

Financial HARTbeat

Inflation boogeyman
Dec 18th 2025



Good Morning,

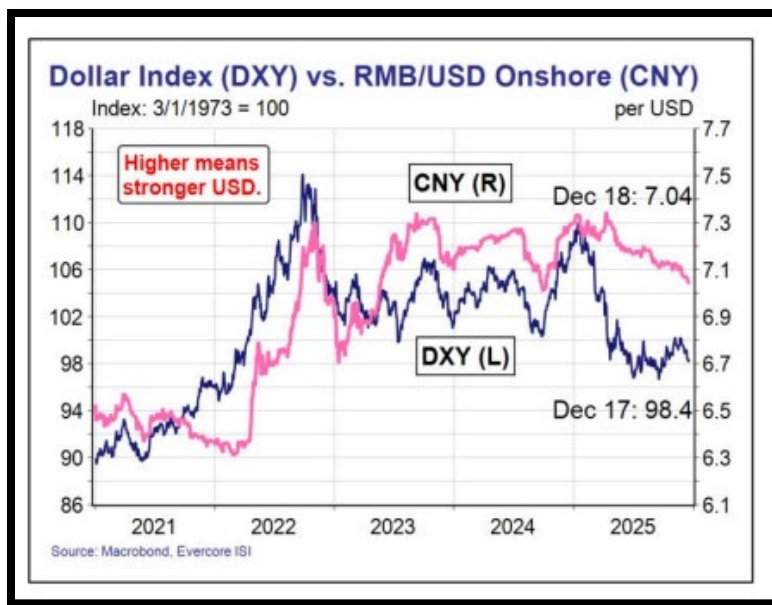
US CPI increased less than expected this morning....

Canada inflation also within the Bank of Canada's range...

Is technology not inherently deflationary?

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

Chart of the Day: What does China want now...a weakening USD vs RMB and what happens from here? Likely weaker USD with policy shifting to lower rates...



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Top News

U.S. stock index futures edged higher this morning after the key inflation report, while strong forecasts from chipmaker Micron temporarily assuaged worries about the overvalued technology sector. The Consumer Price Index rose 2.7% year-on-year in November, the Labor Department's Bureau of Labor Statistics (BLS) said. Economists had forecast the CPI advancing 3.1%. The BLS did not publish month-to-month CPI changes after the 43-day shutdown of the government prevented the collection of October data. The October CPI release was canceled because the price data could not be collected retroactively. The core CPI increased 2.6% year-on-year in November. It rose 3.0% in September.

Futures tracking Toronto's main stock index are higher this morning, as investors reacted to the U.S. inflation reading. Gold prices fell and silver eased from record highs.

Oil gained as investors assessed the likelihood of further U.S. sanctions against Russia and the supply risks posed by a blockade of Venezuelan oil tankers.

Cannabis stocks will be in focus as U.S. President Donald Trump is expected to address the potential loosening of federal regulations on marijuana later in the day.

The European Central Bank kept interest rates unchanged at 2% this morning, as expected and raised some of its growth and inflation projections, likely solidifying investor bets that no further rate cuts are coming. The Bank of England cut interest rates this morning after a narrow vote by policymakers, but it signalled that the already gradual pace of lowering borrowing costs might slow further. After an inflation drop in data this week and a new forecast from BoE staff that the economy is stagnating in late 2025, five Monetary Policy Committee members voted to lower the BoE's benchmark rate for the fourth time in 2025 to 3.75% from 4.0%. The four other members supported no change as they worried about the potential for inflation - still the highest among the Group of Seven economies - to remain too high. Governor Andrew Bailey changed his view and voted for a cut, tipping the balance on the committee. Norway's central bank kept its policy interest rate unchanged at 4.0% today, as widely forecast, and said it expected to cut borrowing costs once or twice in the coming year despite above-target inflation.



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Sweden's central bank kept its policy rate at 1.75% today, as expected, and said there would probably be no change through next year if the current encouraging outlook for growth and inflation holds.

China shares ended flat today as investors rotated into defensive sectors amid concerns over artificial intelligence spending and regional tensions, while tech and property stocks weighed on sentiment. The United States approved \$11.1 billion in arms sales to Taiwan, the largest ever U.S. weapons package for the island which is under increasing military pressure from China. China's foreign ministry expressed anger, as it does with all U.S. arms sales to Taiwan, saying it "severely undermines peace and stability in the Taiwan Strait" and demanded an end to such deals.

Japan's Nikkei share average ended at a three-week low, pressured by heavyweight tech stocks as investors weighed the outlook for artificial intelligence and data centre businesses. Financials fell ahead of the Bank of Japan's policy meeting conclusion on Friday, with investors expecting the central bank to announce an interest rate hike.

Oil Prices Likely to Trend Lower (Argus)

The price of a barrel of the crude oil benchmark grade West Texas Intermediate has fluctuated between \$56 and \$80 over the past year -- and currently is toward the bottom of that range. Oil prices are down almost 50% from the \$115 to 120 level that was touched back in 1H22 when Russia invaded Ukraine. For 2025, we are now calculating an average price of \$65, compared to \$77 in 2024, \$80 in 2023 and \$95 in 2022. For 2026, our forecast is at \$60, and our forecast trading range is \$50 to \$70. The coredrivers behind oil prices over the long term come from Econ 101: global supply and demand.

According to the U.S. Energy Information Administration, there will be an excess supply of oil in 2025: global consumption is estimated at 103.9 million barrels per day, while global production is estimated at 106.2 million barrels. The outlook for 2026 also calls for supply to exceed demand, which is likely to extend the ceiling to oil price levels. Of course, there are always wild cards such as geopolitical developments that range from tariffs to regional turmoil and wars to sanctions and to the whims of OPEC. The growth path of the Chinese economy also plays an outsize role in the direction of oil prices, and



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growth in India may at some point have a greater impact than it does today. These wild cards can cause prices to fluctuate dramatically. That said, absent wild cards, the global demand-supply outlook suggests the days of triple-digit oil prices are in the rear-view mirror as the world economy pivots toward cleaner energy solutions. drivers behind oil prices over the long term come from Econ 101: global supply and demand.

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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	2.97%	-1.5
CDA Prime	4.45%	0.0	CDA 10 year	3.42%	-2.1
CDA 3 month T-Bill	2.18%	0.0	CDA 20 year	3.76%	-1.1
CDA 6 month T-Bill	2.18%	-5.1	CDA 30 year	3.87%	-0.9
CDA 1 Year	2.39%	0.0			
CDA 2 year	2.59%	-0.7			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	3.67%	-2.6
US Prime	6.75%	0.0	US 10 year	4.13%	-2.0
US 3 month T-Bill	3.54%	-1.5	US 30 year	4.82%	-1.1
US 6 month T-Bill	3.59%	-1.3	5YR Sovereign CDS	30.74	
US 1 Year	3.50%	-1.1	10YR Sovereign CDS	40.21	
US 2 year	3.46%	-2.7			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			690.93	-0.03%	8.74%
BMO Laddered Preferred Shares (ETF)			12.2	-0.20%	11.42%

Source: LSEG

Things are looking up! Have a great day!

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