

Financial HARTbeat

Bad News=Good News
Sept 8th 2025



Good Morning,

Jobs numbers came in much weaker than expected last week....this is the bad news...what this brings is slighter better news...rate cut expectations increased dramatically..




Canada stocks open higher will rate cut expectations next week..

Trans Mountain ahead of schedule and might be completed in 2026...

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

Chart of the Day: Not sure if this is good/bad/indifferent but interesting data point to watch..

... and rate cuts are now expected next week on both sides of the border.

| |  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 | 2.79% | 4.50% | 2.00% |
| Next meeting | | | |
| Next meeting date | September 17, 2025 | September 17, 2025 | September 11, 2025 |
| Market-implied policy rate* | 2.56% | 4.23% | 2.00% |
| Spread vs. current rate | -23 bp | -27 bp | -0 bp |
| Probability of... | | | |
| ... hike | 0% | 0% | 0% |
| ... hold | 8% | 0% | 99% |
| ... cut | 92% | 100% | 1% |
| Rate cuts | | | |
| 25bps cuts priced in over... | | | |
| ... next 3 months | 1.4 | 2.5 | 0.1 |
| ... next 6 months | - | 3.6 | 0.5 |
| ... next 12 months | - | 5.4 | - |

*Derived from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).
Data as of September 5, 2025



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



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Top News

Canadian stock index futures inched up on Monday, after the surprise job loss in August reported Friday boosted expectations for a Bank of Canada rate cut later this month. The benchmark index ended higher for the eighth straight session on Friday, notching another record rally. Money market now sees a 89% chance that the BoC will resume its easing campaign on September 17 after leaving its benchmark rate on hold at 2.75% since March. In commodities, gold prices made a new record high above \$3600 this morning while oil and copper prices also edged up.

In corporate news, Canadian oil and gas producer Strathcona Resources raised its offer for MEG Energy, seeking to outbid Cenovus Energy. The new offer, which expires on October 20, values MEG Energy at about C\$7.85 billion. Canadian pipeline operator Trans Mountain expects dredging works at the port in Vancouver to be completed at the end of 2026 or early 2027, which will allow ships to load more oil than before.

In the U.S., stock index futures also edged higher today, recovering slightly from Wall Street's lower close in the previous session amid hopes that the Federal Reserve could respond to dreary labor market numbers by lowering borrowing costs soon. After Friday's worrying nonfarm payrolls report confirming a weakening U.S. job market, traders firmed their expectations for a 25-basis-point cut. The bets now stand at 90%, according to CME Group's FedWatch tool. A jumbo 50-bps cut was also on the cards, compared to no such expectation before the jobs data was released. Inflation data will be on investors' radar this week to gauge the impact of President Donald Trump's tariff policies on the U.S. economy, and whether it could strengthen the case for a bigger rate cut.

A preliminary reading of the University of Michigan's sentiment survey and a revision to the Bureau of Labor Statistics' payrolls benchmark are also due this week. With the Fed now entering a "blackout" period that bars public statements in the run-up to its September 16-17 meeting, markets will have to interpret economic data without fresh guidance from policymakers.



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Among stocks, retail trading platform Robinhood Markets and marketing platform AppLovin gained more than 7% each in premarket trading. The companies are set to join the S&P 500, effective September 22, after being snubbed during the last rebalancing.

Elsewhere, China's export growth slowed to a six-month low in August as a brief boost from a tariff truce with the U.S. faded, but demand elsewhere provided officials some relief as they try to underpin an economy facing low domestic consumption and external risks. Authorities are counting on manufacturers to diversify into other markets in the wake of U.S. President Donald Trump's erratic trade policy, enabling them to hit Beijing's annual growth target of "around 5%" without rushing to offer additional near-term fiscal support.

German exports unexpectedly fell in July on a sharp decline in U.S. demand due to Washington's tariffs on European imports, but industrial production rose by 1.3% in July from June.

Canada's 2Q GDP Story (Argus)

Canada's GDP contracted by 1.6% in 2Q25, marking the first negative reading in seven quarters. After revised 2% growth in 1Q, the six-month GDP expansion stood at a muted 0.4%. But the headline figure masks an economy doing much better below the surface. Household consumption was up a healthy 4.5% in 2Q, while housing investment contributed 6.3% to growth, as both home sales and housing starts benefited from the Bank of Canada's interest rate cuts between late 2024 and early 2025. The reason for the drop in the headline figure was mostly related to a sharp 27% decline in exports, reflecting a front-loading of shipments in 1Q (when exports surged 10%) to get ahead of the implementation of U.S. tariffs. Canada's economy remains quite dependent on trade with the U.S., with exports accounting for about 20% of GDP. One silver lining is that, as of September 1, Canada removed most of its retaliatory tariffs to align with U.S. exemptions, while leaving tariffs on steel, aluminum, and autos.

Canada's central bank held interest rates steady at their meeting in July, but with inflation fears lessening following the removal of retaliatory tariffs, a rate cut could be back on the table in September. Looking beyond the tariff turmoil, we continue to favor select companies in the Canadian market for country diversification and growth opportunities.



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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 | 2.80% | -1.7 |
| CDA Prime | 4.95% | 0.0 | CDA 10 year | 3.25% | -1.6 |
| CDA 3 month T-Bill | 2.59% | -0.5 | CDA 20 year | 3.61% | -8.4 |
| CDA 6 month T-Bill | 2.54% | -2.0 | CDA 30 year | 3.72% | -1.4 |
| CDA 1 Year | 2.52% | -1.5 | | | |
| CDA 2 year | 2.53% | -1.5 | | | |
| US Key Rate | Last | Change bps | US Key Rate | Last | Change bps |
| US FED Funds | 4.25-4.50% | 0.0 | US 5 year | 3.57% | -1.2 |
| US Prime | 7.50% | 0.0 | US 10 year | 4.07% | -1.4 |
| US 3 month T-Bill | 3.93% | 0.5 | US 30 year | 4.75% | -2.2 |
| US 6 month T-Bill | 3.87% | -0.3 | 5YR Sovereign CDS | 40.48 | |
| US 1 Year | 3.64% | -0.5 | 10YR Sovereign CDS | 45.18 | |
| US 2 year | 3.49% | -1.4 | | | |
| Preferred Shares Indicators | | | Last | Daily % | YTD |
| S&P Preferred Share Index | | | 678.62 | 0.02% | 6.80% |
| BMO Laddered Preferred Shares (ETF) | | | 11.86 | 0.17% | 8.31% |

Source: LSEG

Things are looking up! Have a great day!

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