Financial HARTbeat

CAD=GOLD?
Sept 4th 2025

Good Morning,

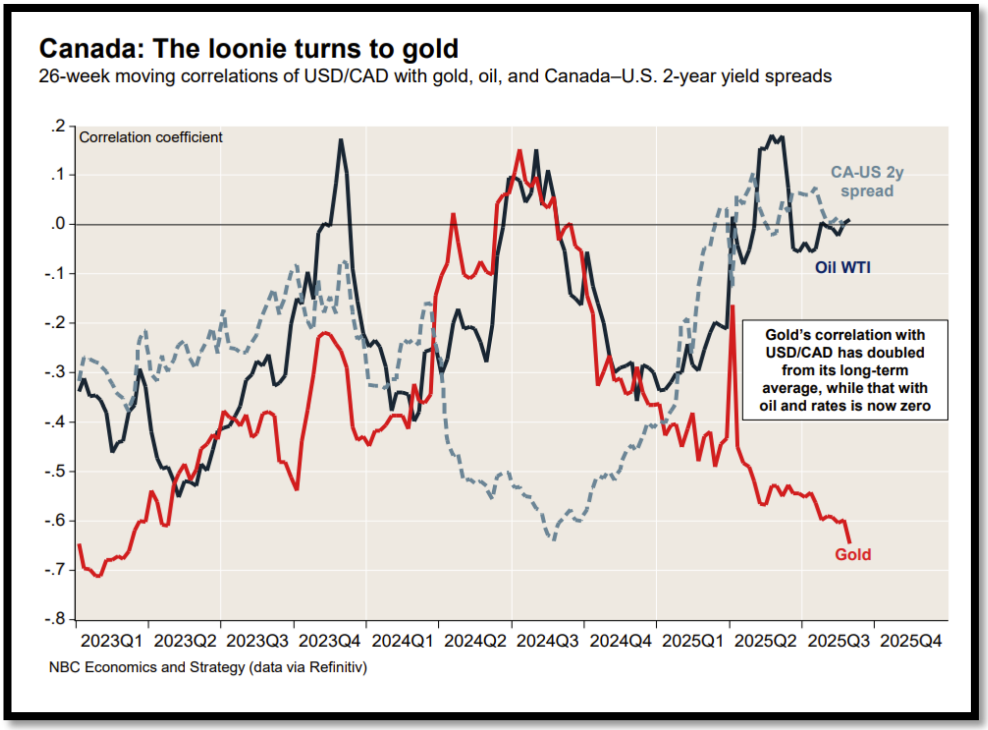
Will small caps keep playing catch up and is this rally for real…

GM cuts EV output….weak demand starting to show up

Seems exports back to the US picked up last month for Canada…

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

Chart of the Day: CAD now linked to Gold?



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Top News

S&P 500 and NASDAQ Futures extended gains slightly after employment data this morning. American Eagle Outfitters soared over 23% after the apparel company forecast third-quarter comparable sales above estimates, as its celebrity partnerships boosted demand. Salesforce fell more than 6% in premarket trading after the cloud company forecast third-quarter revenue below Wall Street estimates, signaling lagging monetization for its AI agent platform.

Traders were already pricing in a more than 90% chance of a September cut when a weak July job openings report on Wednesday pushed them to over 97%. Private employment rose by 54,000 jobs last month after a slightly upwardly revised 106,000 increase in July, the ADP National Employment Report showed this morning. Economists had forecast private employment increasing 65,000 following a previously reported 104,000 gain in July. A separate report from global outplacement firm Challenger, Gray and Christmas showed layoffs announced by U.S.-based employers jumped 39% to 85,979 in August. That was the highest total for August since 2020. Also, initial claims for state unemployment benefits rose 8,000 to a seasonally adjusted 237,000 for the week ended August 30. Economists had forecast 230,000 claims for the latest week.

Investors will also watch U.S. President Donald Trump's nominee, economic advisor Stephen Miran, testify in a Senate confirmation hearing today to fill Fed Governor Adriana Kugler's seat, which she resigned last month.

Futures tied to Canada's main stock index inched up this morning as investors awaited key employment data that could influence the Bank of Canada's September interest-rate decision. Both Canada and the U.S. are due to release employment reports for August on Friday. Economists forecast that Canada's economy added 10,000 jobs and the country's unemployment rate rose to 7% from 6.9% a month earlier. Money markets see a 68.5% chance of a 25-basis-point interest-rate cut at the September 17 meeting. In commodities, oil and gold prices declined while copper prices retreated. Data showed that Greater Toronto Area home sales fell for the first time in five months in August and prices edged lower. Another

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report showed Canada posted a trade deficit of $4.94 billion in July, as imports continued to outpace exports.

European shares edged higher this morning as expectations of an imminent interest rate cut by the U.S. Federal Reserve calmed markets, although travel and leisure stocks fell after British budget airline Jet2's weak forecast. Longer-dated European bond yields are near mutli-year highs and focus will be on France with the government likely facing a collapse next week after it pushed for a budget squeeze in 2026.

China's blue-chip index fell the most in nearly five months today after media reports of possible regulatory curbs on speculation, and the end of a politically significant military parade in Beijing. China's financial regulators are considering a number of cooling measures for the stock market, including removing some short-selling curbs, Bloomberg News reported. Tech shares, a key pillar of China's bull run, led the market decline today with artificial intelligence (AI) chip giant Cambricon slumping 15%, its biggest daily loss since January.

Japan's Nikkei share average rebounded from a nearly one-month low in the previous session, as domestic technology stocks led the rally following overnight gains among U.S. peers.

A Bubble? (Argus)

We have multiple ways of looking at market valuations, and most are signaling that stocks are reasonably valued, though not cheap. Our Stock Bond Barometer asset-allocation model is indicating that the two major portfolio asset classes are near parity on valuation. The model, our most-comprehensive, goes back to 1960 and takes into account real-time price levels, historical growth rates and forecasts of short- and long-term government and corporate fixed-income yields, inflation, stock prices, GDP and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading is a modest premium for stocks of 0.09 sigma, with a standard deviation of 1.05. As such, stocks normally sell for a slight premium compared to bonds, which has been the case since inflation -- and bond yields -- jumped in 2022. The current valuation level is a 0.41 sigma premium for stocks, not a discount but within the normal range. Other valuation measures show reasonable multiples for stocks. The forward P/E ratio for the S&P 500 is about 22, within the normal range of 15-24.

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On price/book, stocks are priced at the high end of the historical range of 5.3-1.8, given that tech stocks, which have low capital bases, are the biggest component of the market.

The theory holds on dividend yield as well, as the S&P 500 yield of 1.13% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 26% compared to the long-run average of 39%. On price/sales, the current ratio of 3.1 is above the historical average of 1.8, but well below the 4.0 multiple at the peak of the dot-com bubble. Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is now 320 basis points, compared to the historical average of 400. Lastly, the ratio of the S&P 500 price to an ounce of gold is 1.8, just below the midpoint of the historical range of 1-to-3. These measures suggest to us that the stock market -- despite record highs -- is not currently in danger of entering bubble territory

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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	2.75%	0.0	CDA 5 year	2.90%	-3.5
CDA Prime	4.95%	0.0	CDA 10 year	3.35%	-4.5
CDA 3 month T-Bill	2.64%	0.5	CDA 20 year	3.70%	-3.5
CDA 6 month T-Bill	2.62%	0.0	CDA 30 year	3.81%	-3.5
CDA 1 Year	2.60%	-0.5			
CDA 2 year	2.60%	-1.6			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	3.66%	-2.0
US Prime	7.50%	0.0	US 10 year	4.18%	-2.7
US 3 month T-Bill	4.02%	-0.6	US 30 year	4.86%	-3.0
US 6 month T-Bill	3.98%	-0.8	5YR Sovereign CDS	40.48	
US 1 Year	3.76%	-0.9	10YR Sovereign CDS	45.18	
US 2 year	3.60%	-1.2			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			678.37	0.00%	6.76%
BMO Laddered Preferred Shares (ETF)			11.84	-0.04%	8.13%

Source: LSEG

Things are looking up! Have a great day!

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