Financial HARTbeat

Bounced a little
March 14 2025

Good Morning,

Officially new Prime Minister sworn in today..

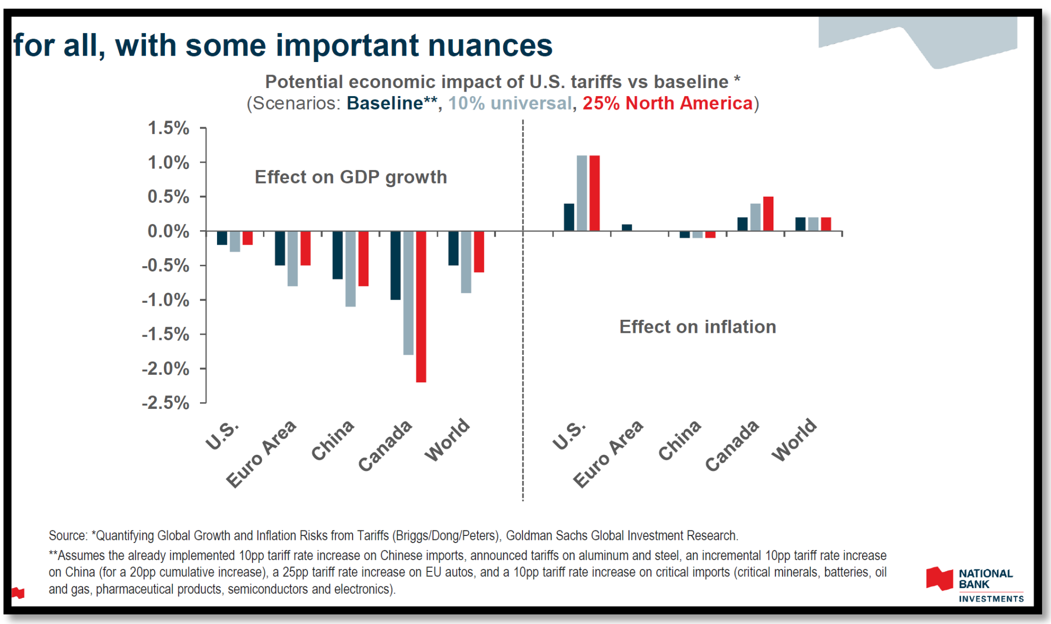
Gold glittered to $3k…now what do miners continue to play catch up?

Markets much calmer this morning…overnight news muted…

The R word creeping back into mainstream…which one is it now…the markets lead the economy or the economy leads the markets?

Check out our weekly roundup for expanded comments ***click here***..

Chart of the Day: Great chart and some interesting issues at play…could this potentially be what Central Banks want?



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Top News

In Canada, Mark Carney will be formally sworn in as prime minister in a ceremony scheduled to start at 11 a.m. ET today. The moment caps a momentous rise for the 59-year-old, who becomes the first Canadian prime minister without any serious political experience. Carney, a former head of both the Bank of Canada and Bank of England, successfully argued his position as an outsider with a history of tackling crises meant he was the best person to take on Trump, who has repeatedly talked about annexing Canada. On Wednesday, Carney told reporters that he was ready to meet Trump when "there is respect for Canadian sovereignty." He also said he would keep in place retaliatory tariffs on U.S. goods until the United States showed Canada some respect. Carney is due to name a cabinet that will likely not be in office for long, since Liberal insiders say he will call a snap election in the coming days. If he changes his mind, opposition parties say they will unite to bring down the minority Liberal government in a confidence vote at the end of March. Once the election is called, Carney will be very limited in what he can do politically because convention dictates he cannot make major decisions when running for office. Opinion polls currently suggest it will be a close race with the official opposition Conservatives, with neither party gaining enough seats for a majority government.

On the economic front, Canadian wholesale trade grew by 1.2% in January from December on motor vehicles and parts, as well as the building materials and supplies subsectors. Sales were up in five out of seven subsectors, representing 77.6% of wholesale trade, while sales grew in all ten provinces. Sales rose by 0.8% in volume terms. A separate report showed Canadian factory sales grew by 1.7% in January from December on higher sales in the motor vehicle industry group, as well as petroleum and coal products. Excluding vehicles and parts, manufacturing sales were up 0.9%.

In the U.S., the Senate is poised today to pass a stopgap spending bill and avert a partial government shutdown, after Democrats backed down in a standoff driven by anger over President Donald Trump's campaign to slash the federal workforce. The Republican-controlled House of Representatives earlier this week passed the measure, which largely leaves spending steady at about $6.75 trillion in the fiscal year that ends September 30. The partisan bill would reduce spending by about $7 billion from last year's levels. The U.S. military would get about $6 billion more, while non-defense programs would see a $13 billion reduction.

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Top U.S. Senate Democrat Chuck Schumer said he disliked the bill but said the consequences of a government shutdown would be a "far worse option" and Democrats in general have long opposed government shutdowns as it's causing needless chaos to American families. Once they clear the shutdown fight, congressional Republicans will turn their attention to a plan to extend and expand Trump's 2017 tax cuts and boost funding for border security and cut spending in other areas. That measure, which Republicans plan to pass using a maneuver to bypass Democratic opposition, could add $5 trillion to $11 trillion to the debt, according to nonpartisan budget analysts.In addition, they also need to act by sometime this spring or summer to raise their self-imposed debt ceiling or risk triggering a catastrophic default on the federal government's nearly $36.6 trillion in debt.

More Positive Inflation Readings (Argus)

Two important inflation reports (the Consumer Price Index and the Producer Price Index) were released recently and both signaled that pricing pressures are easing (a bit). The reports both indicated that overall pricing pressures remain well below the peak rates in summer 2022. But both also confirmed that inflation remains above the Fed's target of 2.0%, and that it may take quite a while to get to that level. Let's first dive into the Consumer Price Index. The news here was surprisingly good, as the annualized headline number ticked lower from the previous month. The core inflation rate (ex-food and energy) also declined from the prior month. Perhaps the most encouraging data was related to Transportation Services and Shelter costs.

In these sticky categories, year-over-year inflation rates declined meaningfully. Gas prices are sharply lower year over year, which should please consumers. Turning to the Producer Price Index, we note that the PPI measures pricing trends farther up the supply chain, at the manufacturing level. Here, the news was also generally positive. For example, the PPI final demand annual rate through February was 3.2%, compared 3.7% in January. Looking ahead, we expect pricing pressures to continue easing as the housing market cools due to high mortgage rates, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel (current price is $67).

The Federal Reserve lifted the feds fund rate from 0.0% to above 5.25% in 2022-2023, and those rate hikes did their part reducing inflationary pressures. The U.S. central bank shifted its policy toward lower rates in September 2024, and we expect the Fed to continue to reduce the cost of money in 2025 as its

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concern shifts more toward economic growth. We now look for two rate cuts in the second half of the year, versus our prior forecast for three cuts.

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	2.75%	0.0	CDA 5 year	2.74%	1.9
CDA Prime	4.95%	0.0	CDA 10 year	3.08%	3.0
CDA 3 month T-Bill	2.66%	1.0	CDA 20 year	3.25%	3.1
CDA 6 month T-Bill	2.66%	0.5	CDA 30 year	3.33%	3.1
CDA 1 Year	2.61%	0.0			
CDA 2 year	2.58%	1.6			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	4.07%	3.8
US Prime	7.50%	0.0	US 10 year	4.32%	4.0
US 3 month T-Bill	4.20%	-0.7	US 30 year	4.64%	4.3
US 6 month T-Bill	4.24%	0.4	5YR Sovereign CDS	40.99	
US 1 Year	4.06%	2.3	10YR Sovereign CDS	43.94	
US 2 year	3.98%	2.4			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			638.49	-0.09%	0.48%
BMO Laddered Preferred Shares (ETF)			10.93	-0.14%	-0.18%

Source: LSEG

Things are looking up! Have a great day!

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