

Financial HARTbeat

Rate Cuts?
Sept 17th 2025



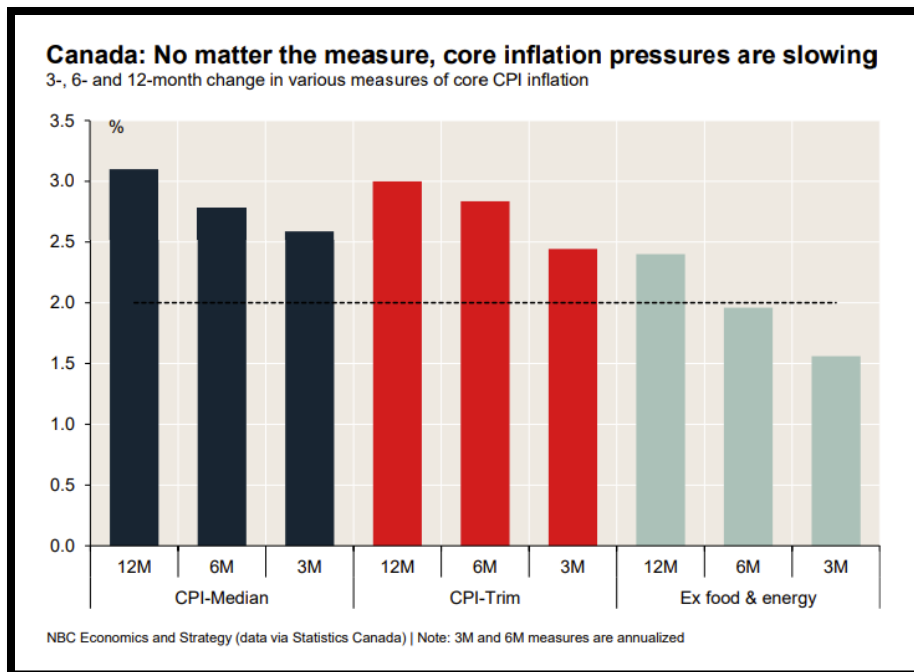
Good Morning,

Bank of Canada this morning and interest rates worth reading what and why their decisions have been made..

FOMC this afternoon...rate announcement 2pm and presser 2:30pm again will be worth watching and listening

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

Chart of the Day: While inflation continues to be the boogeyman for many...it appears to be slowing in Canada no matter how you measure..which keeps the BOC on their front foot with rate cuts..



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Top News

The spotlight today is on the U.S. central bank, which is expected to resume monetary easing, which could add to and broaden Wall Street's rally, though such a boost might already be priced in and could depend on whether lower interest rates help the economy avoid a significant downturn. The Federal Reserve is widely expected to deliver a quarter percentage-point rate cut at the end of its two-day monetary policy meeting today, in an effort to shore up a weakening labor market. The move is expected to kick off a series of reductions, with nearly six standard quarter-point cuts priced into markets by the end of next year.

Historically, the start of an easing cycle has led to stock gains over the next year. Of 10 cycles since 1982 when the Fed started or resumed rate cuts, the S&P 500 index gained an average of 11% over the next 12 months. The index rose eight times out of the 10. However, in two instances where the start of rate cuts coincided with recessions, in 2001 and 2007, the S&P 500 posted 12-month declines of 13.5% and 23.9%, respectively.

Lower interest rates historically lift a range of stocks tied to the cyclical nature of the domestic economy, including banks, homebuilders, materials companies and smaller firms. Such strength could create new leadership in a bull market that has been driven by mega cap technology companies. Some investors already may be making bets ahead of the widely telegraphed rate cuts.

One indication is gains for the small-cap Russell 2000 index, which is outperforming the large cap S&P 500 index this quarter after trailing it for most of the past decade.

On top of the rate decision, stocks will be tested by the accompanying Federal Open Market Committee statement, its economic projections and comments in a press conference from Fed Chair Jerome Powell to see if they line up with market expectations. In Canada, the central bank is also expected to cut interest rates by 25 basis points today, spurred by weak job reports and economic contraction in the second quarter. It would be the first rate cut in nine months, and many economists expect another 25-basis point cut either in October or December.



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The Bank of Canada was one of the most aggressive major central banks globally to reduce rates when it started its easing cycle in June last year. It brought interest rates to 2.75% in March from 5% in June last year, a 225 basis points cut in nine months. Since then it has held the policy rate steady, citing uncertainty around U.S. tariffs. Governor Tiff Macklem said in July that due to economic uncertainty linked to tariffs, the bank was less forward-looking than usual, but if inflation stayed under control and the economy weakened it would consider a rate cut. The Canadian economy has lost over 100,000 jobs in the last two months, pushing the unemployment level to a nine-year high outside of the pandemic years. Its economy also contracted in the second quarter by 1.6%, building up the case for a rate cut.

Argus Adjusts Sector Ratings (Argus)

We have reviewed our recommended sector allocations this month, and based on the analysis we have adjusted our current sector Over-Weight, Under-Weight, and Market-Weight recommendations for the calendar fourth quarter of 2025. Our multifactor model includes a performance ranking system, which assigns points for monthly, quarterly, and YTD sector performance vs. the benchmark S&P 500; current sector P/E vs. 5-year P/E, with points awarded for discount to S&P 500 current vs. 5-year P/E delta; two-year earnings growth, with points awarded for exceeding benchmark average and for EPS acceleration; relative performance to the sector group average; sector conviction, meaning BUY rating percentage per sector vs. total Argus BUY-rating percentage; and PEG ratio, with points awarded or subtracted based on sector PEG ratios below or above the group average. This time, our process led to an upgrade of the Communication Services sector to Over-Weight from Market-Weight.

We lowered Consumer Staples to Market-Weight from Over-Weight. For more details, see our Portfolio Selector and Investment Portfolio Guide reports. Our rebalancing process takes place four times a year, early in the months of March, June, September, and December. Our current Over-Weight sectors are Communication Services, Financial, Utilities, and Information Technology.

Our current Market-Weight sectors are Consumer Staples, Energy, Healthcare, Industrials, and Materials. Our Under-Weight sector is Consumer Discretionary. The Argus Research Investment Policy Committee suggests that advisors and investors leverage this consistent and comprehensive process to adjust sector weightings within their diversified equity portfolios, with a primary focus on the largest sectors.



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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	2.71%	-0.7
CDA Prime	4.95%	0.0	CDA 10 year	3.14%	-1.9
CDA 3 month T-Bill	2.45%	-0.5	CDA 20 year	3.47%	-1.3
CDA 6 month T-Bill	2.45%	0.0	CDA 30 year	3.57%	-1.3
CDA 1 Year	2.45%	-1.0			
CDA 2 year	2.45%	-1.8			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.59%	0.5
US Prime	7.50%	0.0	US 10 year	4.02%	-0.6
US 3 month T-Bill	3.89%	-0.5	US 30 year	4.63%	-2.0
US 6 month T-Bill	3.83%	-0.3	5YR Sovereign CDS	39.98	
US 1 Year	3.63%	0.5	10YR Sovereign CDS	44.45	
US 2 year	3.51%	0.1			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			679.34	0.00%	6.91%
BMO Laddered Preferred Shares (ETF)			11.91	0.04%	8.77%

Source: LSEG

Things are looking up! Have a great day!

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