

# Financial HARTbeat

US and China 90 days?  
Aug 12<sup>th</sup> 2025



Good Morning,

US Government appears is trying to force hands with economic threats, then progress made, the things on hold, then threats, then hold....ultimately what will this mean....while not immediately apparent...likely markets, corporations, individuals and economies will feel the effects next year...

Stablecoins...while I have been speaking about this technology for years...now grabbing headlines and I think finally we need to pay attention...flick of a switch could change what your money is worth...

Jackson Hole coming up...does anything material come out of these meetings? Occasionally...therefore must what and watch..

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

**Chart of the Day: CAD crosses...pretty neutral only one of note is GBP potentially weaker**

Canadian Dollar Cross Currencies						
Currency		Current	Forward Estimates			
		August 11, 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Euro	(EUR / CAD)	1.60	1.60	1.59	1.60	1.60
Japanese Yen	(CAD / JPY)	107	107	106	104	105
Australian Dollar	(AUD / CAD)	0.90	0.89	0.90	0.91	0.90
Pound Sterling	(GBP / CAD)	1.85	1.86	1.85	1.85	1.81
Chinese Yuan	(CAD / CNY)	5.21	5.16	5.21	5.22	5.30
Mexican Peso	(CAD / MXN)	13.6	13.7	13.5	13.5	13.5

[Economics and Strategy website](#)

Source: NBC Economics and Strategy



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## Top News

Stock futures rise as investors weighed a fresh inflation report. Investors are focused on the July consumer price index report with hopes to gather potential insight into how the Federal Reserve will handle short-term interest rates. The consumer price index was projected to increase 0.2% in July and 2.8% for a year ago on headline, and 0.3% and 3% on core, according to the Dow Jones consensus estimate.

Traders will also parse Thursday's producer price index report for a reading on wholesale inflation. Both reports come ahead of the Fed's Jackson Hole gathering at the end of August, ahead of the central bank's September policy meeting. The market is currently pricing in a nearly 87% chance of a rate cut next month.

Oil prices were broadly steady on Tuesday as the United States and China extended a pause on higher tariffs, easing concerns an escalation of their trade war would hit oil consumption. European shares rose on Tuesday, as a U.S.-China tariff truce extension aided sentiment, while investors awaited U.S. inflation data to gauge the impact of tariffs on price pressures and monetary policy path.

Meanwhile, Trump said both Kyiv and Moscow will have to cede land to end the war ahead of his summit with Russian President Vladimir Putin on Friday. Hopes of a Ukraine peace deal buoyed European stocks in recent days.

German investor morale fell more than expected in August, the ZEW economic research institute said on Tuesday, citing widespread disappointment with the European Union-U.S. trade deal and Germany's sluggish second-quarter economic performance. The economic sentiment index fell to 34.7 points from 52.7 points in July. Analysts polled had predicted a reading of 39.8 points.

Japan's Nikkei share gauge powered to an all-time high on Tuesday, driven by sharp gains for tech companies and renewed optimism over trade with the United States. The Nikkei 225 surged 2.2% to 42,718.172 at the bell, the highest close ever. It touched 42,999.71 earlier in the session, exceeding the previous intraday high of 42,426.77 set on July 11, 2024. SoftBank Group soared 6.9% to 14,825 yen, a



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historic high. The stock has catapulted more than 25% in the past five days and got an added boost after Reuters reported that SoftBank was selecting banks for a U.S. listing of its payments app operator PayPay.

China and Hong Kong shares climbed on Tuesday, as the extension of a tariff truce between the U.S. and China, the world's two largest economies, helped cushion investor sentiment. Washington and Beijing on Monday extended a tariff truce by 90 days in a decision that markets had widely expected. India's annual retail inflation slowed to 1.55% in July from 2.10% in June, government data showed on Tuesday. A poll had projected retail inflation at 1.76%

## Fed Preps for Jackson Hole (Argus)

Chairman Powell and the Federal Reserve have a tectonic opportunity to improve the growth and resilience of the \$30 trillion U.S. economy and reestablish their "credibility" as independent inflation fighters. We believe the Fed's quinquennial Review of Monetary Policy Strategy, Tools, and Communications, likely to be unveiled at the Jackson Hole conference this month, allows the central bank to prepare for the future and incorporate lessons from an unprecedented business cycle.

The Fed can eliminate policies that induced monetary missteps and contributed to a nontransient bout of inflation, which tarnished the Powell era's otherwise solid record of monetary policy action. The most notable component of the first framework review in 2019-2020 (and the one we'd most like the Fed to change) is the adoption of a flexible average inflation targeting (FAIT).

What many sophisticated investors don't understand is that the Fed wasn't (and isn't) charged with managing inflation with a cap of 2%. Rather, it is required to manage inflation to an average of 2% over time. FAIT, a well-intended byproduct of the Great Recession, created an "asymmetric dual mandate approach" to focus on inflation below a 2% rate and the resultant fears of deflation, among other issues. Further, FAIT affected the Fed's views on its goal of maximum employment, guiding toward stimulus to reduce employment "shortfalls" but suggesting tightening measures only when low unemployment is accompanied by large inflation deviations. This asymmetry created a bias that caused the FOMC to be late to the game in late 2021-early 2022. As the Fed confronts the consequences of FAIT foggy (where



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flexibility blurred rules-based price control), the 2025 review offers a chance to restore clarity by reinstituting a symmetric dual mandate approach to avoid further inflation missteps.

**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%	1.3
CDA Prime	4.95%	0.0	CDA 10 year	3.42%	1.9
CDA 3 month T-Bill	2.66%	0.0	CDA 20 year	3.71%	1.9
CDA 6 month T-Bill	2.69%	2.0	CDA 30 year	3.78%	1.9
CDA 1 Year	2.69%	1.0			
CDA 2 year	2.69%	0.9			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.84%	2.0
US Prime	7.50%	0.0	US 10 year	4.29%	2.2
US 3 month T-Bill	4.15%	0.0	US 30 year	4.87%	2.6
US 6 month T-Bill	4.13%	1.9	5YR Sovereign CDS	39.95	
US 1 Year	3.94%	1.6	10YR Sovereign CDS	48.37	
US 2 year	3.77%	1.8			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			679.37	-0.01%	6.92%
BMO Laddered Preferred Shares (ETF)			11.86	-0.08%	8.31%

Source: LSEG

Things are looking up! Have a great day!

Ben



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