# Financial HARTbeat

Sentiment Check
Oct 14th 2025

Good Morning,

Stuck in the middle seems to be the theme of the day….rate cuts..maybe…more stimulus, maybe, buy the markets…(sentiment 60)…suggests maybe….falling USD…maybe..gold higher…maybe…

Canada and India…agree to a new roadmap for working together…

BlackRock assets his $13.46 trillion….

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**Chart of the Day: Canada Jobs numbers flipped this back to a coin toss..had edge to 72% chance of a cut this month…**

| | | Bank of Canada | Federal Reserve | European Central Bank |
|---|---|---|---|---|
| Rates | President / Chair | Tiff Macklem | Jerome Powell | Christine Lagarde |
| | Policy rate | Overnight rate | Fed Funds rate | Deposit facility rate |
| | Current policy rate | 2.50% | 4.25% | 2.00% |
| Next meeting | Next meeting date | October 29, 2025 | October 29, 2025 | October 30, 2025 |
| | Market-implied policy rate* | 2.38% | 4.02% | 1.99% |
| | Spread vs. current rate | -12 bp | -23 bp | -1 bp |
| | Probability of… | | | |
| | … hike | 0% | 0% | 0% |
| | … hold | 51% | 7% | 97% |
| | … cut | 49% | 93% | 3% |
| Rate cuts | 25bps cuts priced in over... | | | |
| | ... next 3 months | 0.7 | 1.9 | 0.2 |
| | ... next 6 months | - | 2.8 | 0.4 |
| | ... next 12 months | - | 4.4 | - |

from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).

***NBI|CIO Office|Frontline – Oct 14, 2025***

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**Top News**

Canadian stock index futures rose today as investors returned to trading following Thanksgiving holiday on Monday. The Toronto Stock Exchange's S&P/TSX composite index posted its steepest drop in six months on Friday after U.S. President Donald Trump issued a series of threats against China in response to Beijing's tightening of rare earth export restrictions. However, market sentiment improved slightly after Trump adopted a more conciliatory tone over the weekend. Despite this moderation in rhetoric, both countries implemented additional port fees today on shipping companies transporting goods ranging from consumer products to crude oil, indicating ongoing trade frictions.

Among commodities, gold prices jumped to a record high above $4,100, supported by rising expectations of a U.S. Federal Reserve rate cut this month and safe-haven demand. In the U.S., stock index futures declined while investors parsed results from big U.S. banks that kicked off the third-quarter reporting season. A new study by Harvard University researchers showed that through the first months of Trump's new trade regime, it is U.S. companies that are footing the bill and passing on some of it to the consumer with more price hikes likely. They have been tracking the price of 359,148 goods, from carpets to coffee, at major online and brickand-mortar retailers in the United States. They found that imported goods have become 4% more expensive since Trump started imposing tariffs in early March, while the price of domestic products rose by 2%. The biggest increases for imports were seen in goods that the United States cannot produce domestically, such as coffee, or that come from highly penalised countries, like Turkey. These price hikes, while material, have been generally far smaller than the tariff rate on the products in question, implying that sellers were absorbing some of the cost as well.

Yet U.S. import prices, which don't include tariffs, showed foreign exporters have been raising their prices in dollars and passing on to their U.S. buyers part of the greenback's depreciation against their currencies. This suggests foreign producers are not absorbing much if any of the U.S. tariffs, consistent with prior economic research. National indices of export prices paint the same picture.

The cost of goods exported by China, Germany, Mexico, Turkey and India have all risen, with Japan the only exception. The rest of the world, however, has no reason to celebrate. As U.S. consumers struggle to keep up with rising prices, demand for exports is likely to slow.


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An S&P Global survey of purchasing managers at companies all over the world showed new export orders contracting at an increasing pace since June. European Union exports to the United States fell by 4.4% from the prior year in July, the latest month for which data was available, and in the bloc's former powerhouse Germany they were down 20.1% in August.

**Global Stocks Offer Value (Argus)**

As worldwide markets are challenged in an environment of trade wars, higher interest rates, ongoing conflict in the Middle East, and the lingering battle between Russia and Ukraine, one thing has not changed: U.S. stocks are more expensive than global stocks. And with the run-up in stock prices since 2023, U.S. stocks are even more expensive. Consider P/E ratios. The trailing P/E ratio on the S&P 500 is 28, above the global average of 19 and well above the 12-15 average P/Es for emerging market stocksin China and Latin America. Yields tell a similar story. The dividend yield for the S&P 500 is 1.1%, versus the global average of 2.2% and Australian and Latin American yields of 3%-6%. Generally, investors are willing to pay a higher price for North American securities because of the transparency of the U.S. financial system as well as the liquidity of U.S. markets.

What's more, global returns can be volatile, given currency, security, political, and geopolitical risks; indeed, U.S. stocks (ETF SPY) have outperformed EAFE (ETF EFA) over the past five years. The tide is turning a bit in 2025, as global investors respond to the uncertainty over U.S. trade policy and as global central banks lower rates. Year to date, global stocks are up 24% while U.S. stocks are up 15%. Given expectations for more trade-related volatility, we think diversified investors should have 20%-25% of their equity allocations in international stocks to take advantage of the value, and we have been adding global stocks to our Universe of Coverage.

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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!

Ben


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