Financial HARTbeat

Liberation week?
March 31st 2025

Good Morning,

German Inflation came in lighter than expected which is good news if you continue to expect lower rates. Additionally, they announced increased defence spending…

Liberation day is this Wednesday… President Trump intends to make a plethora of announcements and very wide and ranging…therefore markets likely to see saw between now and Wednesday evening…will it better clearer or more muddy come Thursday morning?

Because uncertainty is very high…and when I say uncertainty I mean for consumer, business, markets and the economy…all showing material signs of stress…therefore the future expected events good and or bad can be more dramatic…each day is and week is important..way more so in 2025 then the past 4 years..

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

Chart of the Day: Starting to see odds of a cut increase in both US and Canada…

		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*	2.67%	4.44%	2.27%
	Spread vs. current rate	-8 bp	-6 bp	-23 bp
	Probability of…			
	… hike	0%	0%	0%
	… hold	69%	76%	8%
	… cut	31%	24%	92%
Rate cuts	25bps cuts priced in over...			
	... next 3 months	0.8	0.5	1.5
	... next 6 months	-	1.7	2.2
	... next 12 months	-	3.3	-

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

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Top News

Stocks across the world dropped after U.S. President Donald Trump announced on Sunday that reciprocal tariffs he is expected to announce on Wednesday will include all nations, and not just a select group of 10 to 15 countries with the biggest trade imbalances. While Canada had secured protections against new U.S. auto tariffs, including a 60-day delay and annual duty-free quotas, under a 2018 trade agreement with the U.S. and Mexico, there's no evidence Trump will honor those commitments.

The Canadian government said it fully expects the U.S. to honor the agreements on Wednesday. Meanwhile, Canadian stock index futures fell this morning as investors shunned risky assets, while shares of Canadian gold miners are seeing support from bullion hitting a record high.

Price of gold is set to post its biggest quarterly gain in over 38 years due to the uncertainty from the escalating trade war. Oil producers could also benefit today following a rise in crude prices as Trump said over the week-end that he was "pissed off" at Russian President Vladimir Putin and will impose secondary tariffs of 25% to 50% on buyers of Russian oil if he feels Moscow is blocking his efforts to end the war in Ukraine, he also warned of possible military action against Iran if it did not agree to a deal over its nuclear program.

On the other hand, copper prices dropped to their weakest in more than two weeks due to the impending tariff announcement, but the losses were cushioned by strong factory data from China. The top metals consumer country saw its manufacturing activity expanded at the fastest pace in a year in March, with new orders boosting production. The reading should reassure officials that recent fiscal support is bolstering the $18 trillion economy, which is also benefiting from foreign buyers frontloading purchases in anticipation of further U.S. trade tariffs. In the U.S., stock index futures also tumbled today as investors shied away from risky assets.

Wall Street's main indexes were set for big monthly and quarterly declines, with the benchmark S&P 500 Index and the techheavy Nasdaq set for their worst quarterly performances in about three years. The blue-chip Dow Index is teetering just about 2% away from confirming a correction, or a 10% decline from its all-time high. Meanwhile, the other two major Wall Street indexes have already entered correction

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territory earlier this month. Tech stocks are at the forefront of the selloff this morning, with Nvidia sliding almost 4% in premarket trading.

Goldman Sachs raised its U.S. recession probability to 35% from 20% and cut its 2025 GDP growth forecast to 1.5% from 2.0%. Goldman also expects the Federal Reserve to cut interest rates thrice this year, up from its previous forecast of two. The focus this week will also be on a slew of economic data including the crucial nonfarm payrolls report on Friday as well as speeches from several U.S. central bank officials. Fed Chair Jerome Powell is also scheduled to speak on Friday.

Previewing Friday's Jobs Report (Argus)

On Friday, we expect the Bureau of Labor Statistics (BLS) to report that U.S employment is growing, albeit amid numerous concerns. Our forecast is for March nonfarm payrolls to rise by 125,000, which would be down from February's report of 151,000 new jobs and the three-month average of 200,000. The March consensus has been fluctuating between 125k and 130k. We expect the unemployment rate in March to tick up to 4.2%, which is still healthy and in line with consensus. We expect that average hours worked to remain at 34.1 hours and growth in average hourly earnings to remain at 4.0%. The median unemployment forecast from Fed governors and bank presidents in the Summary of Economic Projections is now 4.4% for 2025 (up from 4.3% at the time of the December Fed meeting). The 2026 and 2027 estimates are still 4.3%; the long-term estimate is still at 4.2%. Based on the Federal Reserve Bank of Atlanta jobs calculator, nonfarm payrolls would need to average approximately 113,000 a month to hold the unemployment rate at 4.1% over the next 12 months. If the unemployment rate rises to 4.4% over the next 12 months, consistent with the new estimate from Fed officials, monthly payrolls would average approximately 71,500, according to the Atlanta Fed calculator.

Any meaningful uptick in layoffs would start to appear in initial jobless claims, which are reported every Thursday. The current four-week average of 224,000 is well below 300,000, that might be a recession warning. With many job cuts announced by the federal government and the potential for additional job losses by government contractors and institutions that may lose funding, we will take a close look at our forecasts if the four-week average stays above 250,000 for a few weeks. The services sector is critical to our forecast for continuing GDP growth. Will be watching private service-providing payrolls on Friday as well as the ISM services indices, which will be reported on Thursday.

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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	2.62%	-3.4
CDA Prime	4.95%	0.0	CDA 10 year	2.98%	-3.4
CDA 3 month T-Bill	2.65%	-3.0	CDA 20 year	3.21%	-2.7
CDA 6 month T-Bill	2.62%	-1.0	CDA 30 year	3.25%	-2.3
CDA 1 Year	2.54%	-2.5			
CDA 2 year	2.46%	-3.4			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	3.92%	-6.1
US Prime	7.50%	0.0	US 10 year	4.20%	-5.9
US 3 month T-Bill	4.19%	-0.8	US 30 year	4.57%	-5.7
US 6 month T-Bill	4.20%	-1.9	5YR Sovereign CDS	40.97	
US 1 Year	3.99%	-4.3	10YR Sovereign CDS	43.92	
US 2 year	3.85%	-6.0			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	639.74	-0.03%	0.68%
BMO Laddered Preferred Shares (ETF)	11.01	-0.32%	0.55%

Source: LSEG

Things are looking up! Have a great day!

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