

Financial HARTbeat

IMF optimistic
Aug 7th 2025



Good Morning,

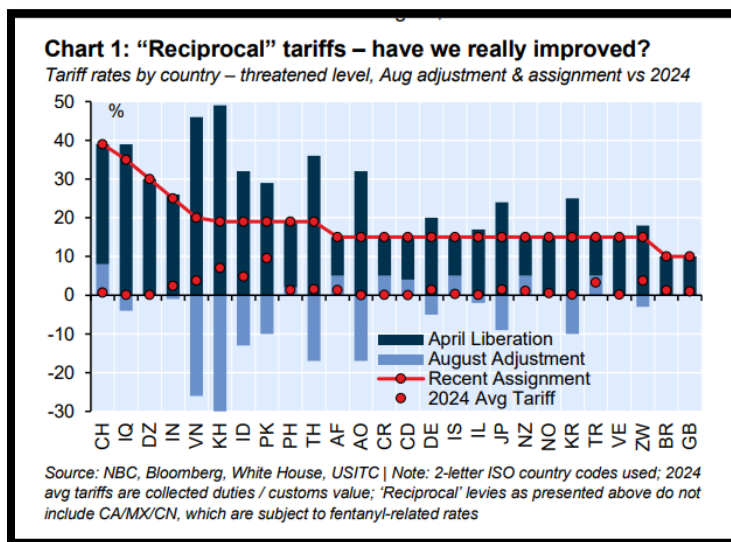
The U.S. has imposed **30% tariffs on EU and Mexican imports** and raised tariffs on Indian oil imports to **50%**

The IMF now expects **3.0% global growth in 2025**, citing front-loaded demand ahead of tariffs and improved financial conditions

The **Bank of Canada held rates steady**, projecting modest growth (~1%) and easing inflation by year-end.

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

Chart of the Day: They keep coming down...wasn't that the plan all along?



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Top News

U.S. stock index futures rose this morning, signaling fresh momentum for Wall Street, on signs that major tech firms may sidestep President Donald Trump's latest chip import tariffs. Apple's shares climbed about 3% in premarket trading, having risen 5.1% and led gains on Wall Street in the prior session, after Trump said the iPhone maker will invest an additional \$100 billion in the U.S. Trump also announced a tariff of about 100% on imports of semiconductors but said it would not apply to companies that are manufacturing in the U.S. or have committed to do so. Trump's higher tariffs of 10% to 50% on dozens of trading partners took effect this morning. Still, expectations of policy easing by the Federal Reserve as well as optimism around AI spending by companies have kept markets near record highs.

All eyes were on the initial jobless claims report, as investors look for fresh clues on the labor market after last week's disappointing payrolls data that triggered a dramatic repricing of the Federal Reserve easing path. Initial claims for state unemployment benefits rose 7,000 to a seasonally adjusted 226,000 for the week ended August 2, the Labor Department said. Economists had forecast 221,000 claims for the latest week. Traders are now betting almost fully on a September rate cut, with at least two moves expected this year.

Futures for Canada's main stock index edged higher with strong corporate earnings boosting sentiment, while investors also weighed the impact of U.S. tariff implementation. In commodities, gold prices edged higher on safe-haven demand, driven by U.S. tariffs, while copper and other base metals rose on U.S.-China trade deal hopes. Oil prices steadied on a potential Trump meeting with Russian President Vladimir Putin in the coming days. European shares ticked higher this morning, as investors weighed mixed earnings reports and the impact from higher U.S. tariffs on a dozen of its trading partners that are expected to weigh on global growth and rekindle inflation.

German industrial output fell in June to its lowest level since the pandemic. In earnings, Rheinmetall was among top laggards on the index, falling more than 5%, after the German defence company missed second-quarter sales expectations partially due to a delay in German defence contracts being awarded.



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On the flip side, Maersk rose about 2.5% after the shipping group raised its full year profit outlook on global demand for ocean container freight.

The Bank of England cut interest rates but four of its nine policymakers - worried about high inflation - sought to keep borrowing costs on hold, suggesting the BoE's run of rate cuts might be nearing an end. Difficulty reaching an agreement meant the Monetary Policy Committee (MPC) held two votes for the first time in its history. With the MPC facing the conflicting risks posed by an inflation rate that the BoE forecasts will soon be double its 2% target and a worsening of job losses, Governor Andrew Bailey and four colleagues backed lowering Bank Rate to 4% from 4.25%.

China stocks rose for a fourth straight day to close at a 3-1/2-year high, as upbeat export data added fuel to the recent market rally despite renewed U.S. tariff threats. Outbound shipments from the world's second-largest economy rose 7.2% year-on-year in July, beating a forecast 5.4% increase and June's 5.8% growth. Imports grew 4.1%, following a 1.1% rise in June. Economists had predicted a 1.0% fall. China's July trade surplus narrowed to \$98.24 billion from \$114.77 billion in June. Separate data from the U.S. Commerce Department's Bureau of Economic Analysis on Tuesday showed the U.S. trade gap with China shrank to its lowest in more than 21 years in June

Stocks Take Performance Lead (Argus)

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. In terms of performance through the first half of 2025, stocks and bonds are close, with stocks pulling a few hundred basis points ahead through July. Looking ahead, from an asset-allocation standpoint, our Stock-Bond Barometer model still slightly favors bonds over stocks for long-term portfolio positioning. We are over-weight on large-cap stocks at this stage of the market cycle. We favor large-caps for growth exposure and financial strength, amidst the volatility.

Our recommended exposure to small- and mid-caps is 5%-10% of equity allocation, below the benchmark weighting. Global stocks have taken an early performance lead in 2025, although U.S. stocks have outperformed their global peers over the trailing one- and five-year periods. We expect this long-term



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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 an increased 10%-20% 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 off to a good start in 2025 and looks likely to outperform in a risk off environment. Key value sectors that may be less exposed to the global trade wars include Consumer Staples, Healthcare, Utilities, and Financial (via regional banks).

Bond Yields (bps (basis points) negative means prices up and positive means prices down)

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	2.95%	-0.5
CDA Prime	4.95%	0.0	CDA 10 year	3.41%	-0.3
CDA 3 month T-Bill	2.66%	0.0	CDA 20 year	3.68%	-0.7
CDA 6 month T-Bill	2.70%	1.2	CDA 30 year	3.75%	-0.5
CDA 1 Year	2.71%	-0.1			
CDA 2 year	2.70%	-0.4			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.78%	1.7
US Prime	7.50%	0.0	US 10 year	4.24%	1.0
US 3 month T-Bill	4.14%	-0.8	US 30 year	4.81%	0.2
US 6 month T-Bill	4.12%	0.0	5YR Sovereign CDS	39.96	
US 1 Year	3.91%	1.1	10YR Sovereign CDS	47.90	
US 2 year	3.72%	2.1			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			678.86	0.04%	6.84%
BMO Laddered Preferred Shares (ETF)			11.88	0.34%	8.49%

Source: LSEG

Things are looking up! Have a great day!

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