

# Financial HARTbeat

FED shake up  
Aug 8<sup>th</sup> 2025



Good Morning,

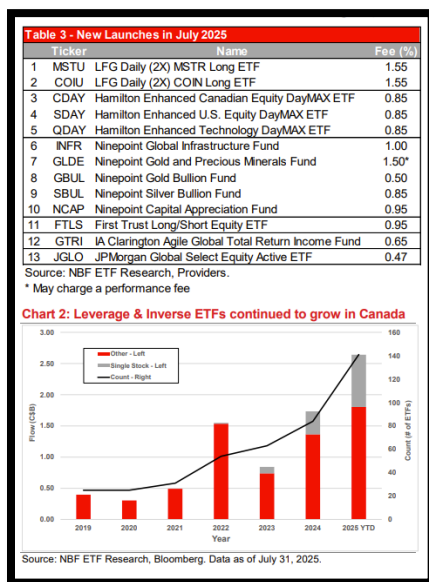
Well it appears there was no luck when targeting Chair Powell another approach has been taken..surprise resignation last week from Kuglar...a Trump friendly is moving in. Miran who has argued for a complete overhaul of the system....dynamics are changing...

Canada unemployment rising...and youth unemployment at multi year high...

Canada defence has made the argument for staying with the F35s...will be certainly a bargaining tactics are the trade war continues...

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

**Chart of the Day: When single stock and leverage etf move into mkt...historically has been a contra indicator....**



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## Top News

U.S. stock index futures rose this morning after President Donald Trump's temporary pick for a Federal Reserve governor fueled expectations of a more dovish policy ahead. Investors are being whipsawed by mixed signals over the Fed's future, as Trump's pressure stirs worries about the central bank's independence and a potential leadership reshuffle that could skew policy looser.

The U.S. president said he will nominate Council of Economic Advisers chair Stephen Miran for a short-term Fed seat while the White House hunts for a permanent governor and a new chair. Miran replaces Governor Adriana Kugler following her surprise resignation last week. The S&P 500 and the Dow cooled in the last session after Bloomberg News reported Fed Governor Christopher Waller was emerging as a leading contender for the chair. The Nasdaq and the S&P 500 are on track for their best week in over a month, buoyed by tech names after signs they could sidestep new chip tariffs by building more in the United States. Apart from tech stocks, equities have ridden a sharp reset in rate expectations and a flurry of upbeat earnings.

The CME FedWatch tool shows traders see a 90% chance of the first rate cut of the year coming next month - and futures point to at least two cuts by yearend. St. Louis Fed President Alberto Musalem is scheduled to speak later at 10:20 a.m. ET.

Futures tied to Canada's main stock index edged higher, as investors monitored corporate earnings and U.S. President Donald Trump's nomination for the open spot on the Federal Reserve's governing board.

In commodities, U.S. gold futures climbed to a record high after a report of U.S. tariffs on gold bar imports, while spot gold prices slipped. Copper prices rose on a softer U.S. dollar and oil prices were stable. Yesterday, the Ivey PMI data showed that Canadian economic activity expanded at the fastest pace in a year during July as employment rose.

This morning, data showed employment fell by 40,800 in July 2025, following a 83,100 increase in June and missing market forecasts of a 13,500 rise (see chart). Unemployment Rate remained unchanged at 6.90 percent in July.



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European stocks edged higher this morning, led by upbeat corporate earnings and a jump in Novo Nordisk shares, and are set for their biggest weekly gain in twelve. Novo Nordisk rose about 4.6% after rival Eli Lilly's weight-loss pill's late-stage study showed that it lagged Novo's injectable obesity treatment Wegovy. A largely upbeat corporate results and firming bets of more interest rate cuts from the Federal Reserve have helped European stocks rise from five-week lows last Friday.

China stocks closed slightly down today, but ended the week near their highest level in 10 months, as upbeat economic data lifted sentiment and investors largely looked past U.S. tariff concerns. China faces an August 12 deadline to reach a durable tariff agreement with Trump's administration.

Japan's Topix index climbed above the key psychological mark of 3,000 points for the first time, underpinned by clarity over U.S. tariffs and a run of strong earnings reports. The U.S. government promised to amend a presidential executive order to remove overlapping tariffs on Japanese goods, Tokyo's trade negotiator Ryosei Akazawa said. Automakers rallied, with Toyota jumping 3.5%. SoftBank Group surged more than 10% after the artificialintelligence-focused technology investor swung back to profit in the first quarter.

## Monthly Review of Valuations (Argus)

We have different ways of looking at market valuations, and most are signaling that stocks are reasonably valued, though not cheap. Our asset-allocation model, the Stock/Bond Barometer, is indicating that the two major portfolio asset classes are near parity on valuation. The model goes back to 1960 and takes into account real-time price levels, historical growth rates, and forward-looking forecasts of short- and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading from the model is a modest premium for stocks of 0.09 sigma, with a standard deviation of 1.05. So stocks normally sell for a slight premium valuation, which has been the case since inflation (and bond yields) jumped in 2022. The current valuation level is a 0.42 sigma premium for stocks, not a discount but easily within the normal range. Other valuation measures show reasonable multiples for stocks. The current forward P/E ratio for the S&P 500 is approximately 22, within the normal range of



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15-24. On price/book, stocks are priced at the high end of the historical range of 5.3-1.8, given that IT stocks, which have low capital bases, are the biggest component of the market. On price/sales, the current ratio of 3.1 is above the historical average of 1.8, but well below the 4.0 multiple at the peak of the dot-com bubble.

The current S&P 500 dividend yield of 1.20% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 27% compared to the long-run average of 39% and the all-time low of 18% during 1999. Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is now 300 basis points, compared to the historical average of 400 basis points and nosebleed valuation levels of 200 basis points. Lastly, the ratio of the S&P 500 price to an ounce of gold is 1.9, just below the midpoint of the historical range of 1-3.



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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	3.40%	0.1
CDA 3 month T-Bill	2.66%	-1.0	CDA 20 year	3.69%	1.1
CDA 6 month T-Bill	2.70%	1.0	CDA 30 year	3.76%	1.1
CDA 1 Year	2.71%	1.0			
CDA 2 year	2.70%	0.0			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.80%	1.2
US Prime	7.50%	0.0	US 10 year	4.26%	1.8
US 3 month T-Bill	4.14%	-0.9	US 30 year	4.84%	2.8
US 6 month T-Bill	4.12%	-0.4	5YR Sovereign CDS	39.96	
US 1 Year	3.92%	0.2	10YR Sovereign CDS	47.89	
US 2 year	3.74%	1.0			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			677.61	0.00%	6.64%
BMO Laddered Preferred Shares (ETF)			11.88	0.00%	8.49%

Source: LSEG

Things are looking up! Have a great day!

Ben



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