Financial HARTbeat

Earnings season continues!
April 22nd 2025

Good Morning,

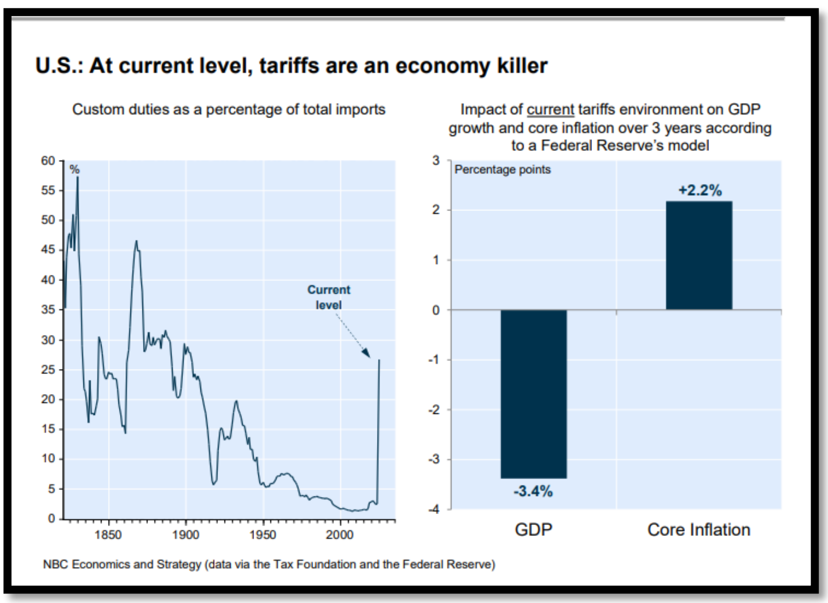
Amazon scales back on some of their cloud commitments and markets taking this as a positive as it waits and assesses the world..

Headlines reading sell America, inflation set to explode higher…my instincts tell me maybe an overreaction in both regards..

Many Canadian “snowbirds” looking to selling Florida…why relevant…Canadians spent close to $6B on US Real Estate between April 2023 and March 2024..

Catch the playback of our Weekly Roundup click here..

Chart of the Day: Art of the deal play or does this continues…?



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Top News

Canadian stock index futures bounced back today, boosted by gains in commodity prices. Gold prices continued their record run and briefly broke above $3,500 per ounce to an all-time high this morning. Oil prices also rose as investors took advantage of the previous day's losses to cover short positions. On the political front, ahead in polls in the runup to the April 28 election, Canadian Prime Minister Mark Carney renewed calls for voters to give him a strong mandate to deal with U.S. President Donald Trump's tariff threat. Carney says Trump's tariffs and talk of annexation pose a huge threat and mean that Canada needs to reduce its reliance on the United States and restructure its economy.

The rolling three-day Nanos poll gives the Liberals, 43.7% public support while the Conservatives, 36.3%. The left-leaning New Democrats, who compete with the Liberals for the center-left vote, trailed at 10.7%. If these results are maintained on election day, that would give the Liberals a majority of the 343 seats in the House of Commons.

Elections Canada said a record 2 million people had cast their ballots in the first of day of advance voting on Friday, which was a national holiday. Around 28 million Canadians are registered to vote. Economic data released this morning showed that producer prices in Canada were up 0.5% in March from February as the rise in the commodity groups, particularly primary non-ferrous metal products outweighed the decrease in energy and petroleum products. This followed an upwardly revised 0.6% increase in February. Raw materials prices were down 1.0% in March and were up 3.9% on the year. In corporate news, a U.S. appeals court revived a proposed data privacy class action against Canadian e-commerce giant Shopify.

In the U.S., Wall Street futures also pointed to a recovery today, but the U.S. dollar hit its lowest in three years as its status as the ultimate safe-haven asset is being actively challenged. U.S. Treasury yields rose as traders worried that the government could try to replace Powell with someone who would cut rates. Trump said last week he believes Powell will leave his job if Trump asks him to do so, although Powell himself has said he would not. It is unclear whether Trump has the authority to fire Powell.

Investor confidence has already been shaken by Trump's volatile policymaking and back-and-forth announcements about U.S. tariffs, which traders fear could create severe disruption in world trade. Traders will also be watching earnings reports throughout the week, with 27% of the S&P 500 due to give

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results. Tesla is due later today, having already shed almost 6% yesterday amid reports of production delays, and Google-owner Alphabet's earnings are due on Thursday.

The International Monetary Fund this morning slashed its forecasts for growth in the United States, China and most countries, citing the impact of U.S. tariffs now at 100- year highs, and warning that further trade tensions would slow growth further. The organization cut its forecast global growth by 0.5 percentage point to 2.8% for 2025. It also downgraded its forecast for U.S. growth by 0.9 percentage point to 1.8% in 2025.

Debt a High Level of GDP (Argus)

With potential tax cuts ahead, as well as a possible slowdown in the economy that may ultimately reduce tax receipts, market participants are starting to take a closer look at U.S debt levels. They don't appear to like what they see, despite prospects for reductions in federal spending through President Trump's plan to shrink the government. In recent weeks, the yield on the benchmark Treasury 10-year bond has jumped from 4.0% to 4.5%. There is no doubt that U.S. debt levels have quietly and quickly grown over the past 10 years, and total U.S. debt is now more than 120% of GDP, according to the Office of Management and the Budget. This is the highest level since World War II. In the 1970s and 1980s, the debt/GDP ratio was consistently in the 30%-40% range, and moved up toward 60% by 2000. The debt level soared around 2010, as the government spent aggressively to slow the Great Recession and rekindle growth. (According to Keynes, that's what the government is supposed to do.) Still, despite more than 10 years of economic growth prior to the pandemic, debt only increased as a percentage of GDP. Then, reflecting the fiscal spending allocated to fight the impact of COVID-19, debt levels surged further. This is not a problem that has to be fixed today.

But we note that interest expense now accounts for 3.8% of GDP, up from 2.3% in 2020 and compared to the historical average of 3.0% and a high of 5.0% in 1991. Ideally, politicians should start to establish a plan to address the issue in the next 10-15 years. If the trend persists and is not reversed, a debt debacle could result in a weak dollar and persistent hyper-inflation, which would send interest rates higher again and cut into economic growth and equity valuations.

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Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: Key Interest Rates (Canada & U.S.)

anadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.75%	0.0	CDA 5 year	2.78%	-2.6
CDA Prime	4.95%	0.0	CDA 10 year	3.21%	-3.5
CDA 3 month T-Bill	2.66%	0.0	CDA 20 year	3.48%	-3.5
CDA 6 month T-Bill	2.65%	1.0	CDA 30 year	3.55%	-3.5
CDA 1 Year	2.58%	1.0			
CDA 2 year	2.56%	0.2			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	3.98%	1.9
US Prime	7.50%	0.0	US 10 year	4.40%	-0.6
US 3 month T-Bill	4.22%	0.3	US 30 year	4.88%	-2.8
US 6 month T-Bill	4.20%	0.3	5YR Sovereign CDS	56.00	
US 1 Year	3.98%	3.2	10YR Sovereign CDS	59.91	
US 2 year	3.80%	4.4			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			611.01	-0.03%	-3.84%
BMO Laddered Preferred Shares (ETF)			10.45	-0.33%	-4.57%

Source: LSEG

Things are looking up! Have a great day!

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