Financial HARTbeat

Spring is coming
March 3 2025

Good Morning,

Off to a positive start for Markets this morning as futures point to a positive day...

Volatile week last week as lots of geo political noise..

Check out our weekly roundup for more context of our views...

Link here

Chart of the Day: Rate announcements ahead….

		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	3.00%	4.50%	2.75%
Next meeting	Next meeting date	March 12, 2025	March 19, 2025	March 6, 2025
	Market-implied policy rate*	2.90%	4.49%	2.49%
	Spread vs. current rate	-10 bp	-1 bp	-26 bp
	Probability of…			
	… hike	0%	0%	0%
	… hold	59%	95%	0%
	… cut	41%	5%	100%
Rate cuts	25bps cuts priced in over...			
	... next 3 months	0.9	0.3	1.6
	... next 6 months	-	1.5	2.6
	... next 12 months	-	2.9	-

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

Ben Hart
Senior Wealth Advisor & Portfolio Manager
› 613-760-3788
› ben.hart@nbc.ca

National Bank Financial - Wealth Management
50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

HART
INVESTMENT GROUP

Financial HARTbeat

Top News

Canada's main stock index futures moved higher this morning, as investors assessed the impact of the U.S. President's proposed tariffs. U.S. Commerce Secretary Howard Lutnick confirmed the tariffs on Canada and Mexico were slated to take effect on Tuesday. However, President Trump will decide whether to maintain the proposed 25% tariff rate, leaving investors anxious. The oilfield drilling and services sector in Canada was already feeling the tremors of the tariff threats, with signs of deceleration sparking concerns that the much-anticipated industry recovery might falter if these levies were enacted.

Meanwhile, in commodities, gold prices gained strength after dipping to a three-week low in the previous session, on a weakening dollar and a surge in safe-haven buying spurred by concerns over Trump's policies.

Oil prices inched higher, buoyed by data showing China's manufacturing activity expanded at the fastest pace in three months in February as new orders and higher purchase volumes led to a solid rise in production. The reading should reassure officials that fresh stimulus measures launched late last year are helping shore up a patchy recovery in the world's second-largest economy, ahead of China holding its annual parliamentary meeting starting on March 5. The official purchasing managers' index (PMI) rose to 50.2 in February from 49.1 a month prior, the highest since November and beating analysts' forecasts in a Reuters poll of 49.9. The non-manufacturing PMI, which includes services and construction, rose to 50.4 from 50.2 in January.

China's $18 trillion economy hit the government's growth target of "around 5%" in 2024, though in an uneven manner, with exports and industrial output far outpacing retail sales while unemployment remained stubbornly high. Beijing is expected to maintain the same growth target this year, but analysts are uncertain over how quickly policymakers can revive sluggish demand, especially given the intensifying trade tensions with the U.S.

In Europe, the long-running downturn in the euro zone's manufacturing industry showed further signs of easing last month as demand fell at the slowest pace in almost three years. HCOB's final euro zone manufacturing Purchasing Managers' Index, compiled by S&P Global, jumped to 47.6 in February, ahead of a preliminary estimate for 47.3 and closer to the 50-mark separating growth from contraction. The index has been sub-50 since mid-2022 but rose to 46.6 in January after dipping in December.

Ben Hart
Senior Wealth Advisor & Portfolio Manager
› 613-760-3788
› ben.hart@nbc.ca

National Bank Financial - Wealth Management
50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

HART
INVESTMENT GROUP

A separate report showed, Euro zone inflation dipped a bit less than expected last month but its most closely watched component also dropped, sealing the case for another ECB interest rate cut on Thursday and solidifying bets for further policy easing in the coming months. Consumer price inflation in the 20 nations sharing the euro slowed to 2.4% in February from 2.5% a month earlier. In the U.S., stock index futures also rose today.

Wall Street's three main indexes logged their first monthly decline of 2025 in February, with the Nasdaq coming close to a 10% drop from its all-time high, due to fears of sticky inflation and other factors. Traders have dialed up bets on the Fed's 2025 monetary policy easing cycle, with futures pointing to at least two 25 basis points worth of interest rate cuts by December, according to data compiled by LSEG.

Trump has also threatened that an extra 10% duty on imports from China will also take effect on Tuesday, against which a report said Beijing is likely to retaliate with counter-measures on agricultural imports from the U.S. Crypto stocks rose after Trump announced a proposed reserve of digital assets, ahead of Friday's White House Crypto Summit.

March Can Be Unpredictable (Argus)

Equity investors have endured a roller-coaster start to 2025, with a positive January but a negative February. The S&P 500 is up a little over 1% year to date. Can March reverse the February fail and return the current 27-month-old bull market to an upward track? March historically had been a strong month for equities -- prior to 2020. The average gain for the S&P 500 in the month of March since 1980 is now 1.05%, after absorbing the COVID-induced plunge of 12.5% in 2020. March is thus in the middle of the pack (sixth place) in terms of average monthly gains, with a winning percentage of 64%. We note that market returns in March have exceeded 4% on seven occasions since 1980, including a 4.2% gain in 2021 on COVID-19 vaccination progress and a 6.6% advance in 2016 as the market was beginning to recover from the oil price spikes of 2014-2015. Last year, March was on the up and up, with a gain of 3.1%. But there have been some clunkers, including 1980 (-10%), 2001 (-6.4%), 1994 (-4.5%), 1997 (-4.3%), 1988 (-3.3%) and, as discussed above, 2020. March generally is a quiet month on Wall Street, as the fourth-quarter earnings reports are for the most part finished. Without profits to review, investors will be paying very close attention to economic reports, including the nonfarm payrolls report this Friday, the Consumer Price Inflation report on March 12, and the Federal Reserve's two-day meeting on March 18 and 19. No doubt tariff talk and geopolitics will play into market activity for the month as well. We maintain our forecast for a positive year for the S&P 500, with returns near the historical average.

Ben Hart
Senior Wealth Advisor & Portfolio Manager
› 613-760-3788
› ben.hart@nbc.ca

National Bank Financial - Wealth Management
50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2

Financial HARTbeat

Bond Rates

		Yield	Performance (total return) Last week	MTD	YTD	1-YR
Canada	Universe	3.33%	1.3%	1.1%	2.3%	8.7%
Canada	Government	2.76%	1.3%	1.1%	2.3%	7.6%
Canada	Federal	2.80%	1.2%	1.1%	2.3%	7.8%
Canada	Provincial & Muni.	3.40%	1.5%	1.3%	2.4%	8.9%
Canada	Corporate	4.02%	0.9%	0.9%	1.9%	9.9%
Canada	AA+	3.65%	1.1%	1.2%	2.2%	8.9%
Canada	A	3.75%	0.9%	0.9%	1.9%	9.1%
Canada	BBB	4.39%	0.9%	0.9%	2.0%	10.9%
Canada	High Yield	5.97%	0.2%	0.7%	1.6%	10.4%
Canada	Preferred shares		0.5%	0.5%	2.7%	21.6%
U.S.	Treasury	4.15%	1.4%	2.2%	2.8%	5.1%
U.S.	Corporate	5.13%	1.1%	2.0%	2.6%	6.9%
U.S.	High Yield	7.39%	0.4%	0.7%	2.0%	10.2%
U.S.	TIPS	1.37%	1.2%	2.0%	3.3%	6.6%

CIO Office (data via Refinitiv)

Things are looking up! Have a great day!

Ben

The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

Ben Hart
Senior Wealth Advisor & Portfolio Manager
› 613-760-3788
› ben.hart@nbc.ca

National Bank Financial - Wealth Management
50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

HART INVESTMENT GROUP