Financial HARTbeat

Idiosyncratic markets..
March 6 2025

Good Morning,

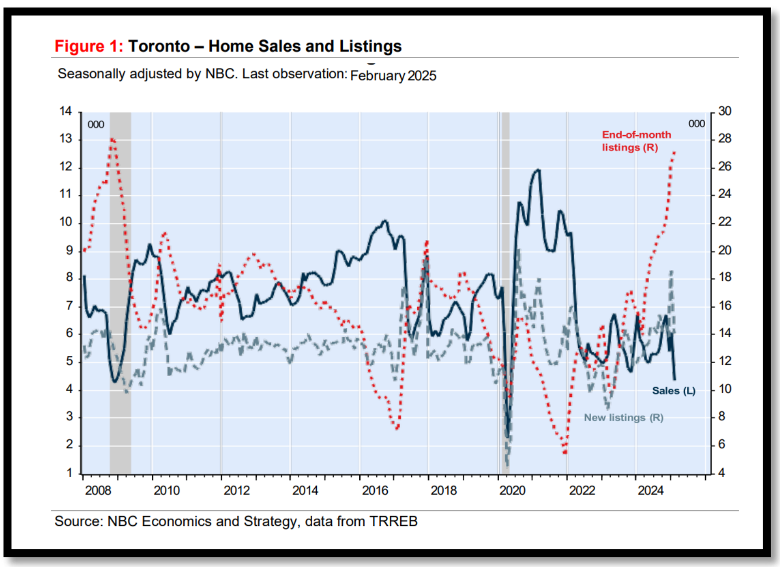
DEI initiatives coming back into focus…companies moving away from this..

China was quietly going about their business…However, yesterday they said they are ready for whatever the United States throws at them..

Join us at 1pm today for the weekly roundup to hear more…

[Link here]

Chart of the Day: Is Toronto’s housing market catching up to itself?



Top News

Wall Street futures fell this morning, as uncertainty about a trade war unleashed by U.S. tariffs clouded sentiment, while chip stocks slid after Marvell Technology's broadly in-line forecast fanned worries of

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slowing demand for AI infrastructure. Multiple reports have suggested that tariff uncertainty has resulted in individuals holding back on consumption and corporate executives staying put on investment decisions, sparking concerns of an impending economic slowdown as inflation stays elevated. Traders now see the Federal Reserve lowering borrowing costs by 25 basis points for the first time this year in June, according to data compiled by LSEG.

Comments from policymakers Philadelphia Fed President Patrick Harker, Governor Christopher Waller and Atlanta Fed President Raphael Bostic, due later in the day, are likely to strike a cautious tone on monetary policy easing. In economic data this morning, initial claims for state unemployment benefits dropped 21,000 to a seasonally adjusted 221,000 for the week ended March 1. Economists had forecast 235,000 claims for the latest week.

Futures tied to Canada's main stock index declined this morning as trade tensions lingered despite some reprieve on U.S. tariffs. U.S. President Donald Trump on Wednesday exempted automakers from his stringent tariffs on Canada and Mexico for one month, as long as the companies complied with the terms of an existing free-trade agreement. However, Trump made it clear that he was not calling off his 25% tariffs on Canadian and Mexican imports, pressing the two countries to deter fentanyl smuggling. Oil prices were steady this morning, recovering slightly from a multi-year low. Gold prices fell as investors took profits following a three day rally.

Copper prices hit a near three-week high, helped by a sharp pullback in the U.S. dollar and hopes for more stimulus from top consumer China. Canada's trade surplus in January exceeded expectations by a wide margin to post a 32- month record as fears of tariff from the U.S. pushed exports of cars and energy products, especially south of its border.

Canada posted a trade surplus of $3.97 billion, more than double the upwardly revised $1.69 billion seen in December.

European shares reversed early gains to trade lower this morning as rising longterm bond yields pressured equities. German government's 10-year bond yields jumped 8 basis points to 2.86% after recording their biggest daily rise in more than 25 years the day before, as investors expected a sharp increase in Bund supply due to more fiscal spending (see chart). The automakers and components index jumped more than 1.6%. U.S. President Donald Trump yesterday exempted some automakers from his

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25% tariffs on Canada and Mexico for one month as long as they comply with existing free-trade rules. European banks rose more than 1% to a fresh record high.

Deutsche Bank jumped 3.1% and was headed for its biggest twoday gain since 2011. Hong Kong shares rallied to a fresh three-year high today, led by tech stocks, as investors continued to pile into artificial intelligence shares and welcomed new policy support.

Market heavyweight Alibaba surged 8.4% to its strongest since late 2021, after the release of a new AI model the company said was on par with global hit DeepSeek's R1.

Japan's Nikkei share average ended higher, tracking overnight strength in Wall Street, as concerns over the impact of U.S. President Donald Trump's tariff policy eased, although declines in chip-related stocks limited the overall gains.

Argus's Favored Classes, Segments

We have three strategic asset-allocation models, based on risk-tolerance: Conservative, Growth, and Aggressive. We make tactical adjustments to the models, based on our outlooks for the various segments of the capital markets. Stocks pulled back in February after a strong January, but are still up 1% for the year. Bonds are up 2% as yields have declined in the past few weeks. Our Stock-Bond Barometer modestly favors bonds over stocks for long-term portfolio positioning. In other words, these asset classes should be near their target weights in diversified portfolios, with a slight tilt toward bonds. We are overweight on large-caps. We favor large-caps for growth exposure and financial strength, while small-caps offer value. Our recommended exposure to small- and mid-caps is 10%-15% of equity allocation, below the benchmark weighting. Although global stocks have taken an early performance lead in 2025, U.S. stocks have outperformed global stocks over the trailing one- and five-year periods. We expect this long-term trend favoring U.S. stocks to continue, given volatile global economic, political, geopolitical, and currency conditions. That said, international stocks offer favorable near-term valuations, and we target 5%-10% of equity exposure to the group. In terms of growth and value, growth rebounded in 2023-2024 and outperformed value as interest rates stabilized and started lower, though value is also off to a good start in 2025.

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Over the longer term, we anticipate that growth, led by the innovative Information Technology sector, will top returns from value, led by Energy and Materials, due to favorable secular, demographic, and regulatory trends.

Given the current stage and strength of the bull market, we think alternatives are less desirable in the growth portion of our asset-allocation models. Our recommended, weighting is 0%-2%

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	3.00%	0.0	CDA 5 year	2.63%	-1.8
CDA Prime	5.20%	0.0	CDA 10 year	2.97%	0.3
CDA 3 month T-Bill	2.73%	-1.0	CDA 20 year	3.12%	0.3
CDA 6 month T-Bill	2.71%	-1.0	CDA 30 year	3.20%	0.3
CDA 1 Year	2.63%	0.5			
CDA 2 year	2.52%	-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	4.04%	-2.2
US Prime	7.50%	0.0	US 10 year	4.28%	1.1
US 3 month T-Bill	4.21%	-0.5	US 30 year	4.59%	3.6
US 6 month T-Bill	4.24%	-1.9	5YR Sovereign CDS	38.07	
US 1 Year	4.02%	-5.2	10YR Sovereign CDS	41.16	
US 2 year	3.92%	-6.2			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	641.96	0.05%	1.03%
BMO Laddered Preferred Shares (ETF)	11.06	0.27%	1.00%

Source: LSEG

Things are looking up! Have a great day!

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