

Financial HARTbeat

Interest Rates
Oct 27th 2025



Good Morning,

Bank of Canada in the morning Wednesday this week expected to cut, even with inflation slightly higher they initially expected last week..

FOMC expected to cut into an accelerating economy...but rising unemployment seems to be driving the narrative of the day..

Europe had cut earlier and faster and on hold for now..

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

Chart of the Day: Cuts expectations as of last night...looks like both Can and US to cut..

	 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*	2.28%	4.00%	2.00%
Spread vs. current rate	-22 bp	-25 bp	0 bp
Probability of...			
... hike	0%	0%	0%
... hold	13%	1%	100%
... cut	87%	99%	0%
Rate cuts			
25bps cuts priced in over...			
... next 3 months	1.2	2.1	0.0
... next 6 months	-	3.1	0.3
... next 12 months	-	4.5	-

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



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

National Bank Financial - Wealth Management

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



Top News

Trade and inflation relief are driving world stock markets sharply higher today, as we begin a packed week of big central bank meetings and heavyweight tech earnings. In the U.S., stock index futures surged ahead again this morning, after clocking record closing highs on Friday, with the biggest weekly gains since August after a slightly softer-than-feared September U.S. inflation readout baked in expectations for another Federal Reserve interest rate cut on Wednesday.

In addition to the FED this week, the Bank of Canada is also expected to cut interest rates by a quarter point on Wednesday, too, with Trump's decision to add a 10% additional tariff on Canadian imports likely to reinforce the easing argument.

Meanwhile, the Canadian dollar remains firm. But, the European Central Bank and Bank of Japan are expected to hold the line, with rising business expectations in Germany encouraging the ECB to stand pat and the BoJ assessing the new Japanese prime minister's fiscal policies. The yen and the euro were firmer. Regarding trade, top Chinese and U.S. officials on Sunday hashed out a framework for a trade deal for President Donald Trump and Chinese President Xi Jinping to decide on later this week. Treasury Secretary Scott Bessent said talks at the ASEAN Summit in Kuala Lumpur had eliminated the threat of Trump's 100% tariffs on Chinese imports from November 1, and he noted that he expected China to delay rare earth export curbs too.

Canadian Prime Minister Mark Carney will also meet Chinese President Xi Jinping later this week and said he is ready to sit down for trade talks with Donald Trump as soon as the U.S. President is prepared to do so. While he is open to further talks with the United States, he will reject any trade deal that is not in the best interest of Canadians, he told reporters on the sidelines of an ASEAN summit in Kuala Lumpur.

Last Thursday, Trump announced he was cutting off trade talks with Canada after an Ontario political ad used a snippet of Republican icon and former President Ronald Reagan saying tariffs cause trade wars and economic disaster.



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



On the economic front, Statistics Canada said in a flash estimate on Monday that Canadian wholesale trade most likely remained largely unchanged in September from August, with a minor decline driven by lower sales in the machinery equipment and supplies subsector.

Back to markets, Japan and South Korea's equity benchmarks were up more than 2% each and Chinese stock indexes gained more than 1% to trade at a 10-year high. Gold prices fell back nearly 2% as hopes of easing U.S.-China trade tensions lifted risk appetite for equities.

Facing a heavy schedule of new debt sales this week, including \$139 billion in 2- and 5-year notes later today, U.S. Treasury yields have nudged higher. On the corporate front, this week's earnings releases sees five of the so-called "Magnificent Seven" megacaps, Meta, Microsoft, Alphabet, Amazon and Apple reporting. They collectively make up about a quarter of the entire S&P 500 value.

Alternative Inflation Data Available (Argus)

The Fed's favorite inflation indicator, the PCE Price Index, will not be released because of the U.S. government shutdown. Normally, when we preview the PCE Price Index, we review 20 different inflation measures to get a broad sense of pricing trends. Currently, many of these indicators aren't available -- but some still are. For example, several securities trading in public markets offer a view into pricing trends. A case in point is the inflation-indexed U.S. Treasury Security at 10-year constant maturity (known as TIPS). The current yield on this bond is 1.71% and trending lower. Another measure is the 10-Year Breakeven Inflation Rate, which represents a measure of expected inflation derived from 10-Year Treasury Constant Maturity Securities and 10-Year Treasury Inflation-Indexed Constant Maturity Securities. The reading implies what market participants expect inflation to be in the next 10 years, on average. That rate is currently 2.29%, down from 2.40% over the summer. We also look at the 5-Year Forward Inflation Expectation Rate and the 3-Year Forward Inflation Expectation Rate. The latest 5-year rate is 2.18%, down from 2.4% last summer, while the 3-year rate is 2.41%, steady over the past few months. So instead of our normal 20 indicators, we are now down to eight.

On average, the eight indicate that prices are advancing at a 2.66% rate, down 5 basis points from the previous month. Given these inflation trends, as well as a recent slowdown in the employment



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.

Financial HARTbeat



environment, we expect the Fed to implement two more rate cuts in 2H25 and one in 1H26, with the ultimate goal of aligning the fed funds rate to approximately 100-150 basis points above the long-term inflation rate within the next 3-4 quarters

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	2.66%	0.2
CDA Prime	4.70%	0.0	CDA 10 year	3.09%	0.4
CDA 3 month T-Bill	2.26%	-0.5	CDA 20 year	3.48%	0.2
CDA 6 month T-Bill	2.27%	-2.5	CDA 30 year	3.58%	0.2
CDA 1 Year	2.31%	-2.0			
CDA 2 year	2.38%	-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	3.62%	2.3
US Prime	7.25%	0.0	US 10 year	4.02%	2.5
US 3 month T-Bill	3.77%	-0.3	US 30 year	4.61%	2.3
US 6 month T-Bill	3.79%	2.3	5YR Sovereign CDS	40.48	
US 1 Year	3.60%	1.3	10YR Sovereign CDS	49.43	
US 2 year	3.50%	1.5			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	685.28	-0.01%	7.85%		
BMO Laddered Preferred Shares (ETF)	12.03	-0.04%	9.86%		

Source: LSEG

Things are looking up! Have a great day!

Ben



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.