

Financial HARTbeat

Jackson Hole ahead
Aug 18th 2025



Good Morning,




US Economics looks ahead to Jackson Hole this week

Lots of meeting in Washington today...ceasefire on the table or not?

Lowes and Home Depot earnings will be important to watch US housing...

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

Chart of the Day: Inflation number tomorrow will play a big part in Canada...

	 Bank of Canada	 Federal Reserve	 European Central Bank
Rates			
President / Chair	Tiff Macklem	Jerome Powell	Christine Lagarde
Policy rate	Overnight rate	Fed Funds rate	Deposit facility rate
Current policy rate	2.76%	4.50%	2.00%
Next meeting			
Next meeting date	September 17, 2025	September 17, 2025	September 11, 2025
Market-implied policy rate*	2.67%	4.29%	1.98%
Spread vs. current rate	-9 bp	-21 bp	-2 bp
Probability of...			
... hike	0%	0%	0%
... hold	64%	15%	93%
... cut	36%	85%	7%
Rate cuts			
25bps cuts priced in over...			
... next 3 months	0.6	1.4	0.2
... next 6 months	-	2.6	0.5
... next 12 months	-	4.3	-

*Derived from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

National Bank Financial - Wealth Management

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



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Top News

U.S. stock futures were subdued on Monday ahead of an eventful week. Geopolitics was in the spotlight as U.S. President Trump told Ukraine they should make a deal to end the war with Russia because "Russia is a very big power, and they're not", after a summit where Vladimir Putin was reported to have demanded more Ukrainian land. After the two leaders met in Alaska on Friday, Trump told Ukrainian President Volodymyr Zelenskiy that Putin had offered to freeze most front lines if Kyiv ceded all of Donetsk, the industrial region that is one of Moscow's main targets, a source familiar with the matter said. Zelenskiy rejected the demand, the source said. Russia already controls a fifth of Ukraine, including about three-quarters of Donetsk province, which it first entered in 2014.

Trump also said he agreed with Putin that a peace deal should be sought without the prior ceasefire that Ukraine and its European allies had demanded.

President Zelenskiy and European leaders will meet with Trump in Washington later on Monday to map out a peace deal amid fears that Trump will pressure Kyiv into accepting a settlement favourable to Russia.

The major economic event this week will be the Kansas City Federal Reserve's August 21-23 Jackson Hole symposium, where Fed Chairman Jerome Powell is due to speak on the economic outlook and the central bank's policy framework. Markets imply around an 85% chance of a quarter-point rate cut at the Fed's meeting on September 17 and are priced for a further easing by December.

Investors will also focus on earnings from big box retailers this week closely monitoring reports from Walmart, Home Depot, Lowe's and Target, which could provide some colour on the health of U.S. consumer spending.

Meanwhile on the trade front, the Trump administration widened the reach of its 50% tariffs on steel and aluminum imports by adding hundreds of derivative products to the list of goods subject to levies. Looking at the global markets, European shares were little changed on Monday, after logging a second straight weekly gain on Friday, as investors awaited the meeting between Ukraine, European leaders and



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Wealth Management**

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President Trump. Earlier in the Asian session, a cautiously risk-on mood saw indices in Japan and Taiwan make record peaks, while a gauge of Chinese stocks reached its highest level in a decade.

Futures tracking Canada's main stock index dipped on Monday as investors reined in big bets ahead of a busy week featuring Ukraine peace talks, a key U.S. central bank conference and domestic inflation data.

In Canada, investors will monitor July inflation data due on Tuesday; a Reuters poll of economists expects the annual rate to slow to 1.7% last month. A fall in domestic inflation could prompt the Bank of Canada to slash interest rates. The central bank left rates unchanged at its last meeting and signaled further cuts if the economy weakens and inflation stays contained. Before today's opening bell, CMHC reported domestic housing starts unexpectedly rose 4% month-over-month in July to 294,085 units. Economists had expected a fall to 265,000. Investors await Canadian retail sales figures for June on Friday.

Monetary Policy Divergence (Argus)

Global central banks once moved in lockstep. After 2008 and again during COVID-19, monetary policy was synchronized: zero rates, quantitative easing, and coordinated support. Indeed, since 2007, the European Central Bank's (ECB) deposit facility rate (its main policy rate) and the Federal Funds Rate in the U.S. have exhibited extreme positive correlation, though the ECB has usually followed the Fed after a lag of five to seven months. But recently, the script has flipped. The ECB cut rates three times in 2025 and eight times since June 2024. The current ECB deposit facility rate is now down to 2.00%, while the Federal Reserve has held its federal funds target steady at a range of 4.25%-4.50% after three cuts in 2H24. This divergence reflects the ECB's response to weak growth and falling eurozone inflation (currently at 2.0%, compared to 2.7% in the U.S.), and contrasts with the Fed's tariff-driven caution as well as the low U.S. unemployment rate.

Even so, President Trump has been pushing aggressively for the Fed to follow the ECB and cut rates. The latest nonfarm payrolls report may well be the straw that breaks the camel's back. But even if the Fed lowers rates by 25 basis points in September, we still don't expect the U.S. central bank to make any dramatic moves through at least the end of the year, or even through the end of Chairman Powell's term



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as the Fed's leader next May. Mr. Powell seems rightly committed to maintaining the Fed's independence from the White House.

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	2.98%	0.4
CDA Prime	4.95%	0.0	CDA 10 year	3.46%	0.0
CDA 3 month T-Bill	2.68%	0.5	CDA 20 year	3.79%	1.1
CDA 6 month T-Bill	2.68%	1.0	CDA 30 year	3.86%	1.1
CDA 1 Year	2.70%	1.0			
CDA 2 year	2.73%	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	3.83%	-1.2
US Prime	7.50%	0.0	US 10 year	4.31%	-1.6
US 3 month T-Bill	4.12%	-0.3	US 30 year	4.91%	-1.2
US 6 month T-Bill	4.09%	-0.1	5YR Sovereign CDS	39.97	
US 1 Year	3.93%	0.0	10YR Sovereign CDS	47.96	
US 2 year	3.75%	-0.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			676.91	0.00%	6.53%
BMO Laddered Preferred Shares (ETF)			11.82	0.00%	7.95%

Source: LSEG

Things are looking up! Have a great day!

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