

Financial HARTbeat

US Stock Market not happy
March 10 2025



Good Morning,




As expected, Mark Carney won the leadership race for the Liberal Party of Canada...

Long end of the Bond curve in Canada falling....means bonds rising...maybe market if finally taking Trump to task?

Can stocks really be this mispriced sometimes? Redfin being acquired for a 75% premium..

Catch the playback of our Weekly Roundup [here](#)

Chart of the Day: Rate cut in Canada this week?

	 Bank of Canada	 Federal Reserve	 European Central Bank
Rates			
President / Chair	Tiff Macklem	Jerome Powell	Christine Lagarde
Policy rate	Overnight rate	Fed Funds rate	Deposit facility rate
Current policy rate	3.00%	4.50%	2.50%
Next meeting			
Next meeting date	March 12, 2025	March 19, 2025	April 17, 2025
Market-implied policy rate*	2.79%	4.49%	2.13%
Spread vs. current rate	-21 bp	-1 bp	-37 bp
Probability of...			
... hike	0%	0%	0%
... hold	17%	97%	0%
... cut	83%	3%	100%
Rate cuts			
25bps cuts priced in over...			
... next 3 months	1.4	0.7	2.1
... next 6 months	-	1.8	2.6
... next 12 months	-	3.0	-

*Derived from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).



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Top News

U.S. stock index futures fell this morning as worries persisted that the Trump administration's tariff policies could affect the world's largest economy, while EV maker Tesla declined following a bearish brokerage forecast. Futures tracking the more domestically focused small-caps Russell 2000 index declined nearly 1%, while investors flocked to safe-haven Treasury bonds. In an interview on Sunday, President Donald Trump declined to predict whether the U.S. could face a recession, at a time when investors are concerned that his fluctuating trade policies on Mexico, Canada and China could dampen consumer demand and corporate investment. China's retaliatory tariffs on some U.S. imports will take effect today and U.S. tariffs on some base metals are expected to take effect later in the week. Investors will also monitor U.S.-Canada relations.

Former central banker Mark Carney won the race to become leader of Canada's ruling Liberal Party and will succeed Justin Trudeau as prime minister, according to official results.

A Reuters poll found 91% of economists view the odds of a downturn to have increased under Trump's rapidly shifting trade policies. Since last week, the CBOE Volatility index has been at levels not seen since December. Data on inflation, job openings and consumer confidence are due later in the week. The numbers could offer insights into the health of the economy and the U.S. Federal Reserve's monetary policy path.

Futures tied to Canada's main stock index also fell this morning as concerns of a global trade war persisted, while investors also eyed the Bank of Canada's interest rate decision later in the week.

In commodities, oil prices inched up, though investors remained worried over the impact of U.S. tariffs on global economic growth and fuel demand, as well as rising output from OPEC+ producers. Gold prices were mostly steady, while copper prices edged lower.

European shares fell to a three-week low this morning, extending losses after a week of extreme volatility due to heightened uncertainties around U.S. tariffs. European Union finance ministers were set to discuss



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how to pay for defense through new joint borrowing, existing EU funds and a greater role for the European Investment Bank. On the economic front, German industrial output rose in January, but exports plunged, suggesting the outlook for the euro zone's largest economy remains anything but rosy.

China and Hong Kong stocks declined today as mounting deflationary pressures heightened concerns over the country's economic recovery amid escalating global trade tensions. China's consumer price index (CPI) in February missed expectations and fell at the sharpest pace in 13 months, while producer price deflation persisted, as seasonal demand faded and households remained cautious about spending amid job and income worries.

Japan's Nikkei rose in a choppy session, led by semiconductor-related shares as investors snapped up deals, although uncertainty around U.S. tariff policies limited the index's rise.

Bond Spreads Narrow (Argus)

Treasury bond yields have been falling in recent weeks as concerns over economic growth have returned amid the tariff and immigration debate, as well as from the job-cutting in Washington, DC. Meanwhile, corporate bond yields have headed lower as well, but not as rapidly as Treasury yields, this as fixed-income investors are focusing more on high corporate cash levels and balance sheet strength. As a consequence, spreads between corporate and Treasury bond yields have widened, though they are still tighter than historical averages. For example, the spread between AAA-rated corporate bonds and 10-year government bonds in February was 104 basis points (bps), up from 52 bps in December but still lower than the historical average of 104. The gap between the government 10-year bond yield and a BAA-rated bond (still investment grade) in February was 14 basis points, below the historical average spread of 228 bps but wider by about 50 bps in the past two months. We watch these spreads closely for several reasons.

One, from an asset-allocation standpoint, tight corporate bond spreads signal that corporate bond prices are above historical fair value, and we may look to under-weight the segment in our model portfolios. Two, from a broad market standpoint, the changes in the spreads offer clues to the bond market's view of corporate financial strength, which appears to be improving, given the narrowing spreads.



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Bond Yields

Figure 1: Key Interest Rates (Canada & U.S.)

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	3.00%	0.0	CDA 5 year	2.65%	-4.5
CDA Prime	5.20%	0.0	CDA 10 year	2.98%	-5.1
CDA 3 month T-Bill	2.72%	-2.0	CDA 20 year	3.15%	-3.7
CDA 6 month T-Bill	2.71%	-2.0	CDA 30 year	3.23%	-3.7
CDA 1 Year	2.64%	-3.0			
CDA 2 year	2.56%	-3.6			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.02%	-7.3
US Prime	7.50%	0.0	US 10 year	4.24%	-7.4
US 3 month T-Bill	4.20%	-0.6	US 30 year	4.55%	-6.9
US 6 month T-Bill	4.23%	-1.9	5YR Sovereign CDS	39.48	
US 1 Year	4.03%	-3.5	10YR Sovereign CDS	42.45	
US 2 year	3.95%	-5.2			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			642.55	0.17%	1.12%
BMO Laddered Preferred Shares (ETF)			11.05	0.36%	0.91%

Source: LSEG

Things are looking up! Have a great day!

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