

Financial HARTbeat

Markets positive start
March 24th 2025



Good Morning,

Gold continues to Shine as world risks continue to show up on a daily basis




Sad day in Canada Hudson Bay liquidation is official....lots of real estate here up for grabs...

Pretty quite news week last week...market calm, some tariffs might not happen in a week...

If you didn't catch my tax video last week....because of the Capital Gain tax suggested changes..CRA has said no interest or late penalties for filing until June 2nd...

Catch the playback of our Special edition of the Weekly Roundup "Navigating Tax Season" with Peter Bowen [click here](#)..

Chart of the Day: Rates update as of today...

	 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	May 7, 2025	April 17, 2025
Market-implied policy rate*	2.69%	4.45%	2.33%
Spread vs. current rate	-6 bp	-5 bp	-17 bp
Probability of...			
... hike	0%	0%	0%
... hold	75%	78%	31%
... cut	25%	22%	69%
Rate cuts			
25bps cuts priced in over...			
... next 3 months	0.6	0.5	1.2
... next 6 months	-	1.6	1.8
... next 12 months	-	3.1	-

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



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Top News

Canadian stock index futures rose this morning, mirroring gains in the U.S. after media reports said the approach of the U.S. to fresh tariffs is likely to be more moderate than thought. Apparently, U.S. President Donald Trump's administration is likely to exclude a set of sector-specific tariffs while applying reciprocal levies on April 2, according to media reports over the weekend that helped sentiment in early trading.

Back home, new Canadian Prime Minister Mark Carney called as expected snap election for April 28 on Sunday, saying he needed a strong mandate to deal with the threat posed by Trump. After meeting provincial and territorial leaders, Carney said that Canada could offset the effects of any U.S. tariffs by removing internal trade barriers. He said he aimed for free trade within the country by July 1. Carney on his website cites research that found removing internal barriers would reduce trade costs by up to 15% and expand the economy by 4% to 8%. He explain that there were three main approaches to do this: harmonizing regulations across provinces, provinces' mutual recognition of rules and creating common national standards. To speed up approvals of major infrastructure projects, Carney said the government will create a "one-window approval process" that would eliminate duplicative requirements between federal and provincial environmental assessments. He also vowed that an oil and gas cap would limit emissions, not production. To support workers and businesses affected by the tariffs, Carney said the country would ease access to the employment insurance system for laid-off workers and allow business to defer corporate income tax payments and remittances. On Friday, Prime Minister Mark Carney's office already started to get rid of unpopular measures that were partly responsible for tanking the Liberal Party's polling numbers under the leadership of his predecessor, he cancelled the proposed tax increase in the capital gains inclusion rate. Polling numbers have improved and show that the party is either ahead or neck and neck with the main opposition Conservatives.

In markets today, oil prices rose as investors weighed the impact of fresh U.S. sanctions on Iranian exports against ceasefire talks aimed at ending the Russia-Ukraine war, which could increase Russian supplies to global markets.

Gold was steady as traders awaited fresh catalysts after a recent rally pushed prices to record highs, fueled by geopolitical concerns and hopes of U.S. rate cuts. Financial markets have whipsawed over the past several weeks as traders have been confronted by fears of a sharp U.S. economic slowdown after



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Trump announced a series of tariffs last month on some of its main trading partners including China, Mexico and Canada. Several companies have also cited tariff uncertainty as they lowered their forecasts for the upcoming quarters. Data compiled by LSEG day showed, earnings of companies included in the S&P 500 are expected to grow by 10.5% in 2025, down by 3.5 percentage points since the beginning of the year.

Elsewhere, euro zone business growth remained weak in March despite expanding at its fastest pace in seven months supported by an easing in the long-running manufacturing downturn but held back by slower growth in services, The HCOB's preliminary composite euro zone Purchasing Managers' Index, compiled by S&P Global, rose to 50.4 this month from February's 50.2, its highest since August.

Fed Still on Pause (Argus)

The Federal Reserve wrapped up its latest Open Market Committee meeting last week and, as expected, maintained its fed funds target rate at the 4.25-4.50% level. This was the second consecutive meeting at which the central bank held policy steady, after cutting rates three times in late 2024. The non-decision indicates that the Fed still has concerns about lingering inflation and is carefully monitoring the overall economy. CPI inflation has fallen from readings above 9.0% in 2022 to readings below 3.0% -- but lately has failed to continue its downward trend toward the central bank's goal of 2.0%. Still, the unemployment rate is historically low and GDP growth has risen at a rate faster than the long-run average of 2.0% for nine of the past 10 quarters. The economy is not in dire need of lower rates. Yet. Meanwhile, the Fed will be taking a less-visible step toward helping the economy by slowing the pace of its balance sheet runoff. The monthly cap on U.S. Treasuries has been lowered from \$25 billion to \$5 billion. We think this move is due to liquidity issues in the money market sector.

Looking ahead, the Fed will keep a close watch on economic data, of course, and will also be monitoring the potential impacts from any upcoming policy changes related to trade and tariffs, immigration, fiscal stimulus, and regulations. The central bankers also released their economic and interest-rate projections for the next three years. These forecasts call for economic growth in the 1.8%-2.0% range through 2027, and an inflation rate that moves down to 2.0% by 2027. At that point, the Fed anticipates its federal funds target rate will be 3.0%-3.25%, implying a real yield of about 1.25%.



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Bond Yields

		<i>Change (basis points)</i>				
		Level	Last week	MTD	YTD	1-YR
Canada	3-Month	2.65%	-1 bp	-18 bp	-50 bp	-232 bp
	2-Year	2.51%	-6 bp	-6 bp	-43 bp	-166 bp
	10-Year	3.01%	-6 bp	11 bp	-23 bp	-51 bp
	30-Year	3.24%	-7 bp	12 bp	-10 bp	-19 bp
U.S.	3-Month	4.29%	-1 bp	-2 bp	-4 bp	-109 bp
	2-Year	3.95%	-8 bp	-4 bp	-30 bp	-70 bp
	10-Year	4.25%	-7 bp	5 bp	-32 bp	-3 bp
	30-Year	4.59%	-3 bp	12 bp	-19 bp	15 bp
World	German 10-Year	2.77%	-11 bp	38 bp	41 bp	37 bp
	U.K. 10-Year	4.71%	4 bp	23 bp	14 bp	71 bp
	Japanese 10-Year	1.52%	0 bp	15 bp	43 bp	78 bp

CIO Office (data via Refinitiv)

Things are looking up! Have a great day!

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