

Financial HARTbeat

Final Quarter
Oct 2nd 2025



Good Morning,

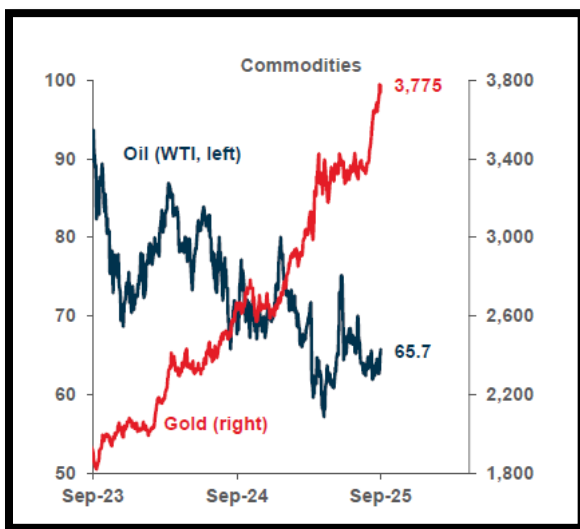
Government shutdown...years ago when these started the market used to care about this...now it knows they will settle and agreement will be put in place and the debt ceiling will be raised...

US Banks pushing for less capital requirements...just at the time when average American needs money to re-fi or reduce mortgage burden..

Alberta will submit a fast track approval for a new crude pipeline to the West Coast...who will build said pipeline...this will be worth watching...

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

Chart of the Day: We have to keep watching this chart...



CIO Office (data via Refinitiv)



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Top News

Futures tied to the S&P 500 and the Nasdaq indexes advance this morning, a day after weaker-than-expected private payrolls data bolstered hopes for interest rate cuts, while traders brace for a data-light session due to the U.S. government shutdown. Investors remain sensitive to any signal of policy easing, with rate-cut optimism underpinning much of the recent rally that has taken equities to high valuations.

The data vacuum created by the shutdown has left investors leaning more heavily on alternative sources, such as Wednesday's ADP National Employment Report, which was much weaker than expected. The weekly jobless claims report, a key gauge of labor market health that was due this morning, became the first data casualty of the shutdown that began on yesterday amid a standoff between Republicans and Democrats.

Historically, government shutdowns have had limited impact on equity markets. But with investors closely watching for signs of monetary easing, the current data vacuum poses a greater risk to the Fed's ability to assess the economy and guide policy. Later today, investors will also parse commentary from Dallas Fed President Lorie Logan.

Futures tied to Canada's main stock index are flat this morning, as investors take a breather after the previous session's record peak when a sharper contraction in domestic manufacturing fueled expectations of further rate cuts by the Bank of Canada. An uncertain trading environment weighed on production and new orders, causing the S&P Global Canada Manufacturing Purchasing Managers' Index (PMI) to fall to 47.7 in September from 48.3 in August, marking the eighth consecutive month the index remained below the 50 threshold (see chart).

In commodities, gold and oil prices edge higher, while copper prices climbed on the London Metal Exchange. Alberta will submit by spring of 2026 an application for a new crude oil pipeline for fast-track approval by the federal government, the province said yesterday, even though no private company has said it will build the project.

European shares surged to a record high this morning, driven by a global rally in chip-related stocks, while sentiment remained buoyant amid expectations that the U.S. Federal Reserve will cut interest rates later



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this month. Technology stocks added more than 2%, tracking yesterday's gains on Wall Street. Autos climbed over 2%, boosted by a 7% gain in Stellantis after market data showed an improved trend in new car sales for the group in Italy and the U.S.

Hong Kong stocks climbed to their highest level in over four years, on their first trading day in October as tech shares jumped, fuelled by upbeat sentiment over artificial intelligence. Hong Kong market resumed trading today after a one-day holiday, while mainland China markets are closed from October 1 to 8 for the Golden Week holiday.

Japan's Nikkei share average rose today, snapping four straight sessions of losses, as chip-related stocks tracked their U.S. peers higher.

Near Record Levels, But Not Overvalued (Argus)

We look at market valuations in several ways, and most suggest that stocks are reasonably valued but not necessarily cheap. Our Stock Bond Barometer asset-allocation model is indicating that the two major portfolio asset classes are near parity on valuation. The model goes back to 1960 and takes into account real-time price levels, historical growth rates, and forward-looking forecasts of short-term and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, and other factors. The output is in terms of standard deviations to the mean, or sigma. The mean reading going back to 1960 is a modest 0.09 sigma premium for stocks, with a standard deviation of 1.05. So stocks normally sell for a slight premium valuation compared to bonds. The current valuation is a 0.26 sigma premium for stocks (not a discount but easily within the normal range and down from 0.41 last month). Other valuation measures show reasonable multiples for stocks. The forward P/E ratio for the S&P 500 is about 22, within the normal range of 15-24. On price/book, stocks are priced at the high end of the historical range of 5.3-1.8, given that IT stocks, which have low capital bases, are the biggest component of the market. The current S&P 500 dividend yield of 1.11% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 26% compared to the long-run average of 39%. On price/sales, the ratio of 3.2 is above the historical average of 1.8, but below the 4.0 multiple at the peak of the dot-com bubble.



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Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is 320 basis points, compared to the historical average of 400. Finally, the ratio of the S&P 500 price to an ounce of gold is 1.8, just below the midpoint of the historical range of 1-3. These measures suggest to us that the stock market, near-record highs, is not yet in danger of entering bubble territory.

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	2.50%	0.0	CDA 5 year	2.75%	-0.2
CDA Prime	4.70%	0.0	CDA 10 year	3.19%	0.4
CDA 3 month T-Bill	2.45%	0.0	CDA 20 year	3.52%	0.0
CDA 6 month T-Bill	2.43%	0.0	CDA 30 year	3.66%	2.4
CDA 1 Year	2.43%	0.0			
CDA 2 year	2.47%	-0.5			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4-4.25%	0.0	US 5 year	3.72%	-1.4
US Prime	7.25%	0.0	US 10 year	4.14%	-1.1
US 3 month T-Bill	3.86%	0.0	US 30 year	4.73%	-0.5
US 6 month T-Bill	3.84%	-0.8	5YR Sovereign CDS	41.22	
US 1 Year	3.67%	-0.5	10YR Sovereign CDS	48.38	
US 2 year	3.60%	-0.8			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			681.03	0.05%	7.18%
BMO Laddered Preferred Shares (ETF)			11.94	0.42%	9.04%

Source: LSEG

Things are looking up! Have a great day!
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