

Financial HARTbeat

Interest Rate Week
Sept 15th 2025



Good Morning,




London is marching.... scenes of people in the streets in the UK was and is very interesting as the world continues to be more and more divided..

Merger battle in the Oilfields in Canada with Cenovus and Strathcona...

Wednesday if Interest rate day....both BOC and FOMC expected to cut...

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

Chart of the Day: Cut baked in...now we just need to see what the road ahead looks like..could 50 bps be on the table...unlikely but a small and growing possibility

	 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	2.81%	4.50%	2.00%
Next meeting			
Next meeting date	September 17, 2025	September 17, 2025	October 30, 2025
Market-implied policy rate*	2.57%	4.24%	1.99%
Spread vs. current rate	-24 bp	-26 bp	-1 bp
Probability of...			
... hike	0%	0%	0%
... hold	5%	0%	96%
... cut	95%	100%	4%
Rate cuts			
25bps cuts priced in over...			
... next 3 months	1.4	2.5	0.2
... next 6 months	-	3.5	0.4
... next 12 months	-	5.2	-

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



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Top News

Canadian Prime Minister Mark Carney announced on Sunday a new federal agency supported by an initial C\$13 billion in capitalization to build affordable housing, following campaign promises to bolster residential construction. The agency, called Build Canada Homes, will construct affordable housing for low-income households and work with private developers to build homes aimed at the middle class. Carney's ruling Liberal party has pledged to improve affordability and reduce homelessness while increasing home construction. The agency will reduce the risks experienced in building in Canada by helping reduce upfront costs and leveraging public lands for housing. Carney added that the impact of the U.S.-led tariff war has led to a substantial increase in the deficit in Canada's upcoming budget.

The Liberal platform, which promised additional spending of around C\$130 billion over the next four years, predicted in April that Canada's 2025/26 deficit would be C\$62.3 billion, far higher than the C\$42.2 billion forecast in December. Data released by the Canadian Real Estate Association showed today that home sales in the country rose for a fifth straight month in August as increased activity in the regions of Montreal, Greater Vancouver and Ottawa offset a decline in the Greater Toronto Area. Seasonally adjusted sales rose 1.1% last month from July to 43,276 units. That was the best sales figure for the month of August since 2021 and lifted the cumulative increase since March to 12.5%. The industry group's Home Price Index edged 0.1% lower on the month and was down 3.4% annually. The joint statement mentioned that activity has continued to gradually pick up steam over the last five months, and if last year is any kind of guide, then there is the potential that sales could really pick up in the next month or so depending on how many buyers are drawn off the sidelines, particularly if we see a September rate cut by the central bank.

According to most economists in a Reuters poll, the Bank of Canada will cut its overnight rate by a quarter point Wednesday as the labor market deteriorates, and economic activity weakens. They also expect at least one more cut before year end.

Separate reports also showed that Canadian factory sales grew by 2.5% in July from June on higher sales of motor vehicles, as well as petroleum and coal products. Excluding motor vehicles and parts, manufacturing sales were up 1.8%, while Canadian wholesale trade grew by 1.2% in July from June on



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higher sales in the motor vehicle and motor vehicle parts and accessories subsector, as well as the building materials and supplies subsector. Sales were up in four out of seven subsectors, representing 71.4% of wholesale trade, while sales were up in seven of the ten provinces.

Sales increased 0.8% in volume terms. Futures for North America's main stock indexes edged higher on Monday, kicking off a high-stakes week, as both the Bank of Canada and the U.S. Federal Reserve are expected to resume interest rate cuts.

Elsewhere, China's market regulator on Monday said that a preliminary investigation had found that Nvidia had violated the country's anti-monopoly law, marking the latest hit for the U.S. chip giant.

Bond Spreads Still Tight (Argus)

Treasury bond yields have been declining in recent weeks as concerns have mounted over the slowdown in jobs growth during the summer. Corporate bond yields have headed lower as well, and at a faster rate than Treasury yields. As a consequence, spreads between corporate and Treasury bond yields have tightened in recent months, remaining narrower than historical averages. For example, the spread between AAA-rated corporate bonds and 10-year government bonds in August was 109 basis points (bps), down from 114 bps in May but still lower than the historical average of 122 bps. The gap between the government 10-year bond yield and a BAA-rated bond (still investment grade) in August was 174 basis points, below the historical average spread of 228 bps but narrower by about 15 bps since the spring. We watch these spreads closely for several reasons. First, from an asset-allocation standpoint, tight corporate bond spreads signal that corporate bond prices are above historical fair value, and we may look to under-weight the segment in our model portfolios. As well, from a broad market standpoint, the changes in the spreads offer clues to the bond market's view of corporate financial strength -- which appears to be turning somewhat cautious given the widening spreads.

Lately, bond investors are demanding higher interest payments to account for potential default risk. Indeed, bond-rating company Moody's recently concluded that the average risk of default for U.S. public companies reached a post-global financial crisis high of 9.2% at the end of 2024 and is predicted to remain elevated throughout 2025. from 114 bps in May but still lower than the historical average of 122



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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	2.76%	-0.1
CDA Prime	4.95%	0.0	CDA 10 year	3.19%	0.2
CDA 3 month T-Bill	2.49%	0.5	CDA 20 year	3.51%	0.5
CDA 6 month T-Bill	2.49%	0.0	CDA 30 year	3.62%	0.4
CDA 1 Year	2.50%	0.0			
CDA 2 year	2.51%	-0.3			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.63%	0.3
US Prime	7.50%	0.0	US 10 year	4.07%	0.8
US 3 month T-Bill	3.94%	0.4	US 30 year	4.69%	1.0
US 6 month T-Bill	3.87%	1.0	5YR Sovereign CDS	39.99	
US 1 Year	3.66%	-0.3	10YR Sovereign CDS	44.47	
US 2 year	3.55%	-0.9			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			681.51	0.05%	7.25%
BMO Laddered Preferred Shares (ETF)			11.92	0.42%	8.86%

Source: LSEG

Things are looking up! Have a great day!

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