Rates Scenario for June 12, 2025

A Publication of BMO Capital Markets Economic Research • Douglas Porter, CFA, Chief Economist, BMO Financial Group

Forecast Summary

(avg.)	Actual	Forecasts									
	2025	2025					2025	2026			
	May	Jun	Jul	Aug	Sep	Oct	Q4	Q1	Q2	Q3	Q4
BoC overnight[1]	2.75	2.75[2]	2.50	2.50	2.50	2.25	2.25	2.00	2.00	2.00	2.00
10-yr Canadas	3.22	3.30	3.30	3.30	3.30	3.25	3.25	3.25	3.20	3.15	3.10
Fed funds[1]	4.38	4.38	4.38	4.38	4.13	4.13	3.88	3.63	3.38	3.13	2.88
10-yr Treasuries	4.42	4.40	4.40	4.35	4.35	4.30	4.30	4.20	4.15	4.05	4.00
C$ per US$	1.39	1.37	1.36	1.36	1.36	1.36	1.35	1.35	1.34	1.34	1.33
US$/€	1.13	1.15	1.15	1.16	1.16	1.16	1.17	1.18	1.18	1.19	1.20
US$/£	1.34	1.35	1.35	1.36	1.36	1.36	1.37	1.37	1.38	1.38	1.39
¥/US$	145	144	144	144	143	143	142	142	141	141	140

[1] end of period; [2] actual value
Sources: BMO Economics, Haver Analytics

ECONOMIC RESEARCH
economics.bmo.com

Michael Gregory, CFA, Deputy Chief Economist
michael.gregory@bmo.com

Jennifer Lee, Senior Economist
jennifer.lee@bmo.com

Canada-U.S. Rates Outlook

Michael Gregory, CFA, Deputy Chief Economist

The Stagflation Two-Step

The Administration's trade war is complicating monetary policy for both the Federal Reserve and the Bank of Canada by stoking the risks of stagflation. On the **faster inflation** front, U.S. tariffs and Canadian counter-tariffs lift respective import prices and, potentially, the prices of import-competing goods. On the **slower growth** side, these higher prices erode purchasing power and weaken real spending, generally. Meanwhile, the tariffs themselves reduce real exports, specifically, which is the dominant growth drag for the Canadian economy. U.S.-bound shipments weigh in at nearly 20% of GDP, with related business investment compounding the exposure. Sporting a much higher average tariff rate, the U.S. economy's dominant drag is purchasing power erosion, since hardly any jurisdictions have retaliated yet (it's been only China and Canada, mixing in some non-tariff barriers to boot).

And further complicating monetary policy are the data themselves. The impact of tariffs on the indicators, particularly the 'hard' data (prices, sales, and production), are either too preliminary, muddled, or downright delayed. Owing to the erratic implementation of U.S. trade policy, businesses are being extra cautious with their pricing, hiring and capex decisions. Tariff front-running has also been a factor. Amid the uncertainty, both central banks are waiting for the data scale to convincingly sit heavier on the slower growth side, or lighter on the faster inflation side, before taking any next steps.

Federal Reserve: We look for the FOMC to keep policy rates unchanged on June 18, keeping the fed funds target range at 4.25%-to-4.50% for the fourth consecutive confab over the past six months. We reckon the reason proffered for the hold will be comparable to May's motive. Back then, amid the Administration's *"substantial"* policy changes that were still *"evolving"* with their economic effects remaining *"highly uncertain"*, policymakers indicated that, not only had uncertainty *"increased further"* (the adverb was newly added), but it was now judged that *"the risks of higher unemployment and higher inflation have risen"*. The stagflation risk alarm was rung.

Since then, the eye-watering 145% U.S.-China bilateral tariffs were chopped to 30%, but steel and aluminum duties were doubled to 50% with the return (or further postponement) of 'reciprocal' tariffs looming next month. On the

other Administration policy fronts, the House passed a budget chock-full of deficit-financed tax cuts (a potential boost to growth and inflation for a few years) with a controversial component that could negatively impact net foreign investment—which the U.S. still requires to cover its ballooning budget deficit and inadequate domestic savings. The One Big Beautiful Bill is now in the Senate's hands with significant changes anticipated.

True, the stagflation alarm may not be ringing as loudly as it did last month before the average tariff rate was nearly halved. But there's still a sound, and policy uncertainty is still extremely elevated. This points to a Fed meeting theme akin to the last one. Then, it was all about waiting. Powell said: *"For the time being, we are well positioned to wait for greater clarity before considering any adjustments to our policy stance."*

We will get a new **Summary of Economic Projections** (SEP) and its famous 'dot plot'. We expect the two quarter-point rate cut profile to remain for this year and next; even though, for this year, it would take only two participants switching to the 'one-or-none' camp to turn the median dial to one. Last SEP (March) four folks joined this camp, doubling its size. However, this reflected a hefty stagflation-skewed forecast adjustment, hence a need for more policy caution. The median call for real GDP growth this year was lowered by 0.4 ppts to 1.7% y/y (in Q4) with core PCE inflation lifted by 0.3 ppts (to 2.8% y/y). This time, we expect a similar skew but by only a tenth or maybe two, not enough to flip the median.

On balance, we look for a quarterly, 25 bp rate cut cadence to commence in September, lowering the fed funds target range to 2.75%-to-3.00% by next December. This is just slightly below the FOMC's median forecast of the neutral level (3.00%). Compared to our previous Rates Scenario (May 15), **this represents a slower starting and longer running easing cycle** (but the same total of 150 bps), reflecting more expected Fed policy caution.

Bank of Canada: The Bank kept its policy rate unchanged at 2.75% on June 4, for the second consecutive meeting, and after cutting it a cumulative 225 bps over seven straight meetings since June 2024. In the presser, Governor Macklem said: *"Uncertainty remains high. The Canadian economy is softer but not sharply weaker. And we've seen some firmness in recent inflation data. Against this backdrop, we decided to hold the policy rate unchanged as we continue to gain more information on US trade policy and its impacts."*

Looking past the beneficial removal of the consumer carbon tax, April's **inflation** advance was obviously a bother for the Bank. Macklem said: "*The Bank's preferred measures of core inflation, as well as other measures of underlying inflation, moved up in April. There is some unusual volatility in inflation, but these measures suggest underlying inflation could be firmer than we thought."* However, the Governor cautioned not to focus too closely on one month's data and said the Bank *"will be looking closely at the next two CPI reports*". The one for May is due June 25, and for June on July 15, released before the next BoC meeting on July 30. In commenting on the just concluded policy deliberations, Macklem said: *"At this decision there was a clear consensus to hold policy unchanged as we gain more information… On balance, members thought there could be a need for a reduction in the policy rate if the economy weakens in the face of continued US tariffs and uncertainty, and cost pressures on inflation are contained."*

We reckon **the Bank's rate reduction criteria should be satisfied by the end of July** and look for a trio of quarter-point cuts, starting with the next confab and followed by the meetings in October and January (2025). This will leave the policy rate at 2.00%, just a notch below the Bank's estimate of the neutral range (2.25%-to-3.25%). (In the previous Rates Scenario, we had the same pattern but beginning in June.)

Bond yields: Ten-year Treasury yields averaged 4.42% last month and are on track to average around the same this month. The market has maintained yields above 4.00% for 20 of the past 22 months, with only last August and September slipping below. (At the time, speculation over the FOMC's inaugural rate cut was running rampant, and then the Fed surprised with a 50 bp action.) Even on a daily basis, yields have closed above the 4.00% mark consistently since October 7. The lowest was 4.01% on April 4, in the wake of reciprocal tariffs being introduced, which fanned fears of U.S. and global recession.

We look for yields to average around current levels (within a 10 bp range) until the Fed resumes rate cuts in September or is widely speculated to do so. However, amid 150 bps worth of cuts, we no longer judge that yields will slip below 4.00% at their coming nadir. Offsetting more of the impact of Fed easing, America's fiscal fundamentals have deteriorated and are expected to continue doing so. On May 16, Moody's became the last of the 'big 3' credit rating agencies to strip the U.S. of its 'triple A' status.

The last straw for Moody's was where the House of Representatives was headed with the One Big Beautiful Bill, which was passed on May 22. The CBO reckons that by 2034 (one year short of its usual 10-year window), the deficit increase, including interest, would total $3.0 trillion, reflecting the extension of the expiring 2017 tax cuts and the introduction of a bunch of new temporary (until 2029) tax cuts. This could easily top $3.2 trillion on a 10-year tally, adding to the CBO's baseline of $21.8 trillion worth of accumulated deficits by fiscal 2035. While it's said that tariffs could generate offsetting revenue, this doesn't consider the negative impacts of slower growth on other tax revenues and the decline in import volumes (the tariff base), let alone the longevity of the tariffs under the International Emergency Economic Powers Act (IEEPA). The baseline deficit is already projected to average 5.8% of GDP over the next decade, and this is only going to get larger.

Meanwhile, **Canada-U.S. yield spreads** are on track to average around -110 bps this month compared to -120 bps in May, as Canadas continue to modestly underperform their U.S. counterparts. Spreads averaged a record -139 bps back in February. While some rebound from record levels was expected (in part because the BoC has been pausing policy like the Fed), Canada is seeing some of its own fiscal deterioration. For example, between the cost of the Liberal campaign platform and the newly announced increase in defence spending, the 2025-26 deficit could jump from around 1½% of GDP to a bit above 2% (but still small by U.S. standards). As before, we judge that the Fed is poised to cut rates more aggressively than the Bank of Canada, prodding a trend of less negative yield spreads.

U.S. dollar: The Fed's broad trade-weighted dollar index is headed for a 1.2% loss on average this month (based on the latest close), after depreciating 1.4% in May. This marks the fifth consecutive monthly decline for a total 6.0% drop from January's record high. The greenback's slide is even steeper looking at the daily closes; the record high was hit on January 10 and it's down almost 7%.

The initial market, and Administration's, narrative was that tariffs would provide a boost to big dollar, but the net depreciation since their introduction reflects the fact that this driver is overshadowed by more hesitant inflows of foreign investment. Elevated U.S. economic policy uncertainty, more attractive prospective investment returns elsewhere (think EU ahead of massive infrastructure and military spending), and 'quiet' retaliation against U.S. tariffs could be reasons for the hesitancy. Presuming peak tariff troubles are behind us (this assumes the appeals court and, eventually, the Supreme Court, both rule against using IEEPA to justify tariffs), prospective Fed rate cuts should continue the downward pressure on the U.S. dollar, albeit mildly. By this December, we see the index down more than 7% from January's record high and a further 1½% y/y by December 2026. However, the net risk is that the greenback could weaken much more than this.

Canadian dollar: The loonie is on track to average C$1.367 in June (US$0.731), representing the strongest level in nine months. In the interim, when the U.S. dollar was peaking at its record high in January, the Canadian currency had depreciated to its weakest level in nearly 22 years (C$1.439 or US$0.695). The subsequent broad depreciation of the big dollar has been the loonie's main driver. However, the Canadian dollar's gain (5.0%) has fallen slightly short of the U.S. dollar's broad loss (6.0%). This partly reflects the 50 bps of BoC easing through April, along with heightened concern about Canadian economic exposure to U.S. trade policy.

However, going forward, we judge the loonie should at least keep pace with the broad greenback. The BoC and Fed are now on the same quarterly easing clip with the former to end its campaign sooner. Meanwhile, Canadian economic prospects are getting a big boost from stimulative fiscal policy. We look for the Canadian dollar to average C$1.350 (US$0.741) by December and appreciate further to $1.333 (US$0.752) by the end of next year. And the net risk is that it could be stronger than this.

Overseas

Jennifer Lee, Senior Economist

Patience. Wait it out. Take a seat. You get the picture. That seems to be the theme playing out these days among the major central banks and their thinking on monetary policy.

Take the **ECB**. It cut the deposit rate 25 bps to 2.00% on June 5, but President Lagarde raised more than a few eyebrows when she noted that "*I think we are getting to the end of a monetary policy cycle.*" Even though there is still plenty of "*high*" and "*exceptional*" uncertainty ahead, the Governing Council feels that it is "*in a good position*" to deal with whatever comes its way given what it has done so far (200 bps of cuts in just over one year) and where rates are right now (a 29-month low). Post-press conference, Austria's Robert Holzmann admitted that he was the sole dissenter against the cut (no one should be surprised), but there were also reports that a "*clear majority*" of voters want to hold rates steady in July, and "*a few*" are thinking of holding beyond July. That supports BMO's view that **there will be one more cut… 25 bps in September** to land at 1.75%. That should also put a floor under the **euro** and push it towards $1.17 by year-end, and $1.20 by the end of 2026. It also helps that **fiscal stimulus** plans are in the works, including the EU's €150 bln loan for weapons fund, Germany's €500 bln defence/infrastructure fund, and Chancellor Merz's plan for €46 bln in tax breaks, including: corporate tax cuts, a 30% deduction for companies who buy new M&E, and a generous 75% depreciation of new EVs.

The **BoE** last cut rates 25 bps to 4.25% on May 8 (for a combined 100 bps in just under one year) and, once again, had the ability to shock and awe market-watchers with its vote. The cut itself was no surprise, but the vote of 5-2-2 was hardly dovish. Of the nine members of the MPC, a thin majority (of 5) voted in favour of the 25 bp cut and the 'majority of that majority' found the decision to be "*finely balanced*". Two other members voted to keep rates unchanged, while the remaining two opted for a 50 bp cut. BMO's Director & Head, EMEA Rates Strategy, Laurence Mutkin, put it this way: the Bank did not "*deliver a panicky response to global trade developments*". Now, the views from the top are merging after being on divergent paths for awhile. **Chief Economist Pill**, who voted to hold in May, cautioned that the BoE was cutting too quickly and that it should be more "*cautious*". Then, **Governor Bailey**, who voted for a 25 bp cut, maintained his view that the rate path was still "*downwards*". However, he now feels that the pace of easing should be "*gradual and careful*". In fact, the speed is now "*shrouded in a lot more uncertainty*". It doesn't help that the official data do not inspire confidence. The ONS admitted that the April CPI was overstated as it erred in calculating the number of vehicles that were subject to excise duty rates. This comes on top of problems with the jobs data that the statistical agency is still trying to work through. (Note that the latest figures show a slowing labour market.) Despite that uncertainty, the economy's rough start to Q2 (April's GDP drop of 0.3% was the largest since October 2023) may prompt the BoE to get off the sidelines earlier. **BMO still looks for one more 25 bp rate cut, which could come as early as August.** But we look for the **GBP** to rise to around $1.37 by end-2025 and $1.39 by the end of 2026.

The **RBA** has only eased twice so far, both times by 25 bps, bringing the cash rate to a two-year low of 3.85%. The most recent cut in May was dovish. The Press Release cited uncertainty about the world economy and global trade, which make the "*central forecasts subject to considerable uncertainty*". In fact, the RBA "*considered a severe downside scenario*" in May. Governor Michelle Bullock noted during the press conference that there was also discussion about a 50 bp cut, but it "*wasn't the strongest argument in the room*". It will come down to inflation. Although the latest CPI report for April was unhelpful—the trimmed mean accelerated—and despite the uncertainty caused by the trade war and China's slowdown, we see the RBA trimming rates in July and September, taking the cash rate down to 3.35%. Nonetheless, the **AUD** will be able to hold its own ($0.66 by end-2025, $0.67 by end-2026) on the back of a weaker greenback.

The **BoJ** is, perhaps, in the toughest spot. At the start of 2025, it stood out in the crowd as being the only central bank to be very cautiously tightening. But like everywhere else, the trade war is taking a toll on the economy, and because

of above-target inflation, households' real cash earnings are declining. Weaker household finances, coupled with higher inflation, is causing some hesitancy to raise rates. **Our base case** is for **no changes to monetary policy this year**, but it is important to stress that the possibility of a move cannot be dismissed. The Bank wants to be clear: it intends to bring inflation back to target. On June 10, Governor Ueda said that if the Bank has "*more conviction that underlying inflation will approach 2% or hover around that level, we will continue to raise rates.*" At the same time, given the hefty sell-off of long-term yields recently, there will be intense interest in any announcements regarding its pace of bond purchases (whether it will slow down the pace or not). We expect the **JPY** to rally to ¥142 by the end of this year and ¥140 by the end of 2026, with the risk of it being stronger if the BoJ tightens.

Foreign Exchange Forecasts

(local currency per US$: avg.)	Actual 2025 May	Forecasts 2025 Jun	Jul	Aug	Sep	Oct	2025 Q4	2026 Q1	Q2	Q3	Q4
Canadian Dollar											
C$ per US$	1.39	1.37	1.36	1.36	1.36	1.36	1.35	1.35	1.34	1.34	1.33
US$ per C$[1]	0.721	0.733	0.734	0.735	0.737	0.738	0.739	0.743	0.745	0.748	0.750
Trade-weighted	114.9	115.9	116.0	116.1	116.2	116.3	116.4	116.6	116.8	117.0	117.1
U.S. Dollar											
Trade-weighted[2]	122.7	121.0	120.8	120.5	120.3	120.1	119.9	119.3	118.9	118.4	118.0
European Currencies											
Euro[1]	1.13	1.15	1.15	1.16	1.16	1.16	1.17	1.18	1.18	1.19	1.20
Danish Krone	6.62	6.50	6.50	6.50	6.50	6.50	6.50	6.45	6.40	6.40	6.35
Norwegian Krone	10.30	10.00	9.95	9.95	9.90	9.90	9.85	9.80	9.75	9.65	9.60
Swedish Krone	9.66	9.50	9.45	9.45	9.40	9.40	9.35	9.30	9.25	9.20	9.15
Swiss Franc	0.83	0.82	0.81	0.81	0.81	0.81	0.80	0.80	0.80	0.79	0.79
U.K. Pound[1]	1.34	1.35	1.35	1.36	1.36	1.36	1.37	1.37	1.38	1.38	1.39
Asian Currencies											
Chinese Yuan	7.22	7.18	7.18	7.17	7.17	7.16	7.16	7.14	7.13	7.12	7.10
Japanese Yen	145	144	144	144	143	143	142	142	141	141	140
Korean Won	1,391	1,360	1,360	1,355	1,355	1,355	1,355	1,350	1,345	1,345	1,345
Indian Rupee	85.2	85.6	85.6	85.5	85.5	85.4	85.4	85.2	85.1	84.9	84.8
Singapore Dollar	1.29	1.28	1.28	1.28	1.28	1.28	1.28	1.27	1.27	1.27	1.27
Malaysian Ringgit	4.27	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20
Thai Baht	33.0	32.5	32.5	32.4	32.4	32.3	32.3	32.2	32.2	32.1	32.0
Philippine Peso	55.6	55.8	55.7	55.7	55.6	55.6	55.5	55.4	55.3	55.2	55.1
Taiwan Dollar	30.2	29.7	29.6	29.6	29.6	29.5	29.5	29.4	29.4	29.3	29.3
Indonesian Rupiah	16,444	16,255	16,240	16,230	16,215	16,200	16,190	16,155	16,130	16,100	16,070
Other Currencies											
Australian Dollar[1]	0.644	0.650	0.652	0.653	0.655	0.657	0.658	0.662	0.664	0.667	0.669
New Zealand Dollar[1]	0.594	0.605	0.607	0.608	0.610	0.612	0.613	0.617	0.619	0.622	0.624
Mexican Peso	19.46	19.00	18.95	18.90	18.90	18.85	18.80	18.70	18.65	18.55	18.50
Brazilian Real	5.67	5.55	5.55	5.55	5.55	5.50	5.50	5.45	5.40	5.35	5.25
South African Rand	18.1	17.8	17.8	17.8	17.8	17.8	17.8	17.7	17.6	17.6	17.5
Cross Rates											
Versus Canadian Dollar											
Euro (C$/€)	1.56	1.57	1.57	1.57	1.57	1.58	1.58	1.58	1.59	1.59	1.60
U.K. Pound (C$/£)	1.85	1.84	1.84	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85
Japanese Yen (¥/C$)	104	106	106	106	106	105	105	105	105	105	105
Australian Dollar (C$/A$)	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89
Versus Euro											
U.K. Pound (£/€)	0.84	0.85	0.85	0.85	0.85	0.85	0.85	0.86	0.86	0.86	0.86
Japanese Yen (¥/€)	163	166	166	166	166	166	166	166	167	167	168

[1] (US$ per local currency); [2] Federal Reserve Broad Index

Sources: BMO Economics, Haver Analytics

Interest Rate Forecasts

(% : avg.)	Actual	Forecasts									
	2025	2025					2025	2026			
	May	Jun	Jul	Aug	Sep	Oct	Q4	Q1	Q2	Q3	Q4
Canada											
Overnight target (period end)	2.75	2.75[6]	2.50	2.50	2.50	2.25	2.25	2.00	2.00	2.00	2.00
Overnight target	2.75	2.75[6]	2.74	2.50	2.50	2.48	2.33	2.08	2.00	2.00	2.00
CORRA[2]	2.75	2.75	2.74	2.50	2.50	2.48	2.33	2.08	2.00	2.00	2.00
3-month bills	2.62	2.65	2.65	2.45	2.45	2.40	2.25	2.00	1.95	1.95	1.95
6-month	2.59	2.65	2.65	2.45	2.45	2.45	2.30	2.10	2.05	2.05	2.05
1-year	2.56	2.65	2.60	2.45	2.40	2.35	2.25	2.05	2.05	2.10	2.15
2-year bonds	2.59	2.65	2.55	2.45	2.40	2.30	2.20	2.05	2.10	2.20	2.25
3-year	2.61	2.70	2.65	2.60	2.55	2.50	2.40	2.35	2.40	2.45	2.50
5-year	2.82	2.90	2.85	2.85	2.80	2.75	2.70	2.65	2.65	2.65	2.70
7-year	3.00	3.10	3.05	3.05	3.00	3.00	3.00	2.95	2.90	2.90	2.90
10-year	3.22	3.30	3.30	3.30	3.30	3.25	3.25	3.25	3.20	3.15	3.10
30-year	3.53	3.60	3.60	3.60	3.55	3.55	3.55	3.50	3.45	3.45	3.40
Prime rate	4.95	4.95[6]	4.94	4.70	4.70	4.68	4.53	4.28	4.20	4.20	4.20
United States											
Fed funds target (period end)	4.38	4.38	4.38	4.38	4.13	4.13	3.88	3.63	3.38	3.13	2.88
Fed funds target	4.38	4.38	4.38	4.38	4.27	4.13	4.07	3.84	3.59	3.34	3.07
EFFR[3]	4.33	4.33	4.33	4.33	4.23	4.09	4.03	3.81	3.57	3.32	3.06
SOFR[4]	4.30	4.29	4.28	4.28	4.18	4.04	3.99	3.78	3.54	3.30	3.05
3-month bills	4.36	4.45	4.45	4.45	4.35	4.20	4.10	3.85	3.60	3.30	3.00
6-month	4.30	4.30	4.30	4.30	4.20	4.05	4.00	3.80	3.55	3.30	3.05
1-year	4.09	4.10	4.05	4.05	3.95	3.85	3.80	3.60	3.40	3.20	3.00
2-year notes	3.92	3.95	3.90	3.85	3.75	3.70	3.65	3.45	3.30	3.10	2.95
3-year	3.90	3.90	3.85	3.80	3.80	3.75	3.70	3.55	3.45	3.30	3.20
5-year	4.02	4.05	4.00	3.95	3.95	3.90	3.85	3.75	3.65	3.55	3.45
7-year	4.22	4.20	4.20	4.15	4.15	4.10	4.10	4.00	3.90	3.85	3.75
10-year	4.42	4.40	4.40	4.35	4.35	4.30	4.30	4.20	4.15	4.05	4.00
30-year bonds	4.90	4.90	4.90	4.85	4.85	4.80	4.80	4.70	4.65	4.55	4.50
Prime rate	7.50	7.50	7.50	7.50	7.40	7.25	7.20	6.97	6.72	6.46	6.19
Other G7											
ECB Deposit Rate[1]	2.25	2.00[6]	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75
10yr Bund	2.57	2.60	2.60	2.60	2.60	2.60	2.65	2.55	2.50	2.40	2.30
BoE Repo[1]	4.25	4.25	4.25	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.00
SONIA[5]	4.26	4.21	4.21	4.21	4.21	4.21	4.06	3.96	3.96	3.96	3.96
10yr Gilt	4.63	4.65	4.70	4.70	4.75	4.80	4.80	4.75	4.70	4.60	4.50
BoJ O/N[1]	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
10yr JGB	1.43	1.40	1.36	1.33	1.30	1.27	1.23	1.20	1.20	1.20	1.20

[1] end of period; [2] Canadian Overnight Repo Rate Average; [3] Effective Fed Funds Rate; [4] Secured Overnight Financing Rate; [5] Sterling Overnight Index Average; [6] actual value

Sources: BMO Economics, Haver Analytics

General Disclosures

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Bank N.A. (member FDIC), Bank of Montreal Europe p.l.c, and Bank of Montreal (China) Co. Ltd, the institutional broker dealer business of BMO Capital Markets Corp. (Member FINRA and SIPC) and the agency broker dealer business of Clearpool Execution Services, LLC (Member FINRA and SIPC) in the U.S., and the institutional broker dealer businesses of BMO Nesbitt Burns Inc. (Member Canadian Investment Regulatory Organization and Member Canadian Investor Protection Fund) in Canada and Asia, Bank of Montreal Europe p.l.c. (authorised and regulated by the Central Bank of Ireland) in Europe and BMO Capital Markets Limited (authorised and regulated by the Financial Conduct Authority) in the UK and Australia. BMO does not represent that this document may be lawfully distributed, or that any financial products may be lawfully offered or dealt with, in compliance with any regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder. This document is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Their contents have not been reviewed by any regulatory authority. Bank of Montreal or its subsidiaries (“BMO Financial Group”) has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This document is not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such Information be considered as investment advice or as a recommendation to enter into any transaction. Each investor should consider obtaining independent advice before making any financial decisions. This document is provided for general information only and does not take into account any investor’s particular needs, financial status or investment objectives. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Dissemination of Economic Publications: Our publications are disseminated via email and may also be available via our web site https://economics.bmo.com. Please contact your BMO Financial Group Representative for more information.

Additional Matters

This report is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Its contents have not been reviewed by any regulatory authority. BMO Capital Markets does not represent that this report may be lawfully distributed or that any financial products may be lawfully offered or dealt with, in compliance with regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder.

To Australian residents: BMO Capital Markets Limited and Bank of Montreal are exempt from the requirement to hold an Australian financial services licence under the Corporations Act in respect of financial services they provide to wholesale investors (as defined in the Corporations Act). BMO Capital Markets Limited is regulated by the UK Financial Conduct Authority under UK laws, and Bank of Montreal in Hong Kong is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission which differ from Australian laws. This document is only intended for wholesale clients (as defined in the Corporations Act 2001),Eligible Counterparties or Professional Clients (as defined in Annex II to MiFID II) and Professional Investors (as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules under the Securities and Futures Ordinance of Hong Kong).

To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.

To E.U. Residents: In an E.U. Member State this document is issued and distributed by Bank of Montreal Europe plc which is authorised and regulated in Ireland and operates in the E.U. on a passported basis. This document is only intended for Eligible Counterparties or Professional Clients, as defined in Annex II to “Markets in Financial Instruments Directive” 2014/65/EU (“MiFID II”).

To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to retail clients.

To Hong Kong Residents: In Hong Kong, this report is published and distributed by Bank of Montreal. Bank of Montreal (incorporated in Canada with limited liability) is an authorized institution under the Banking Ordinance and a registered institution with the Securities and Futures Commission (CE No. AAK809) to carry on Type 1 (dealing in securities) and Type 4 (advising in securities) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong). This report has not been reviewed or approved by any regulatory authority in Hong Kong. Accordingly this report must not be issued, circulated or distributed in Hong Kong other than (a) to professional investors as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules under the Securities and Futures Ordinance of Hong Kong, or (b) in circumstances which do not result in or constitute an offer to the public in Hong Kong.

To Israeli residents: BMO Capital Markets is not licensed under the Israeli Law for the Regulation of Investment Advice, Investment Marketing and Portfolio Management of 1995 (the "Advice Law") nor does it carry insurance as required thereunder. This document is to be distributed solely to persons that are qualified clients (as defined under the Advice Law) and qualified investors under the Israeli Securities Law of 1968. This document represents the analysis of the analyst but there is no assurance that any assumption or estimation will materialize.

To Korean Residents: This report has been provided to you without charge for your convenience only. All information contained in this report is factual information and does not reflect any opinion or judgement of BMO Capital Markets. The information contained in this report should not be construed as offer, marketing, solicitation or investment advice with respect to financial investment products in this report.

To Japan Residents: This report has not been reviewed by any regulatory authority in Japan. This report is provided for information purposes only and it should not be construed as an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide investment management or advisory or other services in Japan. Securities may not be offered or sold in Japan by means of this report or any other document other than to Qualified Financial Institutions within the meaning of item (i) of Article 17-3 of the Government Ordinance to enforce the Financial Instruments and Exchange Act (Kinyu Shohin Torihiki Ho Sekou Rei). Unless specified otherwise, the securities that may be offered to you are not and will not be registered in Japan pursuant to the Financial Instruments and Exchange Acts.

To Taiwanese Residents: This report is not intended to constitute investment advice nor a public offer for any investment products to investors in Taiwan. This report should only be accessed by investors in Taiwan that are qualified to invest in investment products pursuant to relevant Taiwanese laws and regulations, and subject to sales restrictions as set forth in the relevant Taiwanese laws and regulations. BMO Capital Markets has not and will not secure the required licenses in Taiwan for the offer of securities and investment services. Any offer of securities has not been and will not be registered or filed with or approved by the Financial Commission of Taiwan and/or other regulatory authority pursuant to relevant securities laws and regulations of Taiwan, and may not be issued, offered or sold within Taiwan through a public offering or in circumstances which constitute an offer that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority in Taiwan under relevant securities laws and regulations of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the securities in Taiwan.

To PRC Residents: This material does not constitute an offer to sell or the solicitation of an offer to buy any financial products in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan, the “PRC”). BMO and its affiliates do not represent that this material may be lawfully distributed, or that any financial products may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. This material may not be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

To Singapore Residents: This report is intended for general circulation and does not and is not intended to constitute the provision of financial advisory services, whether directly or indirectly, to persons in Singapore. You should seek advice from a financial adviser regarding the suitability of the investment products, taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. This report has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, it should not be circulated or distributed, nor may the securities described herein be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor or a relevant person as defined in and pursuant to and in accordance with the conditions of the relevant provisions of the Securities and Futures Act of Singapore or (b) otherwise pursuant to and in accordance with the conditions of, any other applicable provision of the SFA.

To Thai Residents: The contents hereof are intended solely for the use of persons qualified as Institutional Investors according to Notification of the Securities and Exchange Commission No. GorKor. 11/2547 Re: Characteristics of Advice which are not deemed as Conducting Derivatives Advisory Services dated 23 January 2004 (as amended). BMO and its affiliates do not represent that the material may be lawfully distributed, or that any financial products may be lawfully offered, in compliance with any regulatory requirements in Thailand, or pursuant to an exemption available under any applicable laws and regulations.

To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal.

These documents are provided to you on the express understanding that they must be held in complete confidence and not republished, retransmitted, distributed, disclosed, or otherwise made available, in whole or in part, directly or indirectly, in hard or soft copy, through any means, to any person, except with the prior written consent of BMO Capital Markets.Furthermore, you shall not use (nor enable or procure any third party to use) these materials, in whole or in part, for the development of any software program, model, algorithm, or generative artificial intelligence (AI) tool or any other derivative content, including, but not limited to, training or using these materials in connection with the development or operation of a machine learning or artificial intelligence (AI) system (including any use of these documents for training, fine tuning, or grounding the machine learning or AI system or as part of retrieval-augmented generation). **ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST**

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Bank N.A., (Member FDIC). Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets. ® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere. ™ Trademark Bank of Montreal in the United States and Canada. © COPYRIGHT 2025 BMO CAPITAL MARKETS CORP. A member of BMO Financial Group