Financial HARTbeat

Happy Thanksgiving!
Oct 10th 2025

Good Morning,

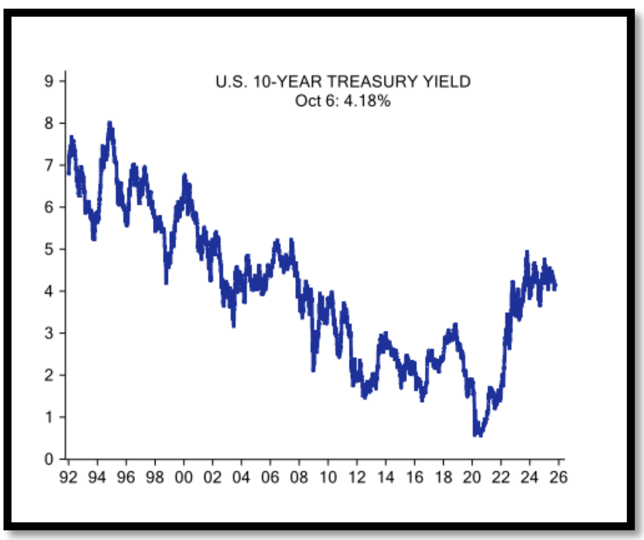
Happy thanksgiving weekend in Canada! Canadian Bond markets close early today and closed Monday. Canadian Stock market regular hours today and closed Monday..

Canada Jobs numbers a little better then expected…However, money market still pricing in a 72% change of a cut later this month..

More political turmoil…France and Japan both seem intent and causing more chois and not picking a leader…not great for either country…

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

Chart of the Day: While I mentioned USD as key to watch right now…this one is extremely closely linked…10 year yields start to fall…look out…



Evercore ISI: Economics | Eco Chartpacks

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Top News

U.S. stock index futures are muted this morning, extending a pause after a blistering rally, while investors awaited consumer sentiment data due later in the day for fresh insights into the economy. The earnings season that begins next week will be a crucial litmus test for U.S. stock markets, but traders so far have brushed off concerns about a bubble in equities. Also adding to the rally is the fear of missing out, as some analysts say the nearly three-year-old bull market still has room to run, especially if the Federal Reserve continues to lower interest rates.

Recent data has reinforced expectations for easing. While the government shutdown has delayed official releases, proxies point to a weakening labor market, with layoffs tied to the impasse likely to deepen the strain.

A preliminary reading of the University of Michigan's consumer sentiment survey, due at 10:00 a.m. ET, will be in focus. Investors are also weighing developments in the Middle East, where Israeli troops began pulling back from some parts of Gaza today under a ceasefire deal with Hamas. Futures tied to Canada's main stock index are flat following domestic jobs data.

Canada's economy posted a surprise 60,400 net job gains in September, almost entirely reversing the losses of the previous month, data showed this morning, but was not enough to bring down its multi-year high unemployment rate. The jobless rate was at 7.1%, same as the prior month when the rate hit a nineyear high outside of the pandemic years (see chart). Analysts had forecast job gains of 5,000 and the unemployment rate to edge up to 7.2%. Traders are leaning toward an interest rate cut at the BoC's next policy announcement on October 29, after the central bank cut rates last month for the first time since March to support the economy. Canada's resourceheavy benchmark has surged 22.4% this year, primarily buoyed by high commodity prices, especially the rally in gold. The yellow metal edged higher this morning, after surging past the $4,000-an-ounce mark earlier this week. It has gained 51.9% so far this year. On the flip side, oil prices declined as the market's risk premium faded after Israel and Hamas agreed to the first phase of a plan to end the war in Gaza.

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European shares opened flat as losses in healthcare stocks were offset by gains in bank and automobile stocks, with focus on French politics as President Emmanuel Macron is expected to announce a new prime minister soon.

China stocks retreated from a 10-year high today while Hong Kong shares recorded their longest losing streak since March, as fresh geopolitical frictions curbed risk appetite and profit-taking pressure rose. Sentiment weakened after China expanded rare earths export controls, following U.S. lawmakers' call earlier this week for broader bans on the export of chipmaking equipment to China.

Japan's Nikkei fell as investors took profit ahead of a long weekend, and the breakdown of the ruling government coalition rattled the nation's bonds and currency late in the day.

Raising GDP Forecasts (Argus)

We are raising our GDP estimates for 2025 and 2026. The $30 trillion U.S. economy remains on course, powered by corporate investments in artificial intelligence and outsized spending by the wealthiest households. We are raising our 2025 growth estimate to 1.9% from 1.4% and lifting our 2026 estimate to 1.9% from 1.8%. We are boosting our 3Q25 estimate to 2.6% from 1.8%, despite our expectation for both housing and non-residential structures to be down in the mid-single-digits, and spending by thefederal government to be down 3.3%. Offsetting this weakness, we expect the equipment category to grow north of 10% and intellectual property products to grow approximately 2% (even after expanding 15% in 2Q).

We also expect international trade and inventories (goods that were produced but not yet sold), which were volatile in the first half of the year, to normalize and add to 3Q growth. We expect personal consumption to be up approximately 2%. Lower-income consumers are facing inflation and high borrowing costs, while wealthier consumers are snug in valuable homes with low mortgages (or none at all) and stock gains. The wealthiest 20% of households may account for more than half of spending.

At an investor conference last month, Walmart CEO Doug McMillon offered the following: "If you look at the middle to upper income levels, we are seeing strong demand. And if you look at middle to lower, there's been a little bit of stress, and we've seen behavioral change on items that have gone up in cost

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because of tariffs, where they're switching from one item to the other." While it is encouraging that the wealthiest consumers and AI spending have supported the economy, a disruption in the tech sector, which has been driving stock returns, could interrupt the S&P 500's gains and lead affluent consumers to reduce spending. We expect 1.7% growth in 4Q25 and 1.6% growth in 1H26, before an acceleration to 2.3% growth in 4Q. Our hope is that inflation and tariff uncertainty will fade, lower interest rates will give housing a lift, and a softer dollar will boost manufacturing. federal government to be down 3.3%. Offsetting this weakness, we expect the equipment category to grow north of 10% and intellectual property products to grow approximately 2% (even after expanding 15% in 2Q).

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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.)**

	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.50%	0.0	CDA 5 year	2.72%	-1.3
CDA Prime	4.70%	0.0	CDA 10 year	3.17%	-1.9
CDA 3 month T-Bill	2.38%	-0.5	CDA 20 year	3.57%	-2.4
CDA 6 month T-Bill	2.40%	-1.0	CDA 30 year	3.68%	-2.4
CDA 1 Year	2.40%	-1.5			
CDA 2 year	2.45%	-0.8			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4-4.25%	0.0	US 5 year	3.69%	-1.4
US Prime	7.25%	0.0	US 10 year	4.10%	-2.5
US 3 month T-Bill	3.85%	-0.5	US 30 year	4.69%	-3.3
US 6 month T-Bill	3.82%	0.0	5YR Sovereign CDS	41.22	
US 1 Year	3.65%	-0.1	10YR Sovereign CDS	49.86	
US 2 year	3.56%	-0.8			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	681.29	-0.01%	7.22%
BMO Laddered Preferred Shares (ETF)	11.96	-0.08%	9.22%

Source: LSEG

Things are looking up! Have a great day!

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