reflects an increase in non-energy goods prices. High shelter price inflation remains the main contributor to overall inflation, but it continues to ease. Based on a range of indicators, underlying inflation is assessed to be around 2½%.”

Goodwood Portfolio Reaction: The Bank’s unchanged position regarding the policy interest rate was expected by the market. Market interest rates in Canada have been rising since the last Bank meeting in June. For example, the 2 year Government of Canada bond yield has risen by about 20 basis points from 2.60% on June 4 to 2.80% now. The Government of Canada 10 year bond has risen by about 29 basis points from 3.24% to 3.53% over the same period. Headline inflation is ticking up in Canada - core CPI on a year over year basis has risen in the last three months from 2.2% to 2.7%. In the table below we set our current internal interest rate forecasts. We forecast one 25 basis points cut in Q4 for both Canada and the US. We believe that tariff driven inflation may start to appear in Q3 which will keep the Bank on hold until Q4. An unknown is the government’s fiscal response to the current economic situation which we may see in the Fall budget. A larger than expected budget deficit could put upward pressure on the longer end of the yield curve.

In reaction to the Bank’s announcement, bond prices rose slightly after the announcement (yields down). The Canadian dollar was more or less unchanged.

Goodwood Fixed-Income Strategies: Goodwood uses a disciplined, bottom-up, and fundamental approach in analyzing Canadian investment-grade corporate bonds. The investment-grade portfolios seek to preserve capital and provide a high cash coupon income. We have been adding new issues to the portfolios with cash coupons in the 4.00% to 5.00% per annum range. We believe bonds in our portfolios may appreciate as a result of spread tightening from improving company and industry fundamentals. Our strategies are well diversified by position size, industry sectors and term-to-maturity. Goodwood’s flexible, tactical approach can capitalize on inefficiencies in the fixed-income markets. The long-only investment-grade bond mandate invests in 20-30 fixed-income securities. Similar Long-Short mandates: [Goodwood Milford Fund](#) and RRSP eligible [Goodwood Milford Fund Trust](#). Goodwood also acts as sub-advisor, managing [investment grade bond](#) and [ESG-conscious investment grade bond](#) mandates for third-party clients, institutions, pensions and endowments.

Historical Interest Rate Trend and Forecast:

Quarter	BOC	3M	2Y	5Y	10Y	30Y	FED	3M	2Y	5Y	10Y	30Y
Q1'24	5.00	5.01	4.19	3.54	3.47	3.36	5.50	5.36	4.62	4.21	4.19	4.34
Q2'24	4.75	4.66	4.00	3.52	3.51	3.40	5.50	5.36	4.72	4.33	4.34	4.50
Q3'24	4.25	3.94	2.91	2.74	2.96	3.14	4.75	4.63	3.65	3.58	3.80	4.13
Q4'24	3.25	3.20	2.94	2.97	3.24	3.34	4.50	4.33	4.25	4.39	4.58	4.78
Q1'25	2.75	2.64	2.47	2.62	2.97	3.23	4.50	4.30	3.91	3.98	4.35	4.61
Q2'25	2.75	2.68	2.66	2.83	3.29	3.56	4.50	4.30	3.72	3.79	4.23	4.98
Q3'25	2.75	2.70	2.75	3.00	3.40	3.85	4.50	4.35	3.90	4.00	4.40	4.95
Q4'25	2.50	2.50	2.50	2.75	3.30	3.80	4.25	4.15	3.70	3.85	4.30	4.90
Actual	Forecast	Sources: Historical: LSEG; Forecast: Goodwood Inc., internal forecast used to position our Goodwood bond portfolios										

Corporate Spread (i.e., premium over government bonds) Trend and Forecast:

Corporate bond spreads are 5 to 10 basis points tighter over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on June 4, 2025.

Recent Investment-Grade Additions to Portfolios:

Cargojet Inc 4.599% 06/30/2030
Tamarack 6.875% 07/25/2030
US Treasury 4.125% 02/28/2027

Recent Investment-Grade Deletions from Portfolios:

Citigroup Inc. 4.55% 06/03/2035 [sold]
Enbridge Pipelines Inc 3.52% 02/22/2029 [sold]
Province of Ontario 3.75% 06/02/2032 [sold]
US Treasury 3.875% 08/15/2034 [sold]

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Milford Fund	5.0	3.5
Goodwood Investment-Grade Bonds	4.5	4.0
Goodwood ESG-Conscious Investment-Grade Bonds	3.6	3.8
iShares Core Canadian Universe Bond ETF	7.1	3.6
iShares Canadian Corporate Bond ETF	5.6	4.1

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at June 30, 2025. See full disclosure below.

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