Financial HARTbeat

Deflation
Oct 28th 2025

Good Morning,

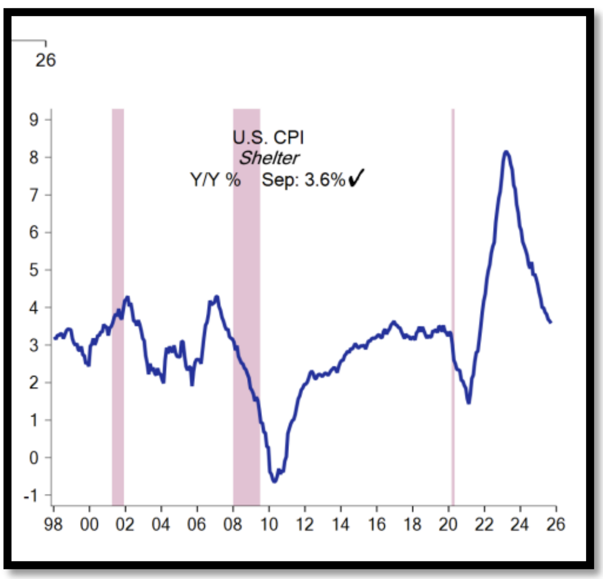
Headlines seem to be stuck in the early 20s thinking inflation is the only way forward….maybe? But what if we have massive disruption (AI, Quantum, Blockchain transactions)

Deflation could come storming back… what if the tariffs are the only things causing inflation to stay…could this help or cause pain if removed

Is it really only economists and central planners that want inflation anyways…isn't deflation could for the masses?

Catch the playback of our Weekly Roundup [Click here]

Chart of the Day: looky looky…trim continues lower and confirms more cuts ahead.



Source: Evercore ISI – Economics|Weekly Economic Report

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Top News

Canadian stocks futures fell today as commodity prices declined sharply, while investors awaited central bank rate decisions and a flurry of corporate earnings that could test the market's recent rally. Gold prices tumbled to a near three-week low as growing optimism surrounding a potential U.S.- China trade breakthrough diminished the appeal of safe-haven assets. The decline follows Monday's session where the Toronto Stock Exchange's composite index edged lower as gold pulled back below $4,000 per ounce, weighing on previously soaring mining shares.

Despite the recent setback, the precious metal's nearly 50% surge this year has partly helped the benchmark index to gain 22.4%. This morning the commodities retreat extended beyond precious metals, with copper prices easing as investors secured profits following the previous session's record-setting rally.

Meanwhile, oil markets saw prices slide over 2% as traders evaluated the implications of U.S. sanctions against Russia's two largest oil producers alongside reports of OPEC+ potentially increasing production. Market participants will now shift their focus to monetary policy announcements, with the Bank of Canada expected to implement a 25-basis-point interest rate cut tomorrow.

South of the border, the U.S. Federal Reserve is also widely expected to deliver a quarter-point cut tomorrow. In corporate news, Westinghouse Electric, Cameco and Brookfield Asset Management have entered a partnership with the U.S. government to build at least $80 billion worth of new nuclear reactors across the country. U.S.-listed shares of Cameco rose about 10% in premarket trading. The deal aims to accelerate nuclear power deployment and meet surging electricity demand from artificial intelligence and data centers, in line with President Donald Trump's May executive order promoting nuclear energy. Nuclear energy has garnered renewed interest from investors and companies, as it is considered to be a more reliable source of energy than wind or solar.

On the trade front, U.S. President Donald Trump praised Japan's first female leader Sanae Takaichi in Tokyo today, welcoming the new prime minister's pledge to accelerate a military buildup, while also signing deals on trade and rare earths. Both governments released a list of projects in the areas of energy,

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artificial intelligence and critical minerals in which Japanese companies are eyeing investments of up to $400 billion in the U.S.

On Thursday, U.S. President Donald Trump is expected to sign a muchanticipated deal with Chinese President Xi Jinping to put at ease investors about the long mercurial relationship between the world's top two economies. Stock markets across the world jumped yesterday after U.S. officials said negotiators from both sides had hashed out a framework for agreements for lower U.S. tariffs on Chinese imports and Chinese concessions on rare earth export curbs.

Pleasant Inflation Surprise (Argus)

The Department of Labor published inflation data late last week that indicated pricing pressures remain under control. First off, the report itself was remarkable, as the U.S. government remains shut down and has not published economic data for weeks. The feds got this report out because the data was critical in determining cost-of-living adjustments for social security recipients (who vote). It likely will be the last government economic report published for a while, and the content of the report was well received by investors.

Overall, inflation was stable month to month through September and, on a core basis, prices ticked slightly lower. Drilling down, the CPI declined 0.1% month over month in September and was running at an annual rate of 3.0%. Excluding the volatile categories of food and energy, the core CPI rate increased only 0.1% for the month and also was running at a 3.0% rate. That's lower than the rate from the previous monthly report. Both rates are above the Federal Reserve's target inflation rate of 2.0%, and continue to be propped up by costs for shelter and transportation.

Medical care services costs are also on the rise. All that said, the report was likely tame enough to allow the Federal Reserve to focus on its other mandate -- maintaining a healthy employment environment. We look for the central bank, which lowered interest rates for the first time this year at its previous meeting, to cut again after the meeting wraps up on Wednesday

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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	2.50%	0.0	CDA 5 year	2.63%	-0.2
CDA Prime	4.70%	0.0	CDA 10 year	3.05%	0.1
CDA 3 month T-Bill	2.24%	-0.5	CDA 20 year	3.43%	0.0
CDA 6 month T-Bill	2.26%	0.9	CDA 30 year	3.53%	0.0
CDA 1 Year	2.30%	-0.5			
CDA 2 year	2.36%	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	3.61%	-0.5
US Prime	7.25%	0.0	US 10 year	3.99%	-1.0
US 3 month T-Bill	3.73%	0.0	US 30 year	4.56%	-1.4
US 6 month T-Bill	3.75%	1.0	5YR Sovereign CDS	39.72	
US 1 Year	3.59%	-0.3	10YR Sovereign CDS	49.35	
US 2 year	3.50%	0.1			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	686.47	0.03%	8.03%
BMO Laddered Preferred Shares (ETF)	12.07	0.25%	10.23%

Source: LSEG

Things are looking up! Have a great day!

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