Financial HARTbeat

More Cuts
Sept 22nd 2025

Good Morning,

More cuts ahead….the world's Central banks now all appear to be heading towards future cuts…what this means it easier financial conditions...good for risk assets typically.

Gold higher yet again on increased rates down and geo political risks continue

Trump adds something else for companies to think about $100K price tag on visas?

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

Chart of the Day: US all but locked into a cut in October and Canada heading that way too..

		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	2.55%	4.25%	2.00%
Next meeting	Next meeting date	October 29, 2025	October 29, 2025	October 30, 2025
	Market-implied policy rate*	2.41%	4.02%	2.00%
	Spread vs. current rate	-14 bp	-23 bp	+0 bp
	Probability of…			
	… hike	0%	0%	0%
	… hold	46%	9%	100%
	… cut	54%	91%	0%
Rate cuts	25bps cuts priced in over...			
	... next 3 months	0.9	1.5	0.1
	... next 6 months	-	2.4	0.4
	... next 12 months	-	4.1	-

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

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Top News

Futures tied to Canada's main stock index edged higher today, after posting a seventh straight weekly gain last week, with markets cheering the Bank of Canada's rate cut to support the domestic economy. The commodity-heavy index, which has benefitted from the rise in gold prices, is up 20.4% for the year, compared with the benchmark U.S. S&P 500's 13.3% rise.

In commodities, gold scaled a fresh record high as markets expected further rate cuts from the U.S. Federal Reserve, while silver surpassed a 14-year high tracking gold's moves. On the economic front, producer prices in Canada rose by 0.5% in August from July on higher prices for chemicals and chemical products, as well as meat, fish and dairy products. This followed an unrevised 0.7% increase in July. Raw materials prices were down 0.6% in August and were up 3.2% on the year.

Meanwhile, Canada became one of the four major Western nations to recognise a Palestinian state on Sunday and promote a two-state solution, a move that prompted a furious response from Israel. Canada joined Britain, Australia and Portugal. The decision by four nations which traditionally allied with Israel, aligned them with more than 140 other countries also backing Palestinians' aspiration to forge an independent homeland from the occupied territories. In the U.S., stock index futures declined today after Wall Street's main indexes rallied to record highs in the previous session, as uncertainty around President Donald Trump's visa policies dimmed sentiment.

Markets were pausing after a tech-driven rally on Friday pushed the three indexes to close at record highs for the second consecutive session, with the S&P 500 and the Nasdaq logging their third consecutive week of gains. Shares of U.S. technology companies slipped after President Donald Trump unveiled steep new visa fees as part of his immigration crackdown, raising concerns over higher labor costs and tighter access to skilled workers. The Trump administration said it would ask companies to pay $100,000 per year for H-1B working visas, prompting some big tech companies and banks to warn employees to stay in the U.S. or quickly return. Analysts said the impact should be moderate, given that the fees apply only to new applications, but warned that a constrained supply of skilled workers in the U.S. may push wages higher and squeeze margins.

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Megacaps such as Microsoft and Amazon.com edged lower, as U.S. tech companies are heavily reliant on skilled workers from India and China. So far, Wall Street's three main indexes are in positive territory in September, a month deemed historically bad for U.S. equities. According to data compiled by LSEG, the benchmark S&P 500 has shed 1.4% on average in September since 2000.

Today, markets will parse through comments from a host of policymakers, including Fed presidents John Williams, Alberto Musalem and newly appointed Governor Stephen Miran.

Will Builders Sizzle or Fizzle? (Argus)

Shares of homebuilders have raised the roof, rising 14% over the last six months despite strained housing affordability and a sluggish economy. Will the shares continue to sizzle, or fizzle as they did last autumn? We focus on interest rates, inventories, incentives, and inflation. Builder sentiment has been flat for the last five months, according to the National Association of Home Builders (NAHB), and building permits are down 11% over the last year. But there was a catalyst in the September NAHB housing market index. Though buyer traffic and present conditions are stuck, sales expectations for the next six months rose to their highest level since March as mortgage rates declined by about a quarter point in the weeks before the survey and builders expected the Fed's interest-rate cut.

With 30-year mortgage rates of 6.25%, down from 6.9% in June, there are anecdotal reports of increasing buyer interest. We look for broad confirmation from NAHB traffic next month. With the inventory of new homes elevated (at 9.2 months at the current pace of sales), we expect permits and housing starts to remain low until builders can trim the overhang of unsold homes and reduce the need for incentives (which are weighing on profit margins).

Any progress builders make may be sustainable only if mortgage rates continue to decline in a still-healthy economy. Reductions in the fed funds rate should lower the cost of builder and developer loans, but long-term rates may fall further only if inflation does. With soft job growth and slightly restrictive monetary policy, we expect inflation expectations to ease as long as cost pressures from tariffs remain muted and peak in early 2026. This Wednesday, we expect the Census Bureau to report that August new home sales declined about 7.7% from a year earlier to 640,000 SAAR. On September 30, we expect the S&P CoreLogic

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Case-Shiller National Home Price Index will post an annual increase of 1.5% for July, a continuing deceleration from the 1.9% increase in June. The Zillow Home Value Index rose by an annual 0.3% in July.

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%	0.0	CDA 5 year	2.74%	-0.6
CDA Prime	4.70%	0.0	CDA 10 year	3.19%	-1.5
CDA 3 month T-Bill	2.45%	1.5	CDA 20 year	3.53%	-1.6
CDA 6 month T-Bill	2.44%	0.0	CDA 30 year	3.64%	-1.0
CDA 1 Year	2.44%	-1.5			
CDA 2 year	2.46%	-0.8			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4-4.25%	0.0	US 5 year	3.68%	-1.6
US Prime	7.25%	0.0	US 10 year	4.13%	-1.4
US 3 month T-Bill	3.89%	-0.3	US 30 year	4.75%	-1.0
US 6 month T-Bill	3.85%	0.2	5YR Sovereign CDS	38.98	
US 1 Year	3.60%	-1.1	10YR Sovereign CDS	47.43	
US 2 year	3.57%	-1.1			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	677.50	-0.02%	6.62%
BMO Laddered Preferred Shares (ETF)	11.91	-0.17%	8.77%

Source: LSEG

Things are looking up! Have a great day!
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