Financial HARTbeat

It's a deal
Nov 13th 2025

Good Morning,

Seem the US Government opens back up…flights no longer being cancelled and unpaid workers being paid again…expect the next few data points to be choppy..

Google and Meta appear presently more focused on the future of AI and less so on short term bottom line…kind of like this…liking ahead is what has allowed successful companies to survive long term…

Canada now coming to the table with India and hoping they can smooth relations and improve trade..

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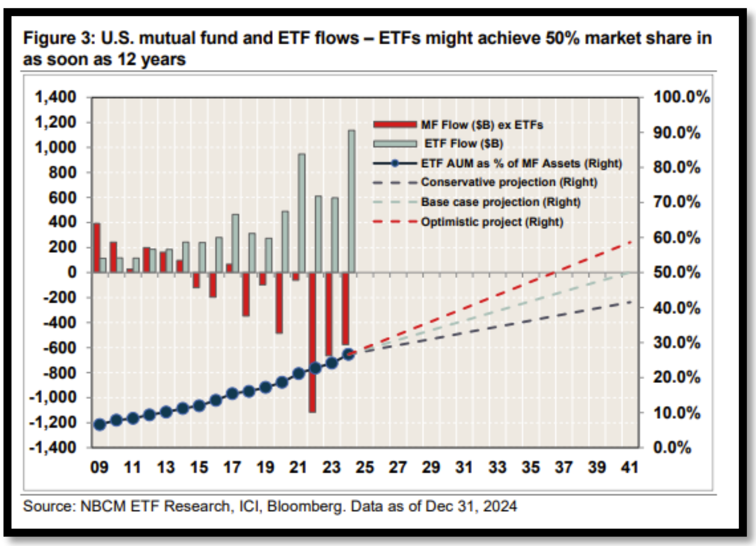
Chart of the Day: ETF (exchange traded fund) cannibalizing mutual fund industry…probably very similar holdings in all cases but still important to look under the hood of what you own..

Figure 3: U.S. mutual fund and ETF flows – ETFs might achieve 50% market share in as soon as 12 years



Source: NBCM ETF Research, ICI, Bloomberg. Data as of Dec 31, 2024

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Top News

U.S. futures were muted on Thursday as investors awaited indications on the U.S. economy and the monetary policy path after President Donald Trump signed a bill ending the longest government shutdown in the country's history. The extended stoppage caused investors to fly blind without key economic reports, such as the October jobs report and inflation data, and contributed to the market's recent choppiness. Traders are currently pricing in an about 54% chance of a 25-basis-point rate cut in December, lower than last week's 70%, according to CME Group's FedWatch tool.

Several Fed speakers, including voting regional presidents, have expressed scepticism over another interest rate cut in December, prompting investors to scale back bets.

Oil prices edged up on Thursday, taking a break after major losses in the previous session, as investors weighed concerns about global oversupply with looming sanctions against Russia's Lukoil. European shares edged higher on Thursday, as investors shifted their focus to crucial U.S. economic data following the end of the nation's longest government shutdown, while losses in Siemens after an underwhelming earnings report limited gains.

Euro zone industrial production rose far less in September than economists had predicted, though the big economies fared well and the shortfall was due to volatility among big foreign companies based in Ireland for tax reasons. Industrial production rose 0.2% on the month, well below expectations for a 0.7% rise in a Reuters poll of economists but an improvement on the 1.1% drop a month earlier. Britain's economy barely expanded in the third quarter, held back by September's cyberattack on Jaguar Land Rover, according to data on Thursday that underlined the backdrop of slow growth as finance minister Rachel Reeves readies her budget. The economy grew 0.1% in the third quarter of 2025, the Office for National Statistics said, slowing from growth of 0.3% in the second quarter.

Japan's Nikkei share average edged up higher on Thursday, as the historic U.S. government shutdown ended, while the broader Topix index posted a record high close on value-buying. Japan's wholesale prices rose more than expected in October as the cost of rice and other food remained stubbornly high, data showed on Thursday, keeping pressure on the central bank to resume interest-rate increases. The

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corporate goods price index, which measures the prices that companies charge each other for their goods and services, rose 2.7% in October from a year earlier, slowing from 2.8% in September but exceeding market forecasts for a 2.5% increase.

China stocks edged up on Thursday, led by gains in new energy sector shares, while investors awaited key economic data due on Friday. China's Ministry of Industry and Information Technology will announce a comprehensive plan to boost the new energy battery sector and promote its infrastructure usage, a senior official said on Thursday

Tariffs Are a Fact of Economic Life (Argus)

The Trump administration continues to wage a trade war with the goals of reducing the trade imbalance while protecting domestic industries, technologies, and jobs. According to The Budget Lab at Yale University, the current overall effective tariff rate is 17.9%, the highest since the Great Depression in 1934. This rate has no doubt been a factor in reducing the monthly U.S. trade deficit back to the $75 billion range compared to $100 billion from January-March. But earlier deficits reflected in part extraordinary imports before tariffs started to kick in, and current levels are consistent with 2H24 readings. The U.S. economy has been layered with numerous tariffs that over time averaged 4% on all goods. Trade wars often start with a narrow focus, but then broaden as partners retaliate.

The impact is hard to model, but we do have several key takeaways for the next few quarters. 1) We expect a drag on GDP growth of less than 100 basis points, assuming tariff revenue reduces the deficit and is reinvested productively. 2) Inflation may rise 50-100 basis points through 2026, at which point prices plateau but don't fall back. The Fed will likely not react negatively unless long-term expectations jump. 3) The dollar, off 8% in 2025, will likely recover as other countries cut rates and uncertainty dissipates. The stronger dollar will offset potential inflation but make American exports more expensive. 4) Investors' capital will still flow to the most-efficient businesses. 5) There will be unintended consequences, but with an unemployment rate of 4.0%-4.5% and inflation at around 2%-3%, tariffs may not have a devastating impact.

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We think it is worth pointing out that the U.S. economy is among the strongest in the world and U.S. consumers have benefitted from innovative imports. With the economy humming along and unemployment low, we think this is an odd time to fiddle with a bedrock economic principle like free trade.

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	2.75%	0.8
CDA Prime	4.45%	0.0	CDA 10 year	3.16%	0.4
CDA 3 month T-Bill	2.21%	0.0	CDA 20 year	3.49%	1.0
CDA 6 month T-Bill	2.27%	0.5	CDA 30 year	3.60%	1.0
CDA 1 Year	2.34%	1.0			
CDA 2 year	2.46%	0.7			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4%	0.0	US 5 year	3.69%	2.5
US Prime	7.00%	0.0	US 10 year	4.09%	1.3
US 3 month T-Bill	3.80%	1.0	US 30 year	4.67%	1.0
US 6 month T-Bill	3.82%	1.9	5YR Sovereign CDS	37.98	
US 1 Year	3.68%	2.4	10YR Sovereign CDS	46.38	
US 2 year	3.59%	2.1			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	692.38	-0.05%	8.96%
BMO Laddered Preferred Shares (ETF)	12.11	-0.41%	10.59%

Source: LSEG

Things are looking up! Have a great day!
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