Financial HARTbeat

Oil Up
Dec 3rd 2025

Good Morning,

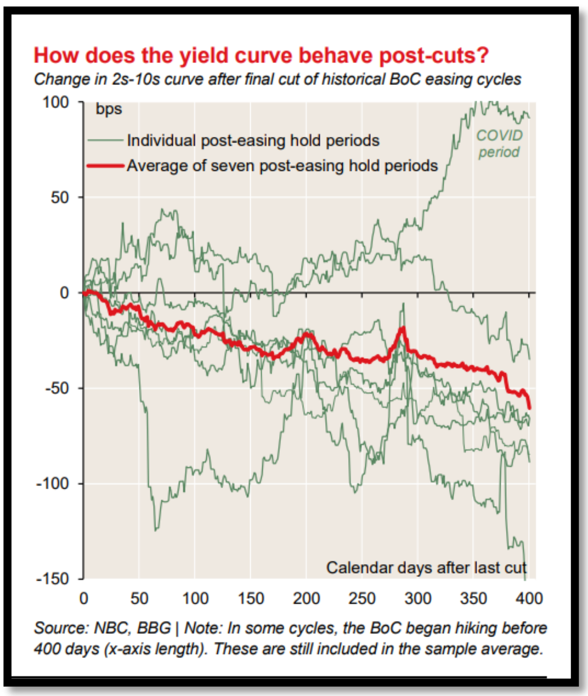
It appears that no settlement with made with US/Russia meeting yesterday…

Oil prices rise and lifts TSX to start the trading session…

CAD also slightly higher on this news…

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

Chart of the Day: If BOC done cutting (which I don't think they are)…the historically you get roughly a 30-50 bps flattening of the curve…



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Top News

Canadian stock index futures rose this morning, helped by strong financial results from banks and by higher crude oil prices. Royal Bank of Canada and National Bank of Canada beat analysts' estimates for Q4 earnings, powered by strong growth from their capital market segments and wealth management businesses.

Higher commodity prices and hopes of U.S. monetary policy easing have been among the major drivers behind the TSX's run to record highs in recent days. Precious metal miners will remain in focus today as silver touched a record high before slipping.

Oil prices rose more than 1% as Russia and the U.S. did not reach a compromise on a possible peace deal to end the war in Ukraine after a five-hour meeting between President Vladimir Putin and Donald Trump's top envoys.

In the U.S., Wall Street rebounded this morning from a wobbly start to December as traders digested losses in the crypto and bond markets and weighed a barrage of delayed data and mixed signals on monetary policy from Fed officials. A report that the Trump administration had abruptly canceled interviews with finalists for the Fed chair role firmed up the view that Kevin Hassett, seen as a U.S. interest rate cutter will replace Jerome Powell next May.

Markets are weighing that prospect against a muddled economic backdrop, with manufacturing and holiday sales sending mixed signals even as a chorus of influential policymakers has turned more dovish in recent days. Traders now put the odds of a 25-basis-point cut at next week's Fed meeting at 87%, up from 63% a month ago.

On the economic front, the ADP employment report showed U.S. private payrolls unexpectedly declined in November. Private employment decreased by 32,000 jobs last month after an upwardly revised 47,000 increase in October. Economists polled by Reuters had forecast private employment rising by 10,000 jobs

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after a previously reported 42,000 rebound in October. The ADP report has historically diverted from the government's private payrolls count produced by the Labor Department's Bureau of Labor Statistics (BLS). The BLS will release the closely watched employment report for November on December 16. The report, originally due on December 5, will be delayed by the recently ended shutdown of the government. It will include nonfarm payrolls for October. While the ADP has suggested a deterioration in labor market conditions, first-time applications for state unemployment benefits have been consistent with the "no hire, no fire" narrative. Economists say economic uncertainty stemming from tariffs has left the labor market in a state of paralysis.

In Canada, labor productivity rose by 0.9% in the third quarter, on a sharp recovery in business output while hours worked declined slightly. This was the sixth quarterly increase in eight quarters.

Elsewhere, business activity in the euro zone expanded at its fastest pace in two-and-a-half years in November as a robust service sector more than offset manufacturing weakness.

Stock Valuations in Normal Range (Argus)

Our Stock/Bond Barometer asset-allocation model is indicating that the two major portfolio asset classes are near parity on valuation. The model, our most comprehensive, goes back to 1960 and takes into account real-time price levels, historical growth rates, and forward-looking forecasts of short-term 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 going back to 1960 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 compared to bonds. The current valuation is a 0.38 sigma premium for stocks -- not a discount but easily within the normal range. Other measures also show reasonable multiples for stocks.

The forward P/E ratio for the S&P 500 is about 23, within the normal range of 15-24. On price/book, stocks are priced at the high end of the historical range of 1.8-5.5, given that tech stocks, with low capital bases, are the biggest component of the market. The theory holds on dividend yield as well. The current S&P 500 yield of 1.09% is below the historical average of 2.9%, but the relative reading to the 10-year

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Treasury bond yield is 27%, compared to the longrun average of 39%. On price/sales, the current ratio of 3.2 is above the historical average of 1.8, but well below the 4.0 multiple at the peak of the dot-com bubble. Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is 326 basis points, compared to the historical average of 400.

Lastly, the ratio of the S&P 500 price to an ounce of gold is 1.6, not far from the midpoint of the historical range. These valuation measures suggest to us that the stock market, near-record highs, is not in danger of entering bubble territory.

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	2.25%	0.0	CDA 5 year	2.79%	-2.1
CDA Prime	4.45%	0.0	CDA 10 year	3.22%	-2.9
CDA 3 month T-Bill	2.18%	0.0	CDA 20 year	3.57%	-1.9
CDA 6 month T-Bill	2.23%	-2.2	CDA 30 year	3.68%	-1.9
CDA 1 Year	2.33%	1.0			
CDA 2 year	2.46%	-0.5			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4%	0.0	US 5 year	3.63%	-3.3
US Prime	7.00%	0.0	US 10 year	4.06%	-2.7
US 3 month T-Bill	3.67%	-1.1	US 30 year	4.73%	-1.4
US 6 month T-Bill	3.72%	-1.1	5YR Sovereign CDS	32.49	
US 1 Year	3.58%	-1.4	10YR Sovereign CDS	42.45	
US 2 year	3.49%	-2.8			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			692.24	0.08%	8.94%
BMO Laddered Preferred Shares (ETF)			12.2	0.66%	11.42%

Source: LSEG

Things are looking up! Have a great day!
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