

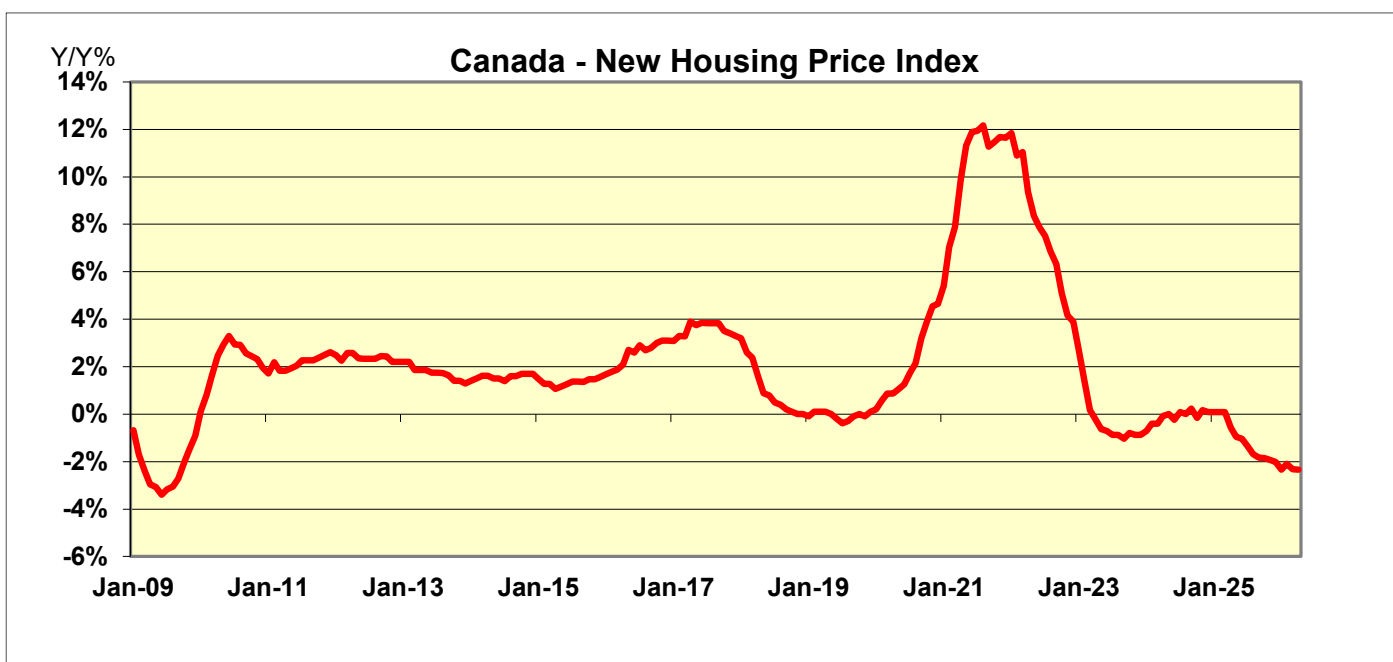
MONTHLY COMMENTARY

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Alfred Lam, MBA, CFA
 Senior Vice-President & Chief Investment Officer
 CI GAM | Multi-Asset Management

Richard J. Wylie, MA, CFA
 Vice-President, Investment Strategy
 CI Assante Wealth Management

Canadian housing problems remain.



Source: CMHC; Statistics Canada

MARKET FOCUS

Housing statistics paint a confusing picture.

The Canada Mortgage and Housing Corporation announced that housing starts improved 16.5% to 279,317 units (seasonally adjusted annual rate) in April. This is up from March’s revised 239,747-unit level (originally reported as 235,852), which was the weakest since October 2025. The CMHC’s six-month trend level (which tends to smooth the results) was 256,777 in this report, up 3.2% from March, which was the weakest since May 2025. Despite considerable political rhetoric over the intervening 5 years, this measure remains well below the June 2021 level of 285,200. Further, Statistics Canada revealed another round of volatile housing numbers as building permits rose 10.3% in April after falling 7.8% in March. The April advance was led by a massive 38.4% improvement in non-residential permits while the residential sector actually posted a 3.3% decline. Total overall permits are now

up 8.5% on a year-over-year basis. Non-residential permits are up 30.8% but residential permits are 2.9% *lower*, on this basis. Statistics Canada also reported that its New Housing Price Index (NHPI) fell 0.4% in April, following a revised 0.2% drop in March. On a year-over-year basis, the index is now *down* 2.3%, the same reading as in the March report. As can be seen in the accompanying graph, this is the weakest figure reported since the global financial crisis (-2.7% y/y in September 2009). Price weakness continues to contrast sharply with the apparent demand for housing. These mixed and volatile results underscore the considerable uncertainty in Canada's housing market.

U.S. inflation accelerates.

The U.S. Bureau of Labor Statistics reported that the consumer price index rose 0.6% (seasonally adjusted basis) in April. Over the last 12 months, the overall index has increased 3.8%, well above the 3.3% figure posted for March and the highest since May 2023 (4.0%). The current data revealed that the energy sub-index was the primary driver, rising 3.8% during the month and standing with a 17.9% advance on a year-over-year basis. Additionally, core inflation (CPI ex food and energy) rose 2.8% (y/y) for April compared to 2.6% in the prior report. The energy price surge that followed the launch of 'Operation Epic Fury' jointly by the U.S. and Israel has been well documented, but elevated oil prices will have a lingering influence on the broader inflation picture for some time. It is unclear how this will influence policy makers at the U.S. Fed's next two-day meeting, scheduled for June 16 and 17.

LONGER VIEW

In the near term, investor sentiment remains constrained by escalating geopolitical tensions stemming from the U.S.–Israel–Iran conflict. These developments have driven a sharp rise in oil prices, reigniting inflation expectations and increasing uncertainty across global markets. However, looking beyond this tragic and destabilizing episode, the medium- to longer-term outlook remains constructive. Economic growth and corporate earnings should be supported by increasingly accommodative central bank policies as inflation pressures eventually normalize. At the same time, productivity gains driven by the next phase of the Industrial Revolution—led by rapid advancements and widespread adoption of artificial intelligence—have the potential to meaningfully enhance efficiency, profitability, and long-term growth prospects across sectors.

THE PLAYBOOK



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