

Financial HARTbeat

Happy St. Patricks day!
March 17 2025



Good Morning,




Seems an Egg crisis in the US getting a lot of attention on social media..

US Real Estate industry continues under pressure...homebuilders face a real challenge with high relative interest rates and potentially the ability to no longer access softwood lumber..

Some interesting earnings news to watch this week with FedEx a good harbinger for the health of the US economy and Nike a good litmus test of the consumer..

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

Chart of the Day: Coin toss in Canada for April Meeting...FOMC 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	2.75%	4.50%	2.50%
Next meeting			
Next meeting date	April 16, 2025	March 19, 2025	April 17, 2025
Market-implied policy rate*	2.64%	4.50%	2.35%
Spread vs. current rate	-11 bp	-0 bp	-15 bp
Probability of...			
... hike	0%	0%	0%
... hold	57%	99%	38%
... cut	43%	1%	62%
Rate cuts			
25bps cuts priced in over...			
... next 3 months	0.8	0.6	1.2
... next 6 months	-	1.6	1.6
... next 12 months	-	2.8	-

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



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Top News

Canadian stock index futures declined today, tracking its Wall Street peers, while investors looked towards the U.S. Federal Reserve's interest rate decision later this week. In commodities, oil rose after the U.S. vowed to keep attacking Yemen's Houthis until the Iran-aligned group ends its assaults on shipping. Gold edged higher after it hit the \$3,000 mark for the first time last week, while base metal prices led by copper are also trading higher.

On the economic front, data from the national housing agency showed that Canadian housing starts fell 4% in February compared with the previous month. The seasonally adjusted annualized rate of housing starts fell to 229,030 units from a revised 239,322 units in January. Economists had expected starts to rise to 250,000. A separate report showed, foreign investors bought a net C\$7.91 billion in Canadian securities in January, led by federal government bonds, following a downwardly revised C\$13.94 billion total purchase in December.

Canadian investors sold a net C\$3.15 billion worth of foreign securities, led by purchases of foreign equity securities. The S&P/TSX Composite Index recorded its biggest daily advance in seven months on Friday, tracking a market-wide rally as some investors believed the selloff due to the U.S. and Canada's trade war had run its course. Focus is now on the U.S. Fed's interest rate decision on Wednesday. Traders widely expect the Fed to keep rates on hold, but they will look for policymakers' comments about the central bank's policy outlook amid concerns that economic growth could be hit by the trade war.

Over the weekend, U.S. Treasury Secretary Scott Bessent warned that there are "no guarantees" the United States will escape a recession. This morning, data showed U.S. retail sales rebounded in February, suggesting that the economy continued to grow in the first quarter, though at a moderate pace as tariffs on imports and mass firings of federal government workers weigh on sentiment. Retail sales rose 0.2% last month after a revised 1.2% decline in January. Retail sales excluding automobiles, gasoline, building materials and food services increased 1.0% in February after a revised 1.0% decline in January. These so-called core retail sales correspond most closely with the consumer spending component of gross domestic product. But with consumer sentiment sinking to a near 2-1/2-year low in March, the momentum is unlikely to be sustained. The Atlanta Federal Reserve is currently forecasting GDP



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contracting at a 2.4% pace. But most economists' estimates are converging around a 1.2% growth rate this quarter. The economy grew at a 2.3% pace in the fourth quarter.

U.S. President Donald Trump said he plans to speak to Russian President Vladimir Putin on Tuesday and discuss ending the war in Ukraine, after positive talks between U.S. and Russian officials in Moscow. Over the last three years, President Vladimir Putin has often bragged that Russia's economy has defied the dire forecasts made after his 2022 invasion of Ukraine. GDP shrank by 1.2% that year but rebounded by a healthy 3.6% in 2023 and 2024. The apparent resilience, however, is illusory. Putin has built an overheating war economy. A return to normal could mean a hard landing. Trying to steer the economy back to normal would nonetheless raise two problems for Putin. The first would stem from a multi-year lending boom by major banks.

Corporate credit rose by 18% both in 2023 and 2024, despite the central bank's benchmark rate at 21%, which should in theory have prevented such a lending boom.

Tariffs Are a Fact of Economic Life (Argus)

The Trump Administration, frustrated by a huge trade deficit, has kicked off a trade war with the goals of reducing the imbalance. The reaction in the financial markets suggests investors are skeptical. Tariffs are not new. The U.S. economy is already propped up by numerous tariffs that over the years have averaged almost 4% on all goods. Trade wars often start with a narrow focus, but then broaden as partners retaliate. The puts and takes are difficult to model, but we do have several key takeaways and consumers, companies, and investors can count on several outcomes. Let's first look at the impact on imported goods. Cases in point are steel and aluminum. Domestic metals producers will be in an improved competitive position because imported steel and aluminum prices will be higher. But farther up the value chain, the outcomes may be less positive as domestic companies that use imported steel or aluminum face higher costs. The exporters face trouble right away: the retaliatory tariffs immediately place their products at a pricing disadvantage.

Exporters thus face lower sales or lower margins. Of course, given the fact that numerous tariffs have been in place for years, U.S. corporations have experience managing these challenges. Over the long run, if tariffs and trade policies better protect corporate intellectual property, then domestic companies in industries such as IT and Pharmaceutical & Biotech may benefit. That said, we think it is worth pointing



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out that the U.S. economy is among the strongest and most diversified in the world. And U.S. consumers have benefitted for years from innovative imports such as automobiles and lower-priced products such as apparel and electronics. With the economy humming and unemployment at 4%, we think this is an odd time to fiddle with an economic principle as bedrock as free trade.

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	2.69%	-4.4
CDA Prime	4.95%	0.0	CDA 10 year	3.01%	-5.3
CDA 3 month T-Bill	2.66%	0.0	CDA 20 year	3.18%	-4.6
CDA 6 month T-Bill	2.66%	0.0	CDA 30 year	3.27%	-4.6
CDA 1 Year	2.60%	-0.5			
CDA 2 year	2.54%	-3.2			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.07%	-0.9
US Prime	7.50%	0.0	US 10 year	4.29%	-1.9
US 3 month T-Bill	4.20%	0.2	US 30 year	4.60%	-1.9
US 6 month T-Bill	4.26%	0.4	5YR Sovereign CDS	41.00	
US 1 Year	4.10%	1.0	10YR Sovereign CDS	44.48	
US 2 year	4.02%	0.8			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			638.62	0.02%	0.50%
BMO Laddered Preferred Shares (ETF)			11	0.59%	0.46%

Source: LSEG

Things are looking up! Have a great day!

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