

Financial HARTbeat

Dead cat bounce or something else?
April 8th 2025



Good Morning,

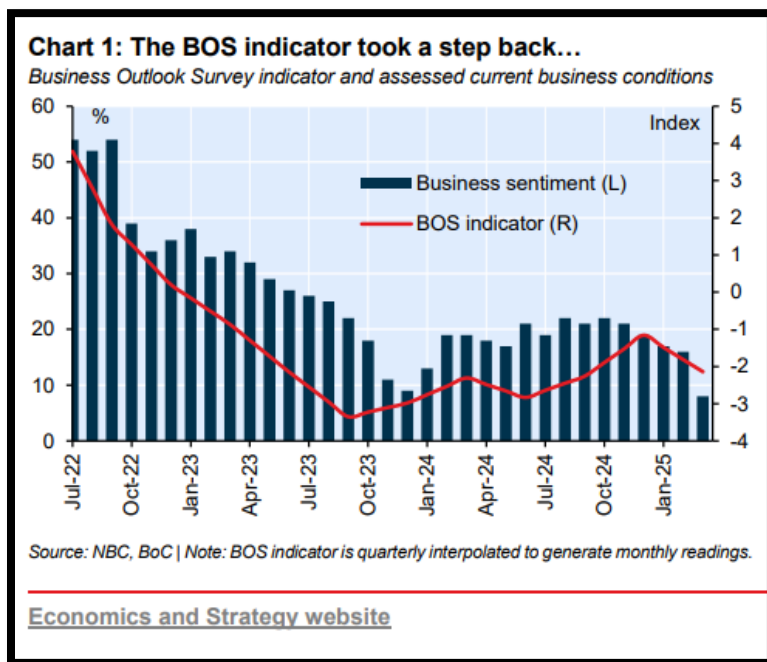
This correction very much like Brexit in many ways so far...JPM likened the potential risk similar to this prior to the Tarrif announcements...lets see if we get similar results and follow through..

Stock Markets around the world bouncing...what happens next will be important...do we rise on volume, do bonds correct, what happens to Oil, Gold and more importantly the USD from here..

Gold catching attention still in Canada..Barrick looks to lock of financing for Pakistan mine development..

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

Chart of the Day: Business Sentiment not optimistic...some clarity likely comes end of April



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

Canada's main stock index rebounded from eight-month lows today on prospects for potential U.S. tariff negotiations and rising gold prices. U.S. President Donald Trump said that he would talk to China, Japan and other countries over the tariffs, but was not looking at a pause on the duties. This came after Trump threatened to impose an additional 50% tariff on China if Beijing does not withdraw its retaliatory tariffs on the United States.

Oil prices steadied but hovered near four-year lows as a recovery in equity markets was outweighed by recession fears. Base metal prices in China stabilised after the previous day's selloff, as market participants adopted a wait-and-see stance. In the U.S., Wall Street's main indexes were also set to open higher today after a bruising selloff that has wiped out trillions of dollars since last week. Most megacap and growth stocks rose in premarket trading, with Nvidia, Amazon.com and Tesla rising about 4% each.

The CBOE Volatility index seen as Wall Street's 'fear gauge' retreated to 39.78 points after rising above 60 on Monday. The Nasdaq confirmed a bear market on Friday, while the S&P 500 and the Dow are down more than 15% from their record-high closes. The U.S. benchmark index, however, neared bear market territory yesterday, before cutting some losses. According to LSEG data, traders see more than 96 basis points of easing by December, implying three fully priced in 25-bps cuts and a 84% chance of a fourth such a reduction.

Despite this morning action, markets continued to remain under a cloud of uncertainty after China said it will never accept the "blackmail nature" of the U.S. to Trump's threat to ratchet up tariffs on imports from China to more than 100%. This was in response to China's decision to impose retaliatory tariffs to match 'reciprocal' U.S. duties. U.S. Treasury Secretary Scott Bessent said in an interview to CNBC this morning that tariff negotiations are the result of calls from other countries, not sliding financial markets, and China's escalation is a big mistake.

On the economic front, U.S. small-business confidence dropped for a third straight month in March, eroding most of the gains that followed President Donald Trump's election victory in November, amid rising concerns over the administration's trade policy despite early optimism about a potential business boost from expected tax cuts and deregulation. The National Federation of Independent Business said



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on Tuesday its Small Business Optimism Index fell 3.3 points to 97.4, below the 51-year average and the biggest drop since June 2022. The slide mirrored declines in both consumer and business confidence in other recent surveys. The share of owners expecting better business conditions dropped 16 points, to 21%, the lowest since October and the biggest drop since December 2020.

The net share of businesses expecting higher sales in the next three months dropped to 3%, also the lowest since before the presidential election. The survey was taken before Trump announced sweeping tariffs on April 2.

What to Expect in a Recession (Argus)

The U.S. is not currently in a recession, but many economists are forecasting a contraction in GDP in coming quarters due to the fallout from Donald Trump's tariff plan. The argument is that companies in just about every industry will face rising costs and, in order to protect margins, will have to either raise prices (rekindling inflation) or lay off employees (pushing the unemployment rate toward 5.0%). Either way, consumers will be pinched and consumer spending -- which accounts for about two-thirds of the economy -- will be curtailed. Equity investors are expressing concern, with the S&P 500 approaching a bear market. So what should we expect if an economic contraction occurs? We have studied the six recessions that have occurred in the U.S. since 1980. Five of them are more "normal" pullbacks, while the sixth was the recent pandemic-induced decline. Averaging the results of those first five, we find that recessions typically last 3-4 quarters and the average peak-to-trough decline in output is 5.6%. Unemployment typically rises 250 basis points, which would lift the current rate back above 6.0%. Treasury yields typically fall during recessions, as often the Federal Reserve begins to lower rates in an attempt to revive the economy.

On average, the change in the 10-year Treasury yield from start to finish during a recession is 60 basis points. So those are averages. Is the current economy an "average" economy? In many ways, it is not. Unemployment is lower than at the start of previous recessions, so the consumer sector is in pretty good shape. Treasury yields are lower than average as well, which could provide some relief for households and home buyers. We are not yet officially forecasting a recession in 2025-2026, but if one does occur,



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based on the current fundamentals, we would expect it to cause less-than-average damage to the economy.

Bond Yields

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	2.67%	0.6
CDA Prime	4.95%	0.0	CDA 10 year	3.07%	1.0
CDA 3 month T-Bill	2.61%	3.0	CDA 20 year	3.32%	1.3
CDA 6 month T-Bill	2.61%	4.0	CDA 30 year	3.37%	1.3
CDA 1 Year	2.54%	6.0			
CDA 2 year	2.49%	1.6			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.90%	6.2
US Prime	7.50%	0.0	US 10 year	4.21%	5.7
US 3 month T-Bill	4.20%	2.9	US 30 year	4.64%	4.2
US 6 month T-Bill	4.18%	4.8	5YR Sovereign CDS	44.54	
US 1 Year	3.94%	5.8	10YR Sovereign CDS	47.56	
US 2 year	3.79%	5.4			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			607.96	-2.36%	-4.32%
BMO Laddered Preferred Shares (ETF)			10.29	-3.02%	-6.03%

Source: LSEG

Things are looking up! Have a great day!

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