

Financial HARTbeat

Bank of Canada day
March 12 2025



Good Morning,

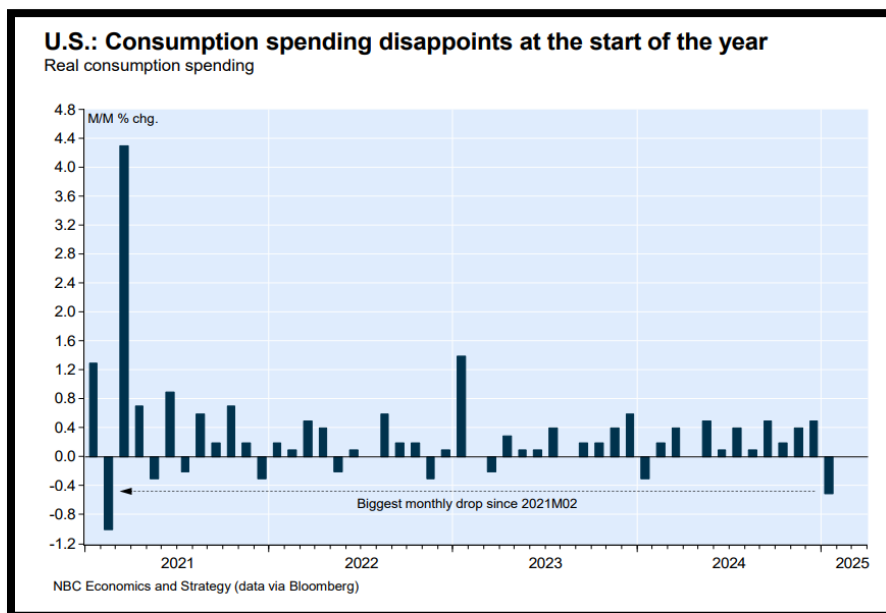
Markets pricing in a 25 bps cut today from the Bank of Canada...will be interesting to listen and watch to what is said about future direction....

Market pausing and bouncing a little today...lets see if the pressure is off for now...sentiment was quite negative so would make sense to get some upside today..

US inflation came in lighter than expected...markets like this maybe tilts FOMC to cut next week?

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

Chart of the Day: Makes sense...but also makes you understand what is likely next...stimulus and some increase in M2 (Money supply)...to give the consumer a boost...



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Top News

U.S. stock index futures rose this morning, stabilizing after a tumultuous session, as investors weighed the implications of President Donald Trump's tariffs on base metal imports and also digested a key inflation report. With Trump's 25% protectionist tariffs on all steel and aluminum imports taking effect a month after they were announced, the European Commission vowed retaliatory levies from next month, making the EU the latest trade partner to clash with the U.S. administration. Labor Department data showed the Consumer Price Index rose 2.8% on an annual basis in February versus the 2.9% increase forecast by economists. On a monthly basis, the index rose 0.2%, compared to an estimated 0.3% rise. The core figure, which excludes the volatile food and energy components, rose 0.2% on a monthly basis against an expectation of a 0.3% advance. Annually, it came in at 3.1%, versus an estimated 3.2% increase. Interest rate futures point to the U.S. Federal Reserve keeping borrowing costs unchanged until June at its meeting next week. However, traders expect that signs of economic weakness could force the central bank to deliver at least 75 basis points worth of rate cuts by December.

Futures tied to Canada's main stock index rose in the run-up to the Bank of Canada's interest rate decision later in the day, which is expected to result in a quarter-point cut. The BoC is widely expected to lower its benchmark rate to 2.75% to mitigate against U.S. tariffs, with traders expecting at least two more cuts by the end of 2025 to support the economy amid a looming trade war with the United States. U.S. President Donald Trump on Tuesday backed off from plans to double the trade duties on Canadian steel and aluminum products, following Ontario province's decision to suspend a 25% surcharge on electricity exports to the U.S. states of Minnesota, Michigan and New York. In commodities, oil prices edged up this morning as a weaker U.S. dollar extended support.

Gold prices were mostly flat, with market attention on Trump's tariff policies and a key U.S. inflation report.

European shares jumped this morning after Ukraine accepted the U.S.' proposal for a 30-day ceasefire with Russia, while Zealand Pharma gained after a collaboration deal with Roche. Zealand Pharma jumped 34% after Swiss pharmaceutical company Roche acquired rights to an obesity therapy by the Danish biotech firm in a collaboration deal worth up to \$5.3 billion. Shares of Roche were up 4%.



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The European Union will impose counter tariffs on 26 billion euros worth of U.S. goods from next month, the European Commission said this morning ramping up a global trade war in response to blanket U.S. tariffs on steel and aluminium.

China and Hong Kong stocks fell, pressured by consumer and tech shares, as investors locked in profits from recent rallies while evaluating the impact of U.S. tariffs. China said it will take all necessary measures to safeguard its rights and interests, after U.S. President Donald Trump increased tariffs on all U.S. steel and aluminium imports.

Japan's Nikkei share average rose in choppy trade as investors bought back shares after sharp declines in the last session, although concerns about U.S. tariffs and their impact on the global economy continued to weigh on sentiment. Many of Japan's biggest companies met demands for substantial wage hikes after concluding talks with unions, bolstering bets that the Bank of Japan would raise interest rates higher.

Services Support 2025 GDP Growth (Argus)

We are reducing our 2025 estimate for GDP growth to 2.0% from 2.3%. There are some headwinds, but unemployment is low at 4.1%. We expect consumer spending to grow 2.3% for the year, bolstered by 2.4% growth in the Consumer Services category (which represents 47% of GDP). It includes hard-to-avoid expenses such as rent, utilities, healthcare, and insurance. For perspective, net exports of goods and services (the trade deficit) represent -3.1% of GDP. The federal government excluding defense represents just 2.7%. The ISM Services Index showed expansion for an eighth consecutive month in February and has indicated expansion in 54 of the last 57 months.

We expect GDP to grow 1.6% in 1Q25, 1.8% in 2Q, 2.3% in 3Q, and 2.3% in 4Q. Our 2026 estimate is 2.1%. The reduction in our 1Q estimate from 3% to 1.6% represents adjustments to several items in our model. Shoppers may have paused in January to pay bills after robust holiday spending. Imports, which are a drag on GDP, appear to have been elevated by purchases ahead of anticipated tariffs. Three indicators driven by a broad array of timely data point to 1Q growth. The Federal Reserve Bank of New York's Staff Nowcast for 1Q called for 2.67% growth on March 7. The Weekly Economic Index tracked by the Federal Reserve Bank of Dallas is based on 10 daily and weekly indicators of consumer behavior, the labor market, and production. If, for example, an index value of 2% persisted for an entire quarter, the



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index would suggest that quarter's GDP would be 2% higher than a year ago. For the week ended March 1, the index was 2.24%, with a 13-week moving average of 2.46%.

The Chicago Fed National Activity Index (CFNAI) looks at 85 indicators. It slipped to -0.03 in January from 0.18 in Sept. The CFNAI Diffusion Index rose to 0.10 in January. The Chicago indicators suggest the economy is growing at close to its historical average rate.

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%	0.9
CDA Prime	5.20%	0.0	CDA 10 year	3.02%	1.3
CDA 3 month T-Bill	2.67%	-2.9	CDA 20 year	3.19%	1.4
CDA 6 month T-Bill	2.67%	0.5	CDA 30 year	3.28%	1.5
CDA 1 Year	2.59%	-0.5			
CDA 2 year	2.53%	0.2			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.06%	2.3
US Prime	7.50%	0.0	US 10 year	4.30%	1.5
US 3 month T-Bill	4.21%	0.8	US 30 year	4.61%	0.4
US 6 month T-Bill	4.24%	1.6	5YR Sovereign CDS	40.02	
US 1 Year	4.07%	2.3	10YR Sovereign CDS	42.55	
US 2 year	3.98%	3.7			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	639.16	-0.24%	0.59%		
BMO Laddered Preferred Shares (ETF)	10.97	-0.09%	0.18%		

Source: LSEG

Things are looking up! Have a great day!

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