



December 3, 2025 (**Door 3**)

The anatomy of a ho-ho-hold

By Taylor Schleich



As the holiday season approaches, we carry on (with glee!) through **NBC's 2025 Economic Advent Calendar**. Let's see what's behind **Door #3**... (See **page 2** for full schedule of past and upcoming releases in this series).

Five weeks ago, the Bank of Canada effectively declared its easing cycle was over. To them, the policy rate is “at about the right level” to keep inflation on target and help the economy through a “structural adjustment”. At the time, there was skepticism that the Bank's job was done, and to some extent, there still is. However, their stance looks more credible after a trio of strong jobs, inflation and GDP reports.

If this is truly as low as they'll go, the next rate change looks to be a hike. So how long might we have to wait? More recent history suggests it'll be a while. It took nearly two years to tighten following both the COVID easing cycle and the ‘mini’ one in 2015. Investors see things playing out similarly this go round as the first full hike isn't priced until mid-2027. Those looking further back in history may draw a different conclusion. Coming out of the GFC, the Bank held at the zero lower bound for just 13 months before tightening.

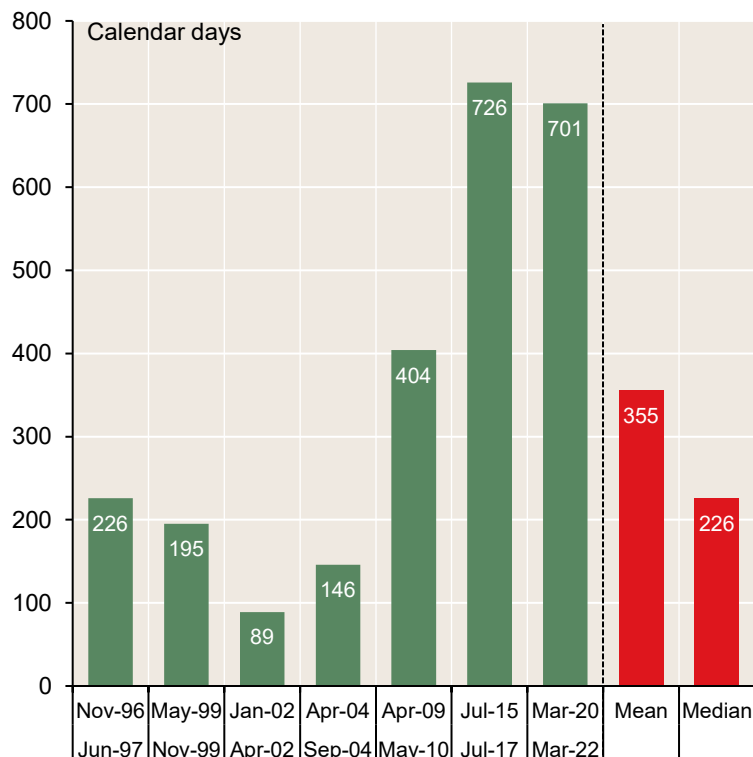
And following the four preceding easing cycles, policymakers never stood sidelined more than 7 months.

No two episodes are the same but if you were to construct an “average” hold period, it would span a little less than a year. Projected onto the present, it would imply the Bank could be tightening next fall. That may not be our base case, but it could materialize if inflation pressures fail to abate and the recent pace of GDP growth and hiring is sustained.

If historical periods are a helpful guide, one should expect the yield curve to flatten in 2026. While the success rate isn't perfect, the curve has moved this way more often than not. On average, the 2s-10s curve is ~30 bps flatter six months after the last cut and nearly 50 bps flatter after a year. Since late October, the yield curve has *steepened*, presenting an attractive entry point to those looking for history to repeat.

How long does the BoC hold after easing cycles?

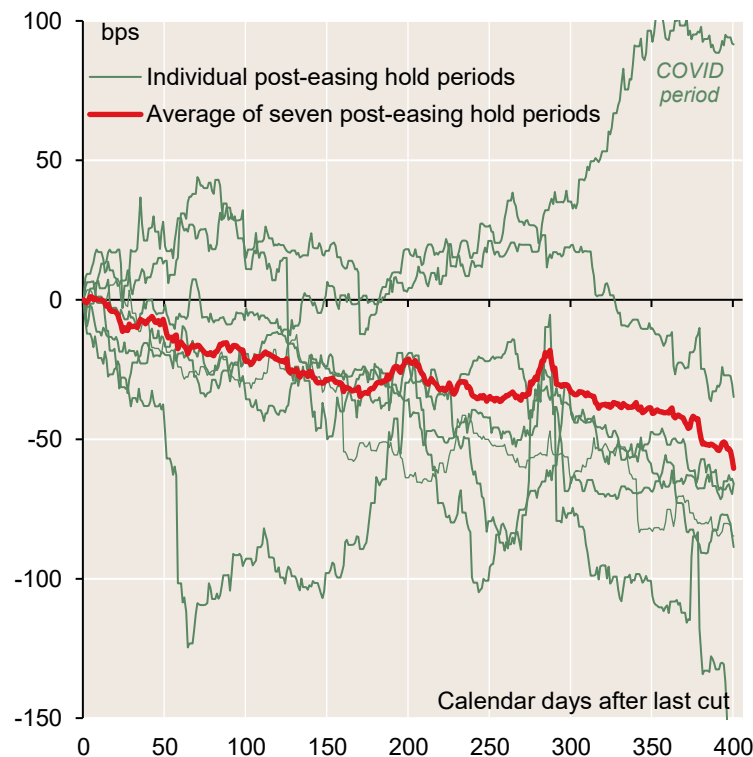
Duration of hold period* after historical Bank of Canada easing cycles



Source: NBC, BoC, Bloomberg | Note: Hold period is defined as the time between final cut of easing cycle and the next hike.

How does the yield curve behave post-cuts?

Change in 2s-10s curve after final cut of historical BoC easing cycles



Source: NBC, BBG | Note: In some cycles, the BoC began hiking before 400 days (x-axis length). These are still included in the sample average.



NBC's 2025 Economic Advent Calendar

- Door 1: Let it ~~snow~~ cash flow ([link](#) - released December 1st)
- Door 2: Last ~~Christmas~~ Trump Term ([link](#) - released December 2nd)
- Door 3: The anatomy of a ho-ho-hold (released December 3rd)
- Door 4: ??? (coming December 4th)
- Door 5: ??? (coming December 5th)
- Door 6: ??? (coming December 8th)
- Door 7: ??? (coming December 9th)
- Door 8: ??? (coming December 10th)
- Door 9: ??? (coming December 11th)
- Door 10: ??? (coming December 12th)
- Door 11: ??? (coming December 15th)
- Door 12: ??? (coming December 16th)
- Door 13: ??? (coming December 17th)
- Door 14: ??? (coming December 18th)
- Door 15: ??? (coming December 19th)



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