

Financial HARTbeat

Calm day yesterday?
April 15th 2025



Good Morning,

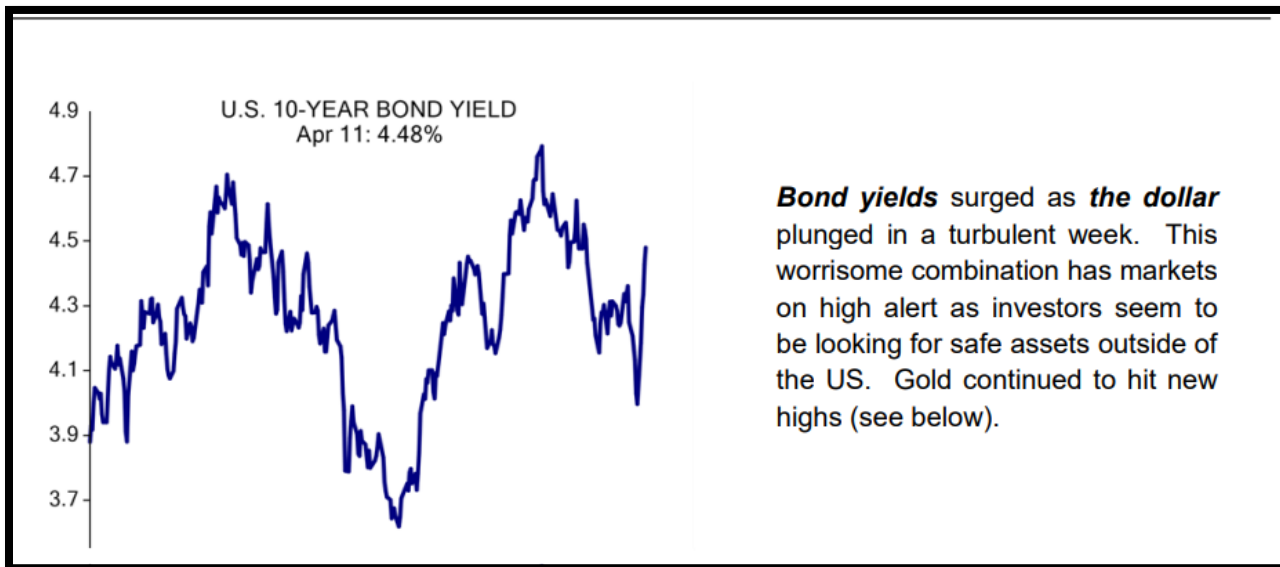
Market looking for new levels and information and how to proceed at this point...

Gold bouncing back this morning and look to see if it can push higher from here...

CAD has been extremely resilient...with this last IMF support continuing buying CAD bonds...

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

Chart of the Day: Very important chart to watch..yields and USD..



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Top News

Canadian stock index futures are mostly unchanged this morning after the S&P/TSX Composite Index climbed to an 11-day high yesterday, with financial and real estate shares leading broad-based gains as investors grew doubtful that hefty U.S. tariffs would be implemented at the scale first proposed. The Canadian 10-year yield is trading more than 14 basis points lower at 3.125% after touching on Friday its highest intraday level since January 24 at 3.309%.

On the economic front, Canada's annual inflation in March surprisingly slowed to 2.3%, three notches below the prior month, largely helped by lower gasoline and travel tours prices. On a month-on-month basis, inflation rose by 0.3%. The core measures of inflation, which are closely tracked by the Bank of Canada, however, stayed elevated. Analysts polled by Reuters had expected the year-on-year inflation rate to remain at 2.6%, and on a monthly basis to rise by 0.6%.

The sales tax break from mid-December to mid-February that had helped mask the actual prior price increases, was evident in the price increase of food and alcoholic beverages, which reversed their previous contraction and jumped in March. Food prices jumped by 3.2% and alcoholic beverages increased by 2.4% on an annual basis. But this increase was largely offset by a deceleration of 1.6% in the price of gasoline.

Data from Statscan also showed that year-over-year prices for travel tours declined 4.7% in March and air transportation prices fell 12.0%. The drop in air travel coincided with decreased Canadian air travel to the U.S. One of the core measures, the CPI-median, or the centermost component of the CPI basket when arranged in order of increasing prices, was at 2.9% in March, same as the prior month. The other core measure, the CPI-trim, which excludes the most extreme price changes, slowed a tad to 2.8%. Following the release, currency markets are betting that the odds of a pause after seven consecutive rate cuts by the Bank of Canada at around 50%, down from 60% prior to the release.

According to a Reuters poll, the majority of economists believe policymakers will leave the benchmark rate unchanged at 2.75% tomorrow, but growing recession risks in Canada from the U.S.-led trade war will push the Bank of Canada to cut interest rates at least twice more this year. A separate report showed, Canadian factory sales grew by 0.2% in February from January on higher sales of primary metals, as well as chemical products.



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Excluding motor vehicles and parts, manufacturing sales were up 0.3%. In the U.S., import prices unexpectedly fell in March, pulled down by decreasing costs for energy products, but the trend is unlikely to be sustained amid an escalation in trade tensions.

Import prices dipped 0.1% last month after a downwardly revised 0.2% gain in February. Economists polled by Reuters had forecast import prices, which exclude tariffs, unchanged following a previously reported 0.4% increase in February. In the 12 months through March, import prices advanced 0.9%.

State of Global Demand for U.S. Debt (Argus)

For years, demand from all corners of the globe for the safety and security of U.S. Treasury debt has helped keep a lid on long-term interest rates, even when inflation was stubbornly high. Total Public Debt owed by the U.S. federal government was \$36 trillion at the end of 4Q24, according to the Department of the Treasury. Outside of U.S. investors, the two largest holders of U.S. Public Debt were the nations of Japan, which owns 3.0% of the debt, and China, which owns 2.4%. The other nations among the top 10 holders have 7% of the debt, so the top 10 holders collectively own about 12.5%. The grand total of U.S. debt owned by foreign holders is \$7.4 trillion, or about 20% of the total.

Over the past year, this total has ranged from \$7.7 trillion to \$7.1 trillion. These lofty levels may be at risk at this market juncture, due not to inflation but to the uncertainty surrounding President Trump's tariff program and the potential impact on global trade. Yes, the U.S. runs a trade deficit. But its trading partners take part of their proceeds and reinvest in the U.S. economy.

With fewer proceeds coming in due to the slowdown in trade, the Treasury bond market may well see funds being repatriated out of the U.S. by trader nations (and China and Japan are major trade partners) and back to local investment opportunities. Should demand for Treasuries evaporate, the price for Treasuries will likely decline and the interest rates will go up. This theory has started to play out to a degree, as bond yields have jumped during the past two weeks of trade-related market volatility. As we have said before, the only real certainty with trade wars is that there will be unintended consequences.



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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	2.73%	-1.2
CDA Prime	4.95%	0.0	CDA 10 year	3.11%	-0.6
CDA 3 month T-Bill	2.65%	0.0	CDA 20 year	3.38%	-0.6
CDA 6 month T-Bill	2.64%	0.0	CDA 30 year	3.43%	-0.6
CDA 1 Year	2.60%	-0.5			
CDA 2 year	2.56%	-1.7			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.00%	0.7
US Prime	7.50%	0.0	US 10 year	4.38%	1.4
US 3 month T-Bill	4.22%	0.9	US 30 year	4.82%	2.5
US 6 month T-Bill	4.21%	0.2	5YR Sovereign CDS	54.00	
US 1 Year	4.02%	1.9	10YR Sovereign CDS	57.40	
US 2 year	3.84%	0.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			606.40	1.07%	-4.57%
BMO Laddered Preferred Shares (ETF)			10.37	1.27%	-5.30%

Source: LSEG

Things are looking up! Have a great day!

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