

Financial HARTbeat

Markets Calm
Aug 15th 2025



Good Morning,

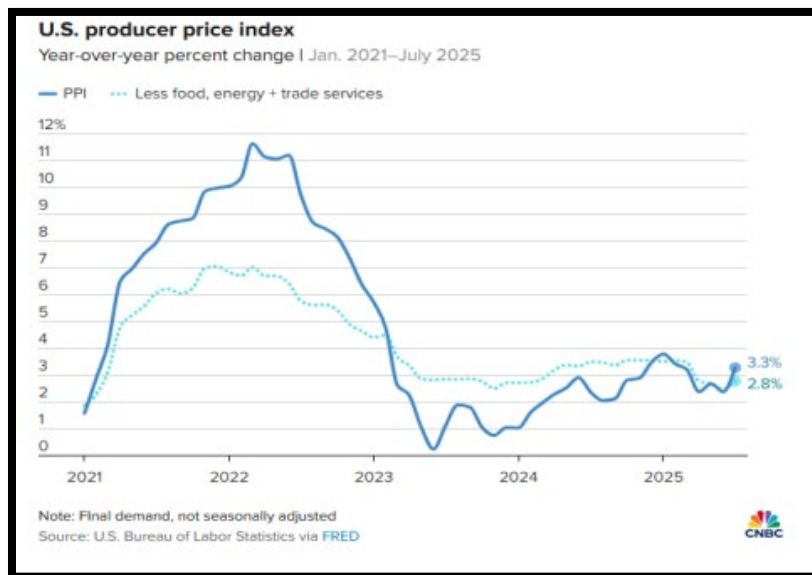
Generally good markets this week....calm, not to much volatility

Bonds moved sideways...

Commodities calm as well...

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

Chart of the Day: Do we need to worry about this or just assumed?



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Top News

U.S. stock futures were on track to open at a record high on Friday, underpinned by expectations of an interest rate cut in September and gains in UnitedHealth's shares after Berkshire Hathaway raised its stake in the health insurer. U.S. retail sales increased solidly in July, boosted by strong demand for motor vehicles as well as promotions by Amazon and Walmart, though a softening labor market and higher goods prices could curb growth in consumer spending in the third quarter.

Retail sales rose 0.5% last month after an upwardly revised 0.9% gain in June, the Commerce Department's Census Bureau said on Friday. Economists polled had forecasted retail sales, which are mostly goods and are not adjusted for inflation, advancing 0.5% after a previously reported 0.6% rise in June. U.S. stock indexes are on track for their second week of gains, buoyed by expectations that the

Fed could restart its monetary policy easing cycle with a 25-basis-point interest rate cut in September. Oil prices eased on Friday as traders awaited talks between U.S. President Donald Trump and Russian leader Vladimir Putin, which some expect could lead to an easing of the sanctions imposed on Moscow over the war in Ukraine. European shares hit a near five-month high on Friday, as investors drew support from a largely positive earnings season, while a meeting between Donald Trump and Vladimir Putin was also in focus. European company earnings have proven resilient, with LSEG data on Tuesday showing that 54% of companies reporting so far have beaten estimates.

Britain's FTSE 100 was flat on Friday, despite momentarily scaling to an all-time intraday high, as defense stocks weighed ahead of crucial U.S.-Russia talks. The week's advances were fueled by growing optimism surrounding potential U.S. interest rate cuts, better-than-expected UK Gross Domestic Product data and a series of largely positive corporate earnings reports.

Japan's Nikkei closed at an all-time high on Friday, as the yen weakened and data showed the nation's economy was surprisingly resilient. Japan's economy expanded an annualized 1.0% in the April-June quarter, government data showed on Friday, beating forecasts, though analysts expect the full hit to growth from U.S. tariffs will not be seen until future releases. The increase in GDP compared with median market expectations for a 0.4% gain in a Reuters poll.



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China stocks rose on Friday and logged their biggest weekly gain in nine months, as resilient risk appetite helped investors look past a raft of disappointing economic data. Meanwhile, Hong Kong shares declined. China's factory output growth slumped to an eight-month low in July, while retail sales slowed sharply, raising pressure on policymakers to roll out more stimulus to revive domestic demand and ward off external shocks to the \$19 trillion economy. Industrial output grew 5.7% year-on-year in July, National Bureau of Statistics (NBS) data showed on Friday, the lowest reading since November 2024, and compared with a 6.8% rise in June. It missed forecasts for a 5.9% increase in polls.

Inflation Surprise (Argus)

Two inflation reports (the Consumer Price Index (CPI) and the Producer Price Index (PPI)) were released this week and their messages diverged. Pricing pressures remained relatively benign in the consumer economy, while prices surged farther up the supply chain. The CPI news was generally positive, as the month-to-month headline number increased only two-tenths of a percent from the previous month; the annualized rate was 2.7%, steady month to month. The core inflation rate (ex-food and energy) rose three-tenths of a percent month to month, and ticked higher to an annual rate of 3.1%. The wild cards in this report have been Transportation Services and Shelter costs, which were both up around 3.5% year over year. Those rates are keeping CPI above the Fed's 2.0% target. Meanwhile, the PPI measures pricing trends at the manufacturing level. Here, the news was a bit alarming. The PPI final demand monthly rate in July was 0.9%, the highest monthly change in three years. The annualized change in final demand rate was 3.3%, up from 2.4% a month ago. It is not a certainty that this one data point in the PPI is an inflection point or the start of an alarming trend. Nothing else in the PPI report indicated that prices were spiralling out of control.

As such, we continue to expect pricing pressures to ease into 2026 as the housing market cools due to high mortgage rates and the price of oil stays below \$90 per barrel (current price around \$64). But that low price of oil reflects a new wild card that has entered the forecasting picture: President Trump's trade wars. His tariffs, should they ever go into full effect, will almost certainly raise prices. That will put new pressure on the Fed, which we think (based on the fundamentals) should be in position to lower rates two times by the end of the year.



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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	2.97%	2.3
CDA Prime	4.95%	0.0	CDA 10 year	3.44%	3.0
CDA 3 month T-Bill	2.67%	0.0	CDA 20 year	3.76%	3.2
CDA 6 month T-Bill	2.68%	0.0	CDA 30 year	3.84%	3.2
CDA 1 Year	2.69%	0.5			
CDA 2 year	2.71%	1.6			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.82%	-0.2
US Prime	7.50%	0.0	US 10 year	4.29%	0.0
US 3 month T-Bill	4.12%	-0.6	US 30 year	4.89%	0.4
US 6 month T-Bill	4.09%	1.2	5YR Sovereign CDS	39.96	
US 1 Year	3.91%	-0.3	10YR Sovereign CDS	47.91	
US 2 year	3.73%	-0.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			678.11	-0.01%	6.72%
BMO Laddered Preferred Shares (ETF)			11.82	-0.08%	7.95%

Things are looking up! Have a great day!

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