

Financial HARTbeat

Oversold conditions?
April 9th 2025



Good Morning,

Market showing extreme oversold conditions...does anyone care...

Bonds not reacting favourably, nor is the USD...this is a different warning signal to pay attention to..

FOMC is managed by a hedge fund manager (Powell)....when he starts getting calls about stress in this system you will see him take notice...early days but this is starting

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

Chart of the Day: Excellent chart to think about possible recession..

U.S.: Economic and financial indicators 3 months before recessions As of April 7th, 2025

		Value 3 months before U.S. Recessions										Median
		Last reading	Prior reading*	2020	2007-09	2001	1990-91	1981-82	1980	1973-75	1970	
Financial/commodity	S&P 500 (% drawdown from past year max)	-17.6%	-4.6%	-1.3%	-0.4%	-13.6%	-7.7%	-5.6%	-7.8%	-13.3%	-14.6%	-7.7%
	BBB spread (increase from past year min, bps)**	57.8	14.9	2.0	46.2	133.8	6.0	0.0	41.0	43.0	23.0	32.0
	Copper price (% drawdown from past year max)	-19.5%	-13.1%	-10.6%	-2.2%	-9.5%	-12.0%	-16.2%	-1.2%	0.0%	-1.6%	-5.9%
	Oil price (% drawdown from past year max)	-30.2%	-19.1%	-16.0%	-4.0%	-31.0%	-21.0%	-4.0%	0.0%	0.0%	0.0%	-4.0%
	U.S. Dollar (% increase from past year min)	4.7%	6.5%	3.1%	0.0%	5.3%	8.3%	12.5%	4.5%	1.4%	NA	4.5%
	Yield curve (10-year minus 3-month, bps)	-9	-3	26	77	-76	98	-62	-127	-157	35	-18
Soft data	Consumer sentiment (Michigan)	57.0	64.7	99.3	80.9	94.7	90.6	76.3	63.3	72.0	86.4	83.7
	SME optimism	97.4	100.7	102.7	96.1	96.4	99.4	97.4	93.3	NA	NA	96.9
	CEO confidence (quarterly data)	60.0	51.0	43.0	44.0	31.0	48.0	61.0	32.0	NA	NA	43.5
	ISM manufacturing	49.0	50.3	47.9	52.8	42.3	49.5	53.5	48.0	63.5	54.6	51.2
	ISM services	50.8	53.5	55.7	53.5	52	NA	NA	NA	NA	NA	53.5
Hard data	UI Claims 4-week ave. (% increase from past year min)	6%	8%	6%	8%	26%	6%	2%	20%	12%	10%	9%
	Temp. help services jobs (% drawdown from past year max)	-5.2%	-5.3%	0.0%	-3.2%	-4.3%	NA	NA	NA	NA	NA	-3.2%
	Average hours worked (% drawdown from past year max)	0.0%	-0.6%	-0.9%	-0.3%	-0.6%	-0.9%	-0.3%	-0.6%	-0.5%	-0.8%	-0.6%
	Building permits (% drawdown from past year max)	-7%	-6%	-5%	-27%	-2%	-39%	-21%	-30%	-30%	-19%	-24%
	Real consumption (3-month, % ann)	0.2%	1.6%	1.3%	2.4%	2.3%	1.8%	-0.1%	0.7%	4.1%	6.4%	2.1%

*Previous month (quarter for CEO confidence)

** As of Thursdays

NBC Economics and Strategy (data via Refinitiv, Bloomberg)



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

Canadian stock index futures fell sharply today, after China announced additional tariffs on U.S. goods in retaliation after President Donald Trump's reciprocal tariffs took effect. Hopes of concessions in the trade war faded after a massive 104% duty on Chinese goods came into force, while the European Union prepared retaliatory measures, leaving investors increasingly wary of risky assets.

China's finance ministry said it will impose 84% tariffs on U.S. goods from Thursday, up from the 34% previously announced. Meanwhile, shares of Canadian gold miners found support from higher bullion prices, as traders sought the safe-haven asset with a weaker dollar and the rising prospect of U.S. rate cuts.

Oil prices fell for a fifth day to their lowest since February 2021, as the trade war and its potential impact on global economic growth stoked worries over energy demand. Copper prices dropped to an eight-month low in China as higher U.S. tariffs reduced buying interest.

In corporate news, the Keystone oil pipeline from Canada to the United States was shut yesterday after an oil spill near Fort Ransom, North Dakota. South Bow said that an estimated 3,500 barrels of oil was released due to the rupture. The operator did not provide a timeline for the restart.

LNG Canada has started to cool down its liquefied natural gas plant in Kitimat, British Columbia, considered a final step before it begins to produce the superchilled gas. The cool-down process should take up to three weeks. LNG Canada said that equipment testing is going well and the company remains on track to ship first cargoes by the middle of 2025. LNG Canada is the country's first LNG export facility and when completed is expected to produce 14 million metric tons per annum for export. In the U.S., the CBOE Volatility index, seen as Wall Street's 'fear gauge' was last at 54.31 points, hovering nearing its highest since August.

Treasuries, the bedrock of the global financial system, were hit by fresh selling pressure, as investors rushed to liquidate even their most secure holdings in a bid for cash. The rising fears of a U.S. recession boosted expectations of interest-rate cuts by the Federal Reserve. Traders see more **than 100** basis points of easing by the December, implying four fully priced-in 25-basis-points cuts, according to LSEG data. On



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

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50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2





the economic front, minutes from the Federal Reserve's March policy meeting are due later in the day. U.S. drugmakers slid today after Trump reiterated plans for "major" tariffs on pharmaceutical imports, but some believe that the \$1.7 trillion revenue prescription drug industry has a relatively robust immunity to tariffs because of the industry's complex supply chains and the risk of deaths caused by shortages mean they may emerge less damaged than carmakers or brewers.

Even though the U.S. is the biggest and most lucrative market globally for prescription drugs and generic products, the country ships most of these in from overseas, with drugs imports reaching \$213 billion in 2024, more than two and a half times the total 10 years earlier.

The issue is that, only 4% of the building blocks, known as Active Pharmaceutical Ingredients of life-saving drugs, were produced in the U.S. Some 82% came from China and India, according to data from US Pharmacopeia's Medicine Supply Map.

Tactical Shifts in a Turbulent Market (Argus)

We have three strategic asset-allocation models, based on risk-tolerance: Conservative, Growth, and Aggressive. We make tactical adjustments to the models based on our outlooks for the various segments of the capital markets. In the wake of the Trump tariff announcements, stocks are rapidly approaching bear-market status. Bonds, meanwhile, are up 2% year to date as investors rotate toward less-risky securities.

Our Stock-Bond Barometer modestly favors bonds over stocks for long-term portfolio positioning. As such, these asset classes should be near their target weights in diversified portfolios, with a slight tilt toward bonds. We are over-weight large-caps at this stage of the market cycle based on growth exposure and financial strength, amidst volatility. Our recommended exposure to small- and mid-caps is 10%-15% of equity allocation, below the benchmark weighting. Global stocks have taken an early performance lead in 2025, although U.S. stocks have outperformed global peers over the trailing one and five years. We expect this trend favoring U.S. stocks to continue, given volatile global economic, political, geopolitical, and currency conditions. Still, international stocks offer favorable near-term valuations, and we now target 10%-20% of equity exposure to the group.



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Senior Wealth Advisor & Portfolio Manager

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› ben.hart@nbc.ca

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In terms of growth and value, growth rebounded in 2023-2024 and outperformed value, though value is off to a good start in 2025 and looks likely to outperform in a risk-off environment. Key value sectors that may be less exposed to global trade wars include Consumer Staples, Healthcare, Utilities, and Financial (via regional banks). Overall, we expect a bumpy period for the stock market until the U.S. government formalizes and finalizes fiscal and monetary policies.

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	2.75%	4.8
CDA Prime	4.95%	0.0	CDA 10 year	3.20%	5.8
CDA 3 month T-Bill	2.56%	0.0	CDA 20 year	3.45%	4.0
CDA 6 month T-Bill	2.57%	0.0	CDA 30 year	3.52%	5.4
CDA 1 Year	2.51%	2.5			
CDA 2 year	2.51%	2.9			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.04%	13.3
US Prime	7.50%	0.0	US 10 year	4.45%	19.0
US 3 month T-Bill	4.22%	3.3	US 30 year	4.92%	20.6
US 6 month T-Bill	4.15%	1.0	5YR Sovereign CDS	46.52	
US 1 Year	3.88%	0.8	10YR Sovereign CDS	49.48	
US 2 year	3.78%	3.7			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			608.74	0.13%	-4.20%
BMO Laddered Preferred Shares (ETF)			10.33	0.39%	-5.66%

Source: LSEG

Things are looking up! Have a great day!

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