Financial HARTbeat

US Gov't Shutdown ahead?
Sept 2nd 2025

Good Morning,

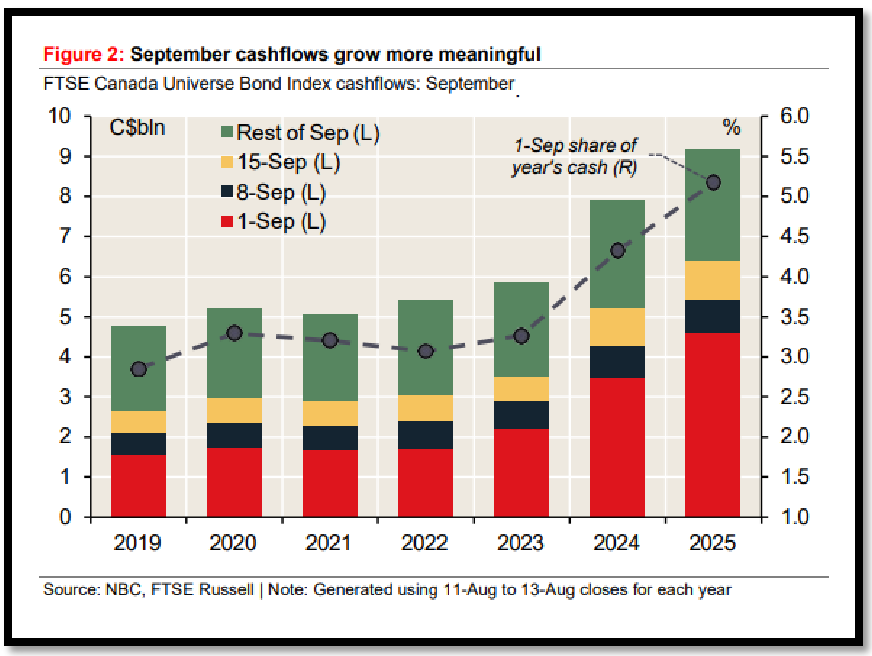
Happy September….markets tend to increase volumes and occasionally volatility will be an important narrative to watch this month..

Canada labour market continues to deteriorate…

Gold and Silver continue higher…

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

Chart of the Day: Sept 1st big day for Canada's Cashflow…



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Top News

Canadian stock index futures edged lower this morning, pulling back from the prior session's record high, as investors turned cautious ahead of key economic data that could influence Bank of Canada's interestrate path later this month. Data showed on Friday that Canada's economy contracted more than anticipated on an annualized basis in the second quarter, as U.S. tariffs squeezed exports.

Meanwhile, money markets increased their rate-cut bets for the September 17 meeting to 53% from a previous 48%, after the GDP report was released. Investors will closely watch the domestic unemployment data as well as the U.S. nonfarm payrolls report, both expected on Friday. These reports will provide investors and both central banks a clearer picture of the labour market state.

In the U.S., the labor market has become the centre of policy debate. In commodities, gold prices reached an all-time high in morning trading, while base metal prices slipped. The main U.S. stock index futures also fell today, as investors returning from a long holiday weekend. According to the CME Group's FedWatch tool, markets are pricing in about a 92% chance of a 25-basis-point cut in interest rates at the Fed's meeting later this month. Investors' dovish tilt came after July's weak job report and Fed Chair Jerome Powell acknowledging the growing risks to the labor market at the Jackson Hole symposium. These anticipated rate cuts helped the S&P 500 and the Dow log their fourth consecutive month of gains in August. Yields on longer-dated U.S. Treasuries rose today, with those on the 10-year and 30-year notes at their highest levels in more than a month, also adding pressure to equities. According to Goldman Sachs data, hedge funds remained hesitant about buying U.S. stocks at the outset of seasonally dour September. Since 2000, data compiled by LSEG showed that the S&P 500 index has lost 1.5% on average in September, making it the worst month of the year.

DataTrek Research even concluded that it is the only month since 1958 where the index's mean returns are negative. In stocks, PepsiCo shares gained almost 5% after a report by the Wall Street Journal said Elliott Management had taken a $4 billion stake in the beverages giant and was planning an activist campaign. Kraft Heinz will split into two listed companies, one focused on groceries and the other on sauces and spreads.

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Elsewhere, the euro zone inflation edged up slightly in August, while staying close to the ECB's 2% target and likely firming up market bets that interest rates will remain unchanged in the near term. Inflation in the 20 nations sharing the euro picked up to 2.1% last month from 2.0% in July, on a rise in unprocessed food prices and a smaller drag from lower energy costs. A more closely watched figure on underlying prices, which exclude volatile food and fuels prices, meanwhile held steady at 2.3%, even as crucial services inflation continued to slow. A survey also showed that the euro zone manufacturing activity expanded in August for the first time since mid 2022 due to a surge in domestic demand and output, raising optimism around future production.

Profit Margins Widening (Argus)

Previewing Friday's Jobs Report On Friday, we expect the Bureau of Labor Statistics (BLS) to report that unemployment stayed low and job growth was modest in August. We expect the unemployment rate to remain at 4.2%. The consensus is 4.3%, but the investment implication is the same as U.S. consumers are employed. That suggests that the economy is likely to keep growing and the upcoming holiday season should be the biggest ever, with spending topping $1 trillion for the first time. The Street will want to see job growth that is enough to suggest a recession is not likely, but soft enough so that the Fed will be willing to lower the fed funds rate this month. And that perfect scenario may well happen. Our expectation is that nonfarm payrolls increased by 90,000, which is slightly above the consensus of 80,000. That would be an improvement from the July report, when payrolls increased by 73,000 but downward revisions to May and June reduced the three-month average to 35,000 from 150,000. We use jobless claims in our forecasting because they are reported weekly and based on actual filings for unemployment insurance by people who have lost their jobs (rather than using data from government surveys). The recent trend in filings has been relatively benign based on initial jobless claims of 228,500 for the week ended August 23. The average was hovering around 245,000 in late June, still well below the 300,000 that would raise a recession warning. Continuing claims suggest that jobs have become a bit harder to get, but results have been in the same range since late May.

We also look at "hires minus separations" from the BLS Job Openings and Labor Turnover report. July hires exceeded separations by an encouraging 144,000. This holiday-shortened week is loaded with employment indicators from several sources. The Institute for Supply Management will release an index

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of manufacturing employment in its report on Tuesday; the Fed will publish the Beige Book, with commentary on national employment conditions on Wednesday; and payroll processor ADP will report hiring by private businesses on Thursday.

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	2.75%	0.0	CDA 5 year	2.95%	6.7
CDA Prime	4.95%	0.0	CDA 10 year	3.39%	1.6
CDA 3 month T-Bill	2.66%	0.0	CDA 20 year	3.82%	9.4
CDA 6 month T-Bill	2.64%	0.0	CDA 30 year	3.92%	9.4
CDA 1 Year	2.63%	0.0			
CDA 2 year	2.68%	4.3			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	3.75%	5.2
US Prime	7.50%	0.0	US 10 year	4.29%	6.3
US 3 month T-Bill	4.06%	1.0	US 30 year	4.98%	6.4
US 6 month T-Bill	3.99%	-0.1	5YR Sovereign CDS	40.49	
US 1 Year	3.87%	1.9	10YR Sovereign CDS	45.21	
US 2 year	3.66%	3.3			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	678.18	0.07%	6.73%
BMO Laddered Preferred Shares (ETF)	11.87	0.59%	8.40%

Source: LSEG

Things are looking up! Have a great day!

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