

Financial HARTbeat

Cuts as expected
Sept 18th 2025



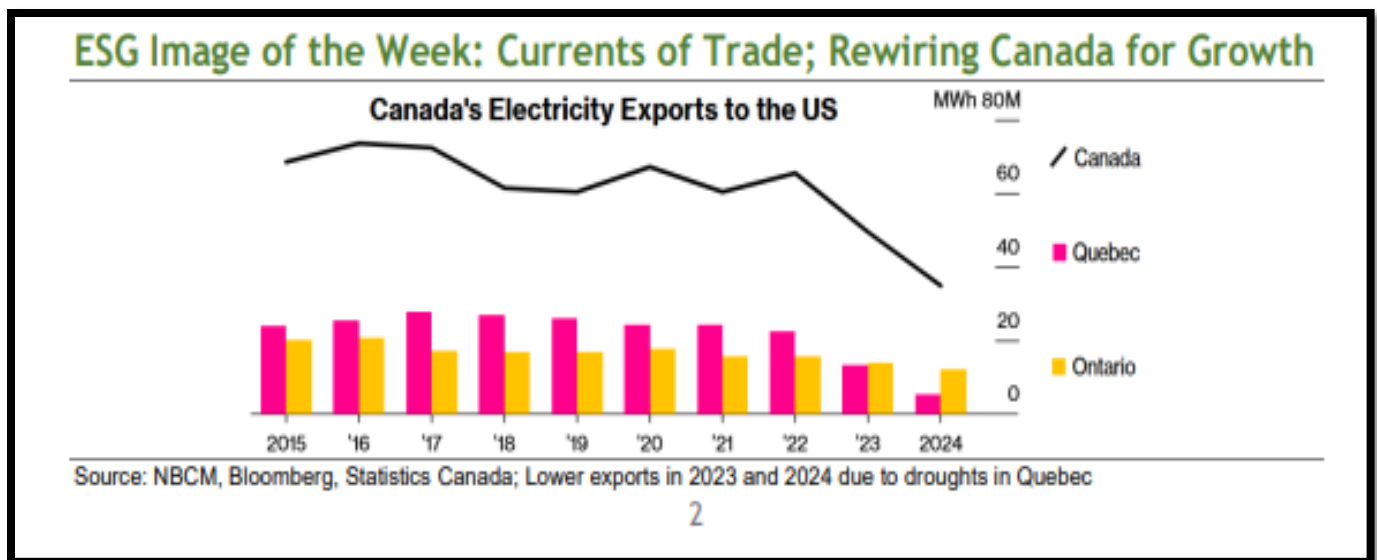
Good Morning,

Bank of Canada cut as expected...additionally suggested the economy and jobs numbers have caused concern and why appropriate to cut...unless trend continues more cuts to come

FOMC very similar in the views on what to do..the US however has the tariff issues which is causing both bad things happening at the same time...unemployment is rising and inflation is at the same time...signaling 50 bps prior to year end is most likely path forward..

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

Chart of the Day: Interesting visual....good news bad news story..



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Top News

U.S. stock index futures gained this morning, with those tied to the S&P 500 and the Nasdaq at record highs a day after the U.S. central bank delivered a quarter point interest rate cut, while Intel climbed after Nvidia decided to build a stake in the company.

Intel jumped more than 30% in premarket trading after Nvidia said that it will invest \$5 billion, throwing its heft behind the struggling U.S. chip foundry, but stopped short of giving Intel a crucial manufacturing deal. Nvidia was up more than 2%, bouncing back from yesterday's declines when a report said Chinese tech firms might stop buying its chips.

In economic data, initial claims for state unemployment benefits decreased 33,000 to a seasonally adjusted 231,000 for the week ended September 13, the Labor Department said. The decline partially reversed a surge in the prior week, which had pushed claims to levels last seen in October 2021. Economists had forecast 240,000 claims for the latest week. Layoffs remain relatively low, but the hiring side of the labor market has almost stalled.

Futures tied to Canada's main stock index inched up this morning, as the Bank of Canada and the U.S. Federal Reserve left the door open for further rate cuts this year after making a quarter-point reduction yesterday (see chart). Meanwhile, Canadian Prime Minister Mark Carney arrived in Mexico City in an attempt to improve recently strained ties with Mexico and seek a common front in crucial trade talks with the U.S. Carney's trip will be the first bilateral visit by a Canadian prime minister to the country in eight years.

In commodities, gold and copper retreated on a stronger U.S. dollar. Oil prices edged lower as markets weighed the Fed rate cut against worries over the U.S. economy. European shares rose this morning, led by technology stocks after the U.S. Federal Reserve lowered borrowing costs for the first time since December, while shares of SIG plummeted following a profit warning. Tech stocks climbed more than 2%, with the sector showing signs of recovery after falling about 7% over July-August.



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Norway's central bank followed the Fed with a 25-basis-point interest rate cut, while the Bank of England left rates steady. In corporate action, SIG Group slid 20% and triggered a trading halt after the Swiss packaging group issued a profit warning for 2025 and suspended its cash dividend. Britain's Next also lost over 5% after the fashion retailer said it expects UK sales growth to slow in the second half of the year. Novo Nordisk rose 2.7% after data showed an experimental Wegovy pill showed a 16.6% weight-loss in a late-stage study, compared to previous trials of injectable versions of the drug.

China stocks extended gains to touch another 10-year high, as domestic artificial intelligence chip-related developments and a report that local tech giants were banned from buying Nvidia chips boosted semiconductor shares. Semiconductor firms jumped 6.3% while AI-related stocks gained more than 3%. Following the overnight U.S. Federal Reserve's 25-basis-point interest rate cut.

China's central bank left a key rate unchanged, as authorities appear in no rush to ease monetary settings. Hong Kong's central bank lowered its base rate charged via the overnight discount window by 25 bps to 4.50%, tracking the Fed move.

Japan's Nikkei share average rose to an intraday record high, led higher by technology shares, but gains were limited after the recent strength in the yen that weighed on exporters. Japan's core machinery orders fell 4.6% in July from the previous month, government data showed. That compared with a 1.7% drop estimated by economists.

Fed Back on the Reduction Track (Argus)

The Federal Reserve wrapped up its latest Federal Open Market Committee meeting yesterday and, as expected, lowered its fed funds target rate by 25 basis points (bps) to the 4.00-4.25% level. This was the first cut in 2025, following five meetings in a row at which the central bank held policy steady after cutting rates three times in late 2024. The decision indicates that the Fed is now less concerned about the impact of tariffs on inflation and more concerned about the employment situation. This change comes in the wake of disappointing payrolls and revisions announcements in recent months, with the unemployment rate ticking higher to 4.3%. Meanwhile, the Fed's favorite pricing indicator has been relatively stable (but above the bank's target of 2.0%) for most of the year.



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The Trump administration has been extraordinarily vocal in its opinions on interest rates, blurring a clear line of independence that has long existed between the White House and the Fed. The White House wants lower rates and the central bank has finally started to head in that direction. We think that the Fed will step up its rate-cutting program and reduce the federal funds rate two more times in 2025 in order to keep the economy expanding.

We think both cuts will be 25 basis points. We also look for a fourth 25-basis-point cut in the first half of 2026. Over the next two years, according to the latest dot-plot forecasting chart from the Fed that was released along with the rate cut, the governors now anticipate that the federal funds target rate will decline even more sharply to the 2.50% level. By that time, the Fed governors will be reporting to a new Fed chairman.



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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	2.50%	-25.0	CDA 5 year	2.75%	-0.5
CDA Prime	4.70%	-25.0	CDA 10 year	3.18%	-0.9
CDA 3 month T-Bill	2.43%	0.0	CDA 20 year	3.50%	-0.4
CDA 6 month T-Bill	2.45%	0.0	CDA 30 year	3.61%	-0.4
CDA 1 Year	2.46%	-1.0			
CDA 2 year	2.49%	-0.8			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4-4.25%	-25.0	US 5 year	3.62%	-2.2
US Prime	7.25%	-25.0	US 10 year	4.07%	-1.0
US 3 month T-Bill	3.88%	0.0	US 30 year	4.67%	0.1
US 6 month T-Bill	3.83%	-0.6	5YR Sovereign CDS	39.98	
US 1 Year	3.62%	1.5	10YR Sovereign CDS	44.45	
US 2 year	3.53%	-1.3			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			678.73	-0.01%	6.82%
BMO Laddered Preferred Shares (ETF)			11.89	-0.13%	8.58%

Source: LSEG

Things are looking up! Have a great day!
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