Financial HARTbeat

Who's next?
Nov 18th 2025

Good Morning,

USD while today is the world reserve currency….what is one day it isn't?

Who's next….do we have a basket a la SDR (IMF reserve basket…USD, GBP, EUR, YEN and Renminbi)?

Or does one country take over? If so who and what does that do to asset prices…very, very, very important question for the next decade…

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

Chart of the Day: We still think rates come down….

Financial Forecast**

	Current 10/17/25	Q4 2025	Q1 2026	Q2 2026	Q3 2026	2024	2025	2026
Overnight rate	2.50	2.00	2.00	2.00	2.00	3.25	2.00	2.00
Prime rate	4.50	4.00	4.00	4.00	4.00	5.25	4.00	4.00
3 month T-Bills	2.36	2.10	2.05	2.00	1.95	3.15	2.10	2.15
Treasury yield curve								
2-Year	2.38	2.35	2.30	2.25	2.25	2.94	2.35	2.40
5-Year	2.66	2.65	2.55	2.55	2.60	2.97	2.65	2.70
10-Year	3.10	3.20	3.15	3.20	3.25	3.24	3.20	3.30
30-Year	3.60	3.65	3.60	3.60	3.65	3.34	3.65	3.70
CAD per USD	1.41	1.42	1.38	1.36	1.34	1.44	1.42	1.33
Oil price (WTI), U.S.$	58	55	57	60	62	72	55	64

*** end of period*

National Bank of Canada - VISION NOVEMBER 2025

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Top News

U.S. stock index futures fell again on Tuesday after tech shares continued to slide on concern about valuations of artificial intelligencerelated stocks and as bitcoin dropped briefly below $90,000, while investors look ahead to Nvidia's earnings and key government data due later this week.

Nvidia has fallen almost 8% this month leading up to the chipmaker's third-quarter results due after Wednesday's close.

Key economic data releases are expected in the next few days, after the longest government shutdown in U.S. history officially ended last week. The much-delayed September jobs report is set to be released on Thursday, but may do little more than confirm earlier private market surveys pointing to a cooling labor market. An August factory orders report is expected later on Tuesday. Meanwhile, traders now see a 46.4% chance of an interest rate cut from the Fed in December, down from nearly 67% a week ago and a more than 93% chance recorded a month earlier, according to the CME FedWatch Tool.
The Fed's October meeting minutes and September nonfarm payrolls release are on deck for Wednesday and Thursday releases, respectively. Oil prices steadied on Tuesday, regaining ground after early losses, as traders weighed the impact of Western sanctions on Russian oil flows against an expected supply surplus next year.

Gold prices fell to their lowest levels in more than a week on Tuesday as fading bets on a Federal Reserve interest rate cut next month dented demand. European shares fell on Monday, with those in Germany near a fivemonth low as a broad risk-off mood gripped global markets, sparked by worries about an overvalued tech sector and diminishing prospects of an imminent interest rate cut from the U.S. Federal Reserve.

In Europe, AI equipment makers including Siemens Energy lost 3.1% and Schneider Electric fell, while ABB's shares dropped 4.2% after the company reaffirmed its top-line growth forecasts, disappointing investors.

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Japan's Nikkei share average sank by the most in more than seven months on Tuesday, as investors sold off tech stocks following Wall Street's sharp decline overnight. The index dropped 3.2% to close at 48,702.98, posting its sharpest daily decline since April 9. The broader Topix sank 2.9%. Since fiscal dove Sanae Takaichi's election as the prime minister last month, expectations for expanded economic stimulus have driven sharp gains in Japanese shares, with the Nikkei touching an intraday record of 52,636.87 on November 4.

Mainland China and Hong Kong stocks closed lower on Tuesday, weighed down by new energy shares, as traders assessed subdued sentiment across global markets ahead of closely watched U.S. economic data.

Not Easy to Three-Peat (Argus)

The long-term trend in the U.S. stock market has been higher. Going back to 1960, stocks have turned in positive annual performances almost 80% of the time. The average annual gain has been 11%, with a standard deviation of 16%. By these numbers, 2025 is a good -- but not yet exceptional -- year, as the S&P 500 is up 13% year to date. The strongest return of any one year was a 37% advance in 1995. The worst year was during the Great Recession in 2008, when the S&P 500 fell 37%. By deciles, annual returns most often fall in the 10%-20% range, which has happened 16 times. In second place, perhaps surprisingly, is the 20%-30% range, which has occurred 15 times, including in 2023 and 2024. That said, it can be a challenge for the market to string together three good years in a row. There have been 16 instances since 1960 in which the stock market has risen double-digits at least two years in a row, including a long run of eight years in the 1980s and nine-year streaks in the 1990s and from 2009-2017. What happened in the "year 3" years? Well, the average return in those 16 third years was only 2%, and eight of those years included outright stock market declines. When the stock market did advance in a third year, the average return was 12%, or in line with the historical average.

What's more important, of course, are the fundamentals. Given our outlook for economic expansion into next year, declining interest rates, and positive corporate profit growth, we think the current bull market, which is now three years old, has more room to run, even if the pace of acceleration slows

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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	2.80%	-1.0
CDA Prime	4.45%	0.0	CDA 10 year	3.22%	-1.7
CDA 3 month T-Bill	2.22%	0.5	CDA 20 year	3.56%	-0.3
CDA 6 month T-Bill	2.28%	0.0	CDA 30 year	3.67%	-0.3
CDA 1 Year	2.36%	0.0			
CDA 2 year	2.48%	-1.3			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4%	0.0	US 5 year	3.68%	-3.9
US Prime	7.00%	0.0	US 10 year	4.10%	-3.1
US 3 month T-Bill	3.79%	0.2	US 30 year	4.72%	-2.1
US 6 month T-Bill	3.82%	-2.1	5YR Sovereign CDS	37.73	
US 1 Year	3.66%	-3.2	10YR Sovereign CDS	45.40	
US 2 year	3.57%	-3.7			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			686.85	0.05%	8.09%
BMO Laddered Preferred Shares (ETF)			12.12	0.41%	10.68%

Source: LSEG

Things are looking up! Have a great day!
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