

Financial HARTbeat

Stablecoins
Dec 16th 2025



Good Morning,

Everywhere you look Stablecoins language is popping up...Bank of Canada today says stablecoins must be linked to high quality liquid assets..

Europe discussing launching Euro stablecoins..

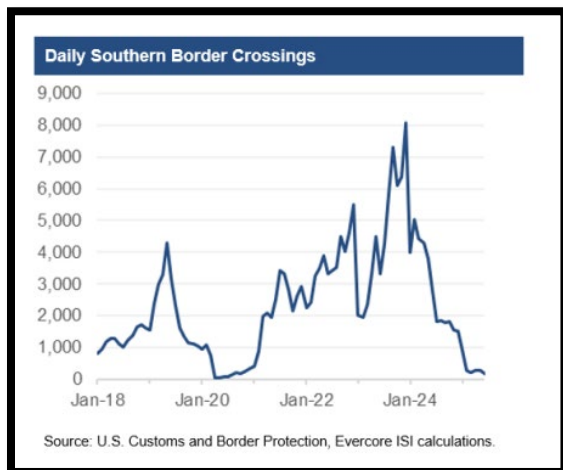
England leading edge on government stablecoins...

El Salvador...stablecoins...

What does it all mean?

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

Chart of the Day: This chart is stark...



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Top News

U.S. stock index futures advanced this morning as investors awaited more economic data to gauge the path for monetary policy and monitored geopolitical tensions in Venezuela that sent oil prices higher. Commentary from a number of influential Federal Reserve officials such as Governor Christopher Waller and New York President John Williams are expected later in the day that could offer more clarity on monetary policy. The benchmark S&P 500 Index touching a three-week low after a key jobs report failed to offer enough clarity on the health of the labor market and analysts pointed to the likelihood of data distortion due to the recent government shutdown.

Traders held on to expectations for two 25-basis point rate cuts next year, with the first one expected in June, a month after a new Fed Chair is likely to be appointed. On the economic front, despite the U.S. doing better than what was expected earlier this year, some level of pessimism remains as more businesses are seen passing the cost of tariffs on to consumers. Tariff expenses are expected to show up more broadly in 2026 and will determine how much spending can hold up, particularly among people not benefiting from increases in stocks and other asset prices. However, the main determinant of spending power is employment, and on the surface, the U.S. labor market is doing well.

The unemployment rate has only slowly ticked up from its post pandemic 3.5% low and remains lower than 5%. Those figures mask a “curious kind of balance,” as Federal Reserve Chairman Jerome Powell described it in August. There’s very little movement among jobs, with hires per layoff at the lowest rate in over a decade. Quits are heading toward levels last seen in May 2020, suggesting that a no-hire, no-fire, no-quitting labor market has taken hold. Along with the frozen labor market, consumer sentiment is at benchmarks associated with recessions, according to the University of Michigan and the housing market is stuck below pre-pandemic levels of new originations.

Average 30-year mortgages cost are at more than 6%, despite recent Fed interest-rate cuts, and the average age of a first-time U.S. homebuyer is now more than 40. The split between the haves and have-nots is creating a lot of uncertainty. Those in high-income brackets keep spending and project confidence about the economy, while low- and middle-income consumers have pulled back.



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Wage growth for the lowestearning contingent of the labor market also flatlined more quickly than groups who pocket more, suggesting less competition for low-skilled workers. If tariffs eat into profit margins and keeping workers on payrolls becomes unjustifiable, companies are likely to raise prices and shed staff. The Fed said recently that there's no immediate need to do so, with growth chugging along and expected to hit 2.3% next year. But if the AI buildout stalls and consumers get spooked, the mysteriously balanced economy could easily tip down.

Unemployment Rises to 4.6% (Argus)

Bond Spreads Still Narrow Treasury bond yields have been declining in the second half as concerns have mounted over a slowdown in jobs growth. Corporate bond yields have headed lower as well. As a consequence, spreads between corporate and Treasury bond yields have been steady in recent months, remaining narrower than historical averages. For example, the spread between AAA-rated corporate bonds and 10-year government bonds in November was 112 basis points (bps), in line with the spread of 114 bps in May and lower than the historical average of 122 bps. The gap between the government 10-year bond yield and a BAA-rated bond (still investment grade) in August was 172 basis points, below the historical average spread of 228 bps and narrower by about 15 bps since the spring.

We watch these spreads closely for several reasons. First, from an asset-allocation standpoint, tight corporate bond spreads signal that corporate bond prices are above historical fair value, and we may look to underweight the segment in our model portfolios. Next, from an economic outlook standpoint, the changes in the spreads offer clues to the bond market's view of corporate financial strength and potential recession risk -- which currently is relatively sanguine.



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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 | 2.25% | 0.0 | CDA 5 year | 2.99% | 2.7 |
| CDA Prime | 4.45% | 0.0 | CDA 10 year | 3.43% | 2.4 |
| CDA 3 month T-Bill | 2.19% | 0.0 | CDA 20 year | 3.76% | 3.4 |
| CDA 6 month T-Bill | 2.24% | 0.0 | CDA 30 year | 3.87% | 3.4 |
| CDA 1 Year | 2.39% | 0.0 | | | |
| CDA 2 year | 2.60% | 1.6 | | | |
| US Key Rate | Last | Change bps | US Key Rate | Last | Change bps |
| US FED Funds | 3.5-3.75% | 0.0 | US 5 year | 3.72% | 3.0 |
| US Prime | 6.75% | 0.0 | US 10 year | 4.17% | 2.5 |
| US 3 month T-Bill | 3.55% | -0.3 | US 30 year | 4.84% | 2.2 |
| US 6 month T-Bill | 3.60% | 0.0 | 5YR Sovereign CDS | 30.74 | |
| US 1 Year | 3.52% | 1.3 | 10YR Sovereign CDS | 40.21 | |
| US 2 year | 3.51% | 2.9 | | | |
| Preferred Shares Indicators | | | Last | Daily % | YTD |
| S&P Preferred Share Index | | | 690.76 | -0.02% | 8.71% |
| BMO Laddered Preferred Shares (ETF) | | | 12.23 | -0.12% | 11.69% |

Source: LSEG

Things are looking up! Have a great day!

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