

Financial HARTbeat

FOMC not cut...
March 20 2025



Good Morning,

FOMC meetings are always interesting, particularly given the climate we are presently in...no cuts but still expect starting in July...most noteworthy was reduction in QT (financial tightening) slowing dramatically from \$25B per month to \$5B..this eases financial conditions..

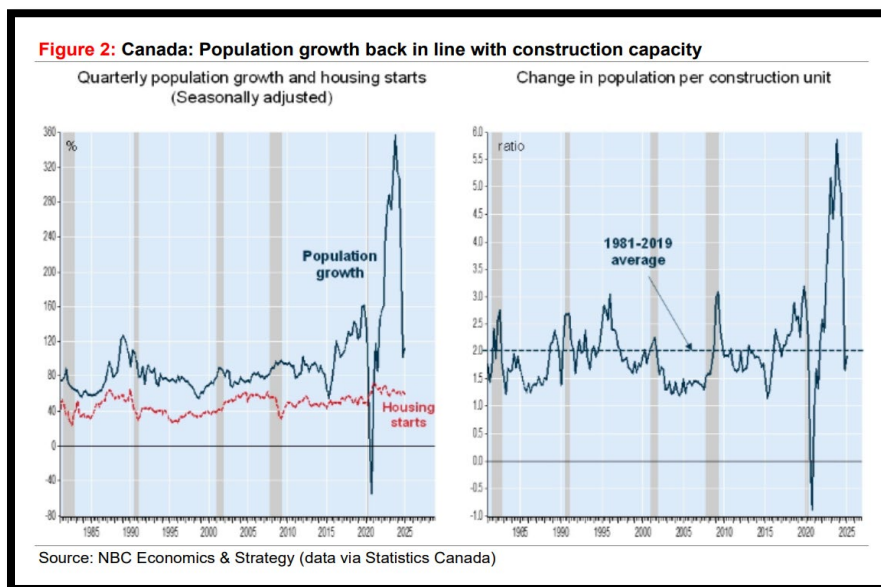
Bonds rallied on the news as did stocks...will it follow through now be worth watching..

Nvidia backed CoreWeave targets \$26B IPO valuation..this will be worth watching..

Join us at 1pm today for a special edition of the weekly roundup **“Navigating Tax Season”**

[Click Here](#)

Chart of the Day: Looky, looky and just like that Population Growth in Canada back in line with Construction capacity...



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Top News

U.S. stock index futures reversed early gains, as worries about the fallout of U.S. tariff policies crept back into markets a day after the Federal Reserve stuck to its monetary easing plans for the year but warned of an uncertain economic backdrop.

The Fed maintained current interest rates yesterday as expected and reaffirmed its forecast for two 25 basis point reductions by the year-end. However, adding to markets' unease, the central bank also projected slightly reduced growth and increased inflation for the year, alongside a modest uptick in the unemployment rate by 2025. Market participants are currently factoring in 63 basis points of easing from the Fed this year, placing odds of 25 bps rate cut in June at 60%, according to CME Group's Fedwatch tool.

A key focus for the markets will be the upcoming implementation of new reciprocal and sectoral tariffs, slated to take effect on April 2. On the data front, initial claims for state unemployment benefits rose 2,000 to a seasonally adjusted 223,000 for the week ended March 15. Economists had forecast 224,000 claims for the latest week.

Futures tied to Canada's main stock index fell this morning, taking cues from Wall Street, as investors gauged the U.S. Federal Reserve's growth projections amid uncertainties due to a global trade war. Political developments in Canada also took center stage after the Globe and Mail reported that the newly-appointed Prime Minister, Mark Carney, is expected to call a snap election for April 28.

In commodities, oil prices rose, boosted by a weaker U.S. dollar and a strong outlook for demand in the United States after fuel inventories fell more than expected. Gold prices were steady after touching another record high earlier in the session, while copper prices were hovering near their highest levels in more than five months.

Data showed producer prices in Canada rose by 0.4% in February from January. This followed a downwardly revised 1.4% increase in January. Raw materials prices were up 0.3% in February, and were up 9.3% on the year.



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European shares reversed early gains, hurt by losses in banks, while investors turned to a series of interest rate decisions by major central banks across the continent. The Bank of England held interest rates at 4.5% and warned against assumptions that they would be cut over its next few meetings as it grappled with deep uncertainty hanging over the British and world economies. Noting the escalation of global trade tensions kicked off by the United States, the Monetary Policy Committee voted 8-1 to keep rates on hold with only external member Swati Dhingra voting for a quarter-point cut.

Sweden's central bank kept its policy rate unchanged at 2.25% as expected today, while the Swiss National Bank cut its policy interest rate by 25 basis points to 0.25% from 0.5%. The index of European banks dropped about 2% from its record high levels. Commerzbank fell 6.2% to be on track for its worst day since September 2023. CEO Bettina Orlopp said the lender hasn't had talks with UniCredit since it got approval last week from the European Central Bank for taking a stake of just under 30%.

China stocks fell and Hong Kong stocks closed more than 2% lower as investors turned wary of short-term volatility following a surge in tech stocks and the Hang Seng Index hitting a three-year high. China held benchmark lending rates steady for the fifth straight month in March, matching market expectations.

Canada Deals with Tariff Turmoil (Argus)

The Bank of Canada lowered interest rates in late January, easing the overnight rate by 25 basis points to 3.00% (its sixth consecutive rate cut). The stimulus appears to be working, with the Canadian unemployment rate declining to 6.6% in January from 6.9% late last year, though still well above the 4.1% rate in the U.S. Meanwhile, trade uncertainty -- after the Trump administration instituted broad-based tariffs on the U.S.'s northern (and southern) neighbor, ostensibly to rein in the flow of illegal drugs and to encourage more onshore manufacturing -- has created a high level of uncertainty for those making economic forecasts. The most-recent tariff salvo calls for 50% tariffs on Canadian steel and aluminum, and the potential for elevated tariffs on automobiles. For its part, Canada's central bank, in lowering rates, said "if broad-based and significant tariffs were imposed, the resilience of Canada's economy would be tested." For now, many economists see economic growth in Canada falling to under 2% in 2025, despite expectations for another 50 basis points of interest-rate reductions through year end.



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For all the turmoil, Canada's TSX index is off only about 6% from its recent peak. Among our Canadian coverage, we believe the Financial sector, where Argus has an Over-Weight stance, remains among the better opportunities for Canadian stocks, as a rebound in loan growth and an expected improvement in capital markets activity helps revenues.

Bond Yields

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

Canadian Key Rate			Canadian Key Rate		
	Last	Change bps		Last	Change bps
CDA o/n	2.75%	0.0	CDA 5 year	2.66%	-1.3
CDA Prime	4.95%	0.0	CDA 10 year	2.97%	-3.5
CDA 3 month T-Bill	2.65%	0.0	CDA 20 year	3.13%	-3.3
CDA 6 month T-Bill	2.66%	0.0	CDA 30 year	3.21%	-2.7
CDA 1 Year	2.60%	0.0			
CDA 2 year	2.49%	-2.5			
US Key Rate			US Key Rate		
	Last	Change bps		Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.99%	-4.0
US Prime	7.50%	0.0	US 10 year	4.20%	-5.1
US 3 month T-Bill	4.19%	-0.9	US 30 year	4.51%	-5.3
US 6 month T-Bill	4.23%	-1.7	5YR Sovereign CDS	40.99	
US 1 Year	4.06%	-3.3	10YR Sovereign CDS	44.44	
US 2 year	3.95%	-3.2			
Preferred Shares Indicators		Last	Daily %	YTD	
S&P Preferred Share Index		639.99	0.17%	0.72%	
BMO Laddered Preferred Shares (ETF)		11.01	0.09%	0.55%	

Source: LSEG

Things are looking up! Have a great day!

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