Financial HARTbeat

Liquidity
Nov 7th 2025

Good Morning,

Its all about liquidity, its all about liquidity, its all about liquidity….

The government is shut down and draining liquidity….markets are correcting…will this last for an extended period of time…maybe but unlikely…will this cause financial contagion? Maybe but not likely…

Front page is now all of sudden worried about valuations…come on…financial conditions are tighter then 1 month ago and therefore leverage needs to come down…be patient..this will pass

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

Chart of the Day: Bank of England…forecasting and rates are going lower…(this equals liquidity)

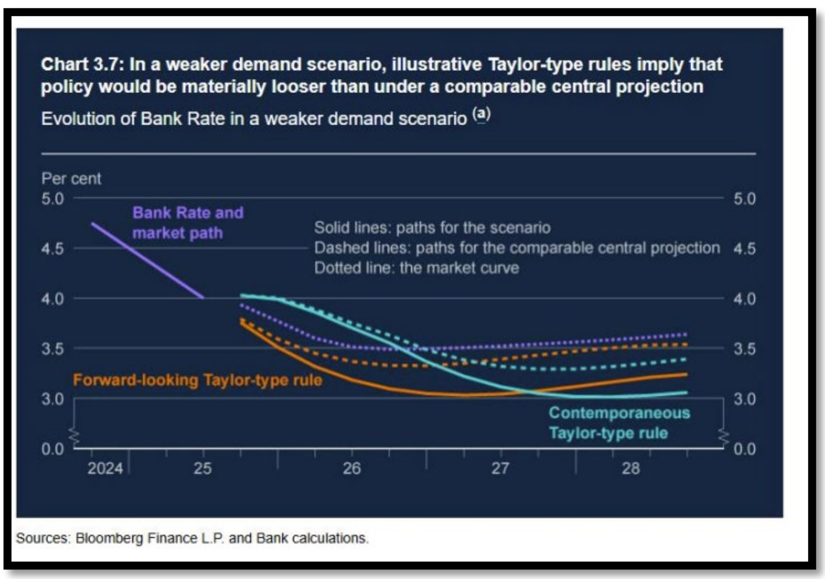

Chart 3.7: In a weaker demand scenario, illustrative Taylor-type rules imply that policy would be materially looser than under a comparable central projection
Evolution of Bank Rate in a weaker demand scenario (a)

Sources: Bloomberg Finance L.P. and Bank calculations.

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

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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Top News

U.S. stock futures inch lower this morning, putting the main indexes on course for sharp weekly declines, as concerns about the economy and sky high valuations in the technology sector soured sentiment. Optimism around artificial intelligence has pushed markets to all-time highs this year, but concerns over monetization of the technology and circular spending within the industry has dampened enthusiasm for U.S. stocks in recent days.

With third-quarter earnings season in its final stretch, 83% of 424 companies in the S&P 500 that have reported results so far have beaten Wall Street expectations, according to Thursday's LSEG data. Typically, 67% of companies beat estimates in a quarter. The longest U.S. government shutdown in history has led to a data hole with Federal Reserve officials and traders alike having to depend on private sector indicators to gauge the health of the economy.
Yesterday, data from private companies pointed to layoffs in October, in contrast to Wednesday's ADP report that showed a rebound in private jobs. The Fed is flying blind before December's policy meeting with officials divided on the best approach with inflation worries lingering. Futures tied to Canada's main stock index are lower as investors digested domestic economic data and weighed the durability of the rally led by artificial intelligence stocks.

The S&P/TSX Composite Index fell 0.8% on Thursday, dragged by a 3.9% slump in technology shares. Gold is rising again today, as the U.S. dollar slipped on expectations of further interest rate cuts from the Federal Reserve and lingering concerns over the U.S. economic outlook, while crude oil prices are up nearly 1%. Canada’s employment rose by 66,600, or 0.3%, in October 2025, following a 60,400 increase in September, and better than market estimates of a 2,500 drop.

The unemployment rate in Canada fell to 6.9% in October of 2025 from the four-year high of 7.1% in the previous month, compared with market expectations that it would remain unchanged at 7.1%.

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European shares are set to end a volatile week lower today, as worries about elevated valuations of technology related stocks globally lingered, while Britain's ITV jumped on talks to sell its broadcasting division. Investors also scrutinized a series of earnings updates to gauge the health of corporate Europe.

China and Hong Kong stocks closed down today, but ended the week with modest gains, as investors largely brushed off concerns over a global technology selloff potentially impacting Chinese markets. The CSI300 Index and the Hang Seng rose around 1% each this week. China's tech-focused STAR50 Index was roughly flat this week. The Trump administration said it would pursue negotiations with China over its dominance of ship building and ocean logistics as it formalized plans for a one-year pause on U.S. port fees on China-linked vessels as part of a broader deal to reduce trade tensions. China's exports shrank 1.1%, the worst performance since February, reversing from an 8.3% rise in September, and missing a forecast for 3.0% growth. Imports, expanded at their slowest pace in five months, up 1.0% compared to 7.4% growth in September and a 3.2% forecast rise.

Japan's Nikkei share average sank today, sending the index to its biggest weekly drop since early April, as heavyweight tech stocks tracked an overnight decline in U.S. peers amid worries about stretched valuations.

The Employment Situation (Argus)

In the absence of a report from the Bureau of Labor Statistics (BLS) because of the current closure of the U.S. government, our analysis of the Employment Situation suggests that the "low hire, low fire" environment continued in October. The October unemployment rate is 4.36% (in line with our estimate) based on yesterday's update of the new Chicago Fed Labor Market Indicators. There is about a 42% probability that the unemployment rate is between 4.2% and 4.4%, according to the indicators. Consensus is 4.4% with a range of 4.3%- 4.7%. The jobless rate is projected to remain at 4.6% or below through 2028 based on even the most-cautious projections by Fed governors and Fed bank presidents. The Labor Department is not releasing weekly jobless claims, but our view incorporates state-level filings that Bloomberg has aggregated and reported. These have shown that job losses remain low, but continuing claims for unemployment insurance are stubbornly high, and those who have lost their job are having a difficult time.

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Unemployment may rise if companies follow through on a near tripling of job-cut announcements, to 153,074 in October, according to the monthly report from outplacement firm Challenger, Gray & Christmas. "This comes as AI adoption, softening consumer and corporate spending, and rising costs drive belt-tightening and hiring freezes," Challenger said. Our forecast is for October nonfarm payrolls to increase by 25,000. The consensus is 32,000, with estimates ranging from -90,000 to 55,000. Neither official September payrolls nor August revisions have been published, so any estimate has a wider-than-usual band of uncertainty.

A report from payroll processor ADP this week estimated that private sector jobs rose by 42,000 in October, reversing losses in the two prior months. Revelio Labs, which specializes in workforce analysis, estimated a loss of 9,100 nonfarm jobs, driven by losses in the government sector (which may include workers who accepted DOGE "packages" and were removed from Federal payrolls at the end of September).

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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	2.68%	0.4
CDA Prime	4.45%	0.0	CDA 10 year	3.11%	0.8
CDA 3 month T-Bill	2.21%	0.5	CDA 20 year	3.46%	0.8
CDA 6 month T-Bill	2.25%	0.0	CDA 30 year	3.57%	0.8
CDA 1 Year	2.29%	0.0			
CDA 2 year	2.39%	-0.1			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4%	0.0	US 5 year	3.67%	-1.7
US Prime	7.00%	0.0	US 10 year	4.09%	-0.8
US 3 month T-Bill	3.77%	-0.1	US 30 year	4.69%	0.3
US 6 month T-Bill	3.78%	-0.7	5YR Sovereign CDS	39.48	
US 1 Year	3.64%	-1.4	10YR Sovereign CDS	47.88	
US 2 year	3.55%	-2.1			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			691.70	-0.02%	8.86%
BMO Laddered Preferred Shares (ETF)			12.12	-0.16%	10.68%

Source: LSEG

Things are looking up! Have a great day!
Ben

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