Financial HARTbeat

Tides of November
Nov 4th 2025

Good Morning,

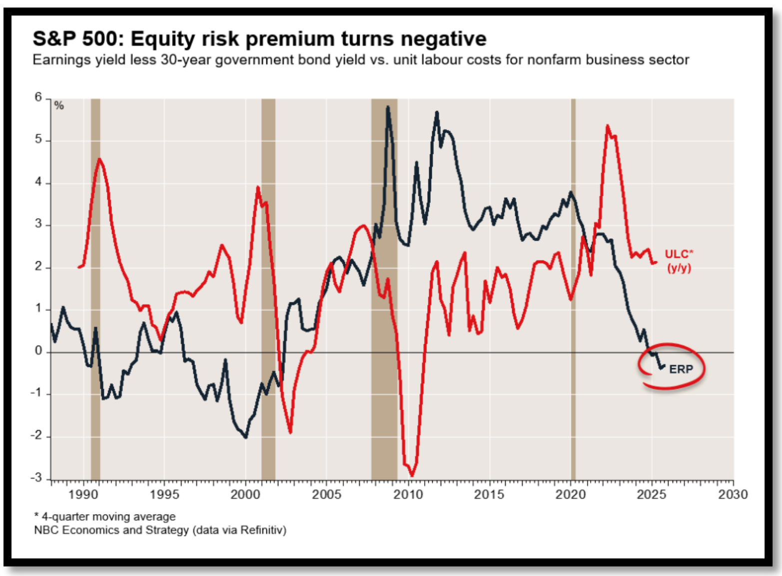
Choppy start to trading yesterday in first day of November and new fiscal year for Canadian financial institutions…

Gold continues under pressure…short term bottoming?

US Government 34 days and counting…shutdown..reaching a record and need to come to a solution as data is now stale and financial conditions are tightening….

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

Chart of the Day: This is not a great sign for equity investors…will money supply trump this?



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Top News

Canada's Prime Minister Mark Carney will announce a major fiscal stimulus in his budget proposal today as he aims to unlock billions of dollars in investment and transform the Canadian economy to rely less on the United States. The budget, which Finance Minister François-Philippe Champagne will present to Parliament at 4 p.m. EST, is a major test for Carney's minority government. Economists expect Canada's highest deficit outside the COVID-19 pandemic, and they want the government to have a clear path to reduce it in coming years. The consensus is expecting Canada's to propose a deficit of C$70 billion to C$90 billion for the year ending in March 2026.

Canada last reported a deficit, of C$62 billion for 2023-24, a 77% jump from the previous year. Champagne has asked ministries to find planned savings of 7.5% in the next fiscal year, rising to15% by fiscal 2028. Government sources said the budget will have details on how to achieve this. The budget will allocate billions of dollars for housing and major infrastructure projects across the country, which the government says will have a multiplier effect on the economy. The government, for the first time, will also distinguish between operational spending and capital spending, lay out a plan to balance the operating deficit in three years and forecast a declining debt to GDP ratio over the budget horizon.

In markets, the S&P/TSX Composite index futures fell over 1% this morning, tracking a global risk-off mood as investors locked in profits, ahead of the country's budget proposal. The Canadian benchmark largely moved sideways since hitting a record high in mid-October and has risen 22.4% year-to-date. Investors' sentiment remained fragile in Canada, where the downturn in the manufacturing sector showed signs of easing in October, though the PMI remained below the 50-mark, signaling continued contraction. Weakness in commodity markets also added to the pressure. Copper prices fell sharply, with Shanghai futures posting their biggest single day drop in three weeks, which is weighing on Canadian miners.

Oil prices also slipped after OPEC+ signaled a pause in output hikes for the first quarter, stoking fears of oversupply. In the U.S., stock index futures declined as investors questioned lofty tech valuations after CEOs of top Wall Street banks Morgan Stanley and Goldman Sachs warned that equity markets could be heading toward a drawdown.

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With the government shutdown likely to become the longest ever, private data has found renewed importance for investors and the Fed alike, with all eyes now on Wednesday's ADP National Employment numbers. Recent conflicting commentary from Fed officials has indicated differing perspectives on how to handle the data gap. Chicago Fed President Austan Goolsbee said he was on the fence about cutting rates in December, with inflation still far above the central bank's target, while Governor Stephen Miran called the current monetary policy too restrictive.

Traders are now pricing in a 72% chance of a 25-basis-point rate cut in December, lower than 90% a week earlier.

Low Hire, Low Fire (Argus)

The U.S. Bureau of Labor Statistics (BLS) is unlikely to release the monthly Employment Situation report on Friday because of the closure of the U.S. government. Our analysis suggests that the "low hire, low fire" environment continued in October. The Labor Department is not releasing weekly jobless claims, but our view incorporates state-level filings that Bloomberg is aggregating. We believe the October unemployment rate was little changed at 4.3%-4.4% and nonfarm payrolls rose by about 25,000 on top of our estimate of 56,000 for September. Neither official September payrolls nor August revisions have been published, so any estimate has a wide band of uncertainty. In a prediction market last week, a range of 0-25,000 payrolls for September was the big favorite. A correct bet of $0.84 on that range would pay $1.00. A bet on payrolls to be negative was a long shot, paying almost 20-to-1, while a bet on payrolls to exceed 125,000 was a more-modest underdog at approximately 7-to-1. Last week, ADP, the big payroll processor, debuted weekly employment data to augment its monthly report due on Wednesday. ADP estimated an average increase of 14,250 private sector jobs in the four weeks ended October 11, 2025, and offered the following. "This growth in employment suggests that the U.S. economy is emerging from its recent trough of job losses.

Hiring has begun to increase from September levels, albeit slowly." A decline in nonfarm payrolls for October is possible because workers who accepted DOGE "packages" to resign were removed from Federal payrolls at the end of September.

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On October 27, the Chicago Fed released its Advance Real-Time Unemployment Rate Forecast for October. In its three most-likely outcomes, their model projects a 41.7% probability that the October unemployment rate will be between 4.2% and 4.4%; a 26.8% probability of an increase to 4.5%-4.7%; and a 19% probability of a decline to 3.9%-4.1%. We will update our outlook on Friday after a busy week of non-government reports.

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	2.72%	-0.6
CDA Prime	4.45%	0.0	CDA 10 year	3.15%	0.4
CDA 3 month T-Bill	2.24%	0.0	CDA 20 year	3.50%	2.3
CDA 6 month T-Bill	2.27%	0.0	CDA 30 year	3.61%	2.7
CDA 1 Year	2.32%	0.0			
CDA 2 year	2.42%	-0.6			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4%	0.0	US 5 year	3.70%	-1.2
US Prime	7.00%	0.0	US 10 year	4.10%	-1.0
US 3 month T-Bill	3.81%	1.6	US 30 year	4.68%	-0.9
US 6 month T-Bill	3.82%	-1.3	5YR Sovereign CDS	39.23	
US 1 Year	3.68%	-1.9	10YR Sovereign CDS	47.89	
US 2 year	3.58%	-2.0			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			692.33	0.04%	8.96%
BMO Laddered Preferred Shares (ETF)			12.08	0.33%	10.32%

Source: LSEG

Things are looking up! Have a great day!
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