

Federal Open Market Committee Statement Summary and Commentary: In a widely expected move, the US Federal Open Market Committee (the “FOMC”) held the target for the federal funds rate steady at 4¼% to 4½%.

The FOMC stated, “Although swings in net exports continue to affect the data, recent indicators suggest that growth of economic activity moderated in the first half of the year. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated. Uncertainty about the economic outlook remains elevated.”

Two Governors dissented from the decision, Governors Waller and Bowman.

The potential impact of tariffs on inflation has been a steady message from FOMC governors. Less clear is when tariffs will start to show up in the economic data and how long the impact will last. Some FOMC governors are using the old phrase “transitory” to describe the impact of tariffs on inflation but that debate is unresolved.

President Trump has aggressively challenged FOMC Chairman Powell on interest rate policy – Trump wants 300 bps in cuts - and on stewardship relating to construction costs of renovations at the Federal Reserve offices in Washington. It seems clear that in May 2026 we will see a “Trump friendly” FOMC chair who most expect will start lowering interest rates.

The yield curve has shown little change since the last FOMC meeting in June. 2 year yields are down by 5 bps from 3.95% to 3.90% and 10 year yields are essentially unchanged at 4.40%.

Goodwood Portfolio Reaction: The FOMC’s no change interest rate announcement was well anticipated by the market. Recent economic data which shows the US economy strengthening supports the FOMC’s wait and see approach. These indicators include this morning’s GDP Advance Q2 release - a strong 3% which handily beat the 2.4% forecast, inflation – headline CPI has moved up from 2.3% in March to 2.7% in June and retail sales - which rebounded strongly in June. On the labour front, June’s unemployment report fell slightly to 4.1%. Goodwood’s internal interest rate forecast is set out below. We are forecasting one 25 basis points cut from the US FOMC in Q4. After the announcement US bond prices rose between 10-20 cents (yields down).

The Canadian dollar moved very slightly higher after the interest rate announcement.

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

Goodwood C\$ Fixed-Income Strategies:

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.

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]

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