

# Financial HARTbeat

NATO spending  
March 26th 2025



Good Morning,

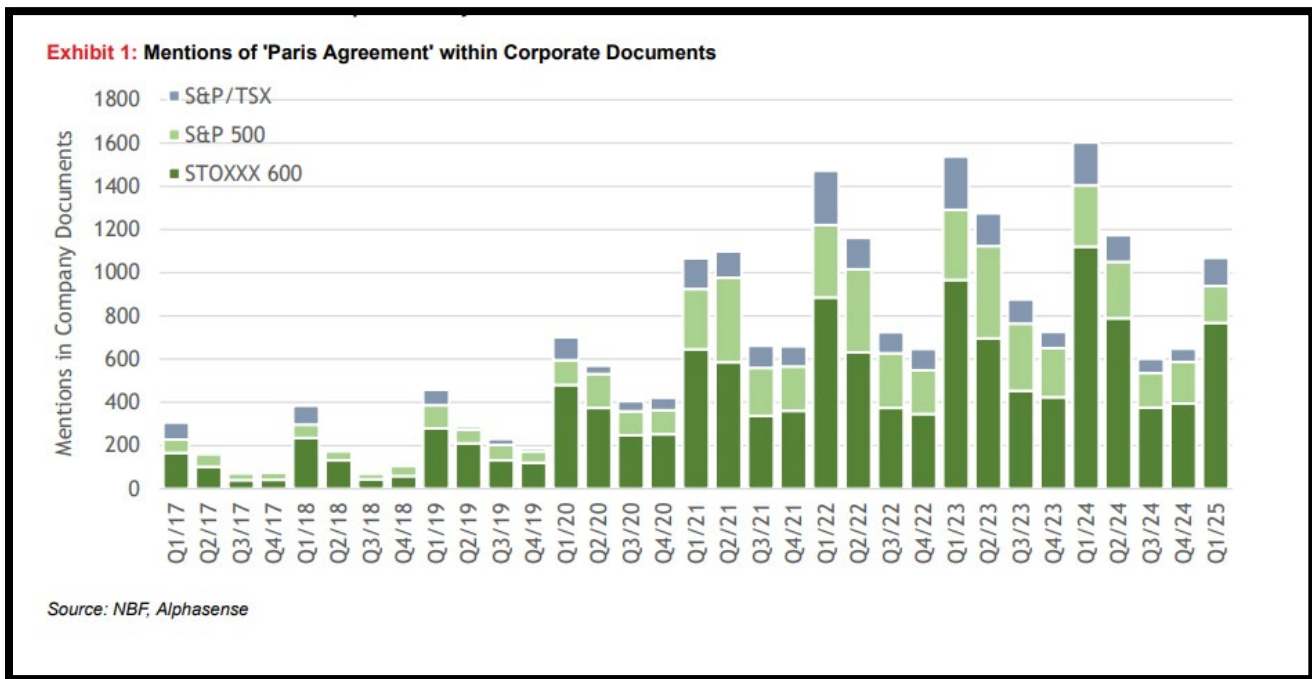
Looks like NATO spending might be a easyish win for a number of countries including Canada and Germany...meet their NATO commitments and maybe tariffs disappear?

Larry Summers has suggested a proposal to have \$300B of frozen Russian Assets handed over to Ukraine to fund their economy...bold and interesting suggestion..

Equal weight S&P500 has outperformed Mag 7 over the last 3 months...does this reverse?

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

**Chart of the Day: We may start to see a movement back to Climate and Net Zero..**



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## Top News

Once again, U.S. stock futures struggled for direction this morning, with investors exercising caution as they awaited more clarity on the Trump administration's tariffs that are expected to take effect next week. The equity market got a temporary moment of relief, in the past two sessions, after U.S. President Donald Trump indicated that not all tariffs would be enforced by the April 2 deadline, with some countries potentially receiving exemptions but details remain scant. Still, uncertainty about the size of U.S. tariffs and the potential for countermeasures by its trading partners as well as concerns about its fallout on the global economy and businesses have kept investors on edge. In recent weeks, investors have been offloading U.S. equities and seeking opportunities elsewhere.

On the economic front, yesterday's data revealed a sharp decline in U.S. consumer confidence in March, it reached the lowest level in over four years as it reflected the prevailing uncertainty surrounding tariffs and its impact on American households. Data released today showed, new orders for key U.S. manufactured capital goods unexpectedly fell in February and could remain sluggish as economic uncertainty rises because of tariffs, discouraging businesses from boosting spending on equipment. Non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, dropped 0.3% last month after an upwardly revised 0.9% surge in January.

Economists polled by Reuters had forecasted these so-called core capital goods orders gaining 0.2% after a previously reported 0.8% jump in January. Businesses eager to avoid higher prices because of tariffs likely front-loaded orders in January. Non-defense capital goods orders declined 1.5% after accelerating 12.8% in January. Core and nondefense capital goods shipments go into the calculation of the business spending on equipment component in the gross domestic product report. Business investment in equipment contracted in the fourth quarter, partially offsetting robust consumer spending.

U.S. GDP Growth estimates for the January-March quarter are mostly below a 1.5% annualized rate and the odds of a contraction are high. The economy grew at a 2.3% pace in the fourth quarter.

Elsewhere in the U.S., Chicago Fed President Austan Goolsbee said that it may take longer than anticipated for the next rate cut because of economic uncertainty.



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In Canada, stock index futures were relatively unchanged today as uncertainty remains around Canada's tightly contested general election and the looming tariffs. In commodities, oil prices advanced as the U.S. intensified efforts to curb Venezuelan and Iranian exports, with a larger-than-expected drop in crude inventories providing support.

Gold prices rallied for a second consecutive session, driven by safe-haven demand amid mounting tariff concerns. Meanwhile, copper prices erased early losses as a weak U.S. dollar helped mitigate losses.

## Argus Adjusts Sector Ratings (Argus)

We have reviewed our recommended sector allocations this month and have adjusted our sector recommendations for the second quarter of 2025. Our multi-factor model includes a performance ranking system, which assigns points for monthly, quarterly, and YTD sector performance vs. the benchmark S&P 500; current sector P/E vs. 5-year P/E, with points awarded for discount to S&P 500 current vs. 5-year P/E delta; two-year earnings growth, with points awarded for exceeding benchmark average and for EPS acceleration; relative performance to the sector group average; sector conviction, meaning BUY rating percentage per sector vs. total Argus BUY rating percentage; and PEG ratio, with points awarded or subtracted based on sector PEG ratios below or above the group average.

Our process led to an upgrade of Consumer Staples to OverWeight from Under-Weight. As well, we lowered Communication Services to Market-Weight from Over-Weight, and we lowered Consumer Discretionary to Under-Weight from Market-Weight. Our rebalancing process takes place four times a year, early in the months of March, June, September, and December. Our current Over-Weight sectors are Healthcare, Consumer Staples, Financial, Utilities, and Information Technology. Our current Market-Weight sectors are Communication Services, Energy, Industrial, and Real Estate.

Our Under-Weight sectors are Consumer Discretionary and Materials. Argus Research suggests that advisors and investors leverage this consistent and comprehensive process to adjust sector weightings within their diversified equity portfolios, with a primary focus on the largest sectors.



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## 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	2.76%	2.3
CDA Prime	4.95%	0.0	CDA 10 year	3.12%	3.6
CDA 3 month T-Bill	2.65%	0.0	CDA 20 year	3.27%	4.0
CDA 6 month T-Bill	2.66%	-0.4	CDA 30 year	3.35%	4.0
CDA 1 Year	2.62%	1.2			
CDA 2 year	2.59%	1.1			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.09%	3.5
US Prime	7.50%	0.0	US 10 year	4.35%	4.0
US 3 month T-Bill	4.19%	0.0	US 30 year	4.70%	4.2
US 6 month T-Bill	4.24%	1.1	5YR Sovereign CDS	40.49	
US 1 Year	4.11%	1.3	10YR Sovereign CDS	42.98	
US 2 year	4.01%	2.8			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	640.67	0.02%	0.83%		
BMO Laddered Preferred Shares (ETF)	11.02	0.00%	0.64%		

Source: LSEG

Things are looking up! Have a great day!

Ben



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