Financial HARTbeat

Was that it?
April 14th 2025

Good Morning,

Real question now is what happens next…lots of repair still to happen in markets.. Volatility spiked above 60 last week and now lets see where were go..

Initial trading of the day much calmer than last 7 trading sessions…

Apple getting a tarrif exemption…market likes this of course…permanent or temporary..this might actually be the question for all 4 years of current term…

Catch the playback of our Weekly Roundup ***click here***..

Chart of the Day: Well looks like a hold presently for Canada this week…However, still anticipate cuts in next meeting June 4th..

		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	2.75%	4.50%	2.50%
Next meeting	Next meeting date	April 16, 2025	May 7, 2025	April 17, 2025
	Market-implied policy rate*	2.67%	4.43%	2.24%
	Spread vs. current rate	-8 bp	-7 bp	-26 bp
	Probability of…			
	… hike	0%	0%	0%
	… hold	67%	72%	0%
	… cut	33%	28%	100%
Rate cuts	25bps cuts priced in over…			
	… next 3 months	0.6	1.0	1.7
	… next 6 months	-	2.3	2.7
	… next 12 months	-	3.6	-

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

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Top News

Canada's main stock index future rose today alongside Wall Street peers, after the White House excluded smartphones and computers from the "reciprocal" tariffs against China. These exclusions were part of list of 20 product types accounting for 23% of U.S. imports from China was a boon to manufacturers. Trump said on Sunday that semiconductor tariffs would be announced within the next week, with a decision regarding phones coming "soon".

This week's economic calendar features key data, including Tuesday's domestic consumer inflation report and Wednesday's Bank of Canada interest rate decision. The central bank is likely to pause its rate-cutting cycle this week, as increasing inflation, deteriorating employment figures and Trump's partial retreat from broad tariffs have diminished the need for immediate economic stimulus measures. As of Friday, traders' bets showed about 58% probability for an interest rate pause.

Economists in the April 7-11 Reuters poll, taken amid the tariff policy uncertainty, now expect the Canadian economy to grow 1.2% and 1.1% this year and next, respectively, down significantly from 1.7% and 1.6% predicted a month ago. A handful also forecast the economy to fall into recession this year. Just over 60% of economists, 18 of 29, expected the Bank of Canada to keep its overnight rate steady on April 16 at 2.75%. The other 11 predicted a 25-basis point reduction. However, just over half of economists, 15 of 29, predicted two more rate cuts by the end of the third quarter as recession fears rise. There was no clear majority among economists where rates would be by yearend. Interest rate futures are currently pricing around 40 basis points of reductions this year.

On the economic front today, Canadian wholesale trade grew by 0.3% in February from January on higher sales in the machinery, equipment and supplies subsector, sales were up in two out of seven subsectors, representing 40.3% of wholesale trade, while sales were up in nine of the ten provinces. Sales increased 0.2% in volume terms.

In the U.S., the main index futures rose more than 1% each. Shares of iPhone maker Apple jumped about 5% in premarket trading. Chip stocks were also trading higher, with Nvidia rising more than 2% and Micron Technology up about 4%, while PC maker HP and server maker Hewlett Packard Enterprise gained more than 5%. The tariff exemptions were the latest change in Trump's tariff policies that have roiled

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global markets as investors, consumers and companies alike question the path forward and the impact on economic growth and inflation. Even though some will see a 1–2-month reprieve as a positive, and there will be strong expectations that the Administration won't follow through.

In reality, the uncertainties linked to the back and forth of the U.S administration on tariffs will continue to weigh on trade and business investment for the foreseeable future. In the background, quarterly U.S. corporate results will also be in focus, with companies like Johnson & Johnson and Netflix reporting later this week. A New York Federal Reserve survey, due later today, will also be watched for changing inflation expectations after survey data on Friday showed a sharp slump in consumer sentiment and inflation expectations at their highest level since 1981.

More Positive Inflation Readings (Argus)

Two important inflation reports -- the Consumer Price Index (CPI) and the Producer Price Index (PPI) -- were released recently and both signaled that pricing pressures are again easing. For now. Both indicated that overall pricing pressures remain well below peak rates in summer 2022 but that inflation remains above the Fed's target of 2.0%. Let's take a deeper dive into the CPI. The news here was surprisingly good, as the annualized headline number ticked lower from the previous month (2.4% versus 2.8%). According to the latest CPI report, the core inflation rate (ex-food and energy) also declined, to 2.8% from 3.1% the prior month. Again, the most-encouraging data was related to Transportation Services and Shelter costs. In these sticky categories, inflation rates year over year have declined meaningfully.

Gas prices are also sharply lower year over year, which should please consumers. Meanwhile, PPI measures pricing trends farther up the supply chain, at the manufacturing level. Here, the news also was generally positive. For example, the PPI final demand annual rate through March was 2.7%, compared to 3.2% a month ago and 3.7% in January. Based on the fundamentals, we expect pricing pressures to continue easing as the housing market cools due to high mortgage rates, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel (current price is $62). But that low price of oil reflects a new wild card that has entered the forecasting picture: Trump's trade wars.

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His tariffs -- should they ever go into effect -- almost certainly will raise prices, sending the inflation rate higher again. That will put new pressure on the Fed, which we think -- again, based on the fundamentals -- should be in position to lower rates in the second half of the year.

Bond Yields (lots of movement last week..bps 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	2.80%	-7.7
CDA Prime	4.95%	0.0	CDA 10 year	3.18%	-9.1
CDA 3 month T-Bill	2.65%	1.0	CDA 20 year	3.44%	-7.1
CDA 6 month T-Bill	2.66%	-0.5	CDA 30 year	3.48%	-7.2
CDA 1 Year	2.64%	-2.0			
CDA 2 year	2.64%	-5.2			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	4.10%	-6.0
US Prime	7.50%	0.0	US 10 year	4.44%	-5.5
US 3 month T-Bill	4.23%	-0.9	US 30 year	4.85%	-2.7
US 6 month T-Bill	4.20%	-0.8	5YR Sovereign CDS	55.05	
US 1 Year	4.06%	0.0	10YR Sovereign CDS	58.52	
US 2 year	3.91%	-4.2			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			599.97	0.63%	-5.58%
BMO Laddered Preferred Shares (ETF)			10.24	0.89%	-6.48%

Source: LSEG

Things are looking up! Have a great day!

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