# Financial HARTbeat

Do we have a deal!
April 24th 2025

Good Morning,

Eurozone with mixed PMI data…manufacturing came in weaker than expected but services sector increased showing the divergence in current economic activity

UK data interesting…public spending increased and showing increasing money supply as we have suggested now a likely outcome of the unstable economic backdrop..

China says no deal again….market jittery and down again this morning..

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

**Chart of the Day: Are these even still relevant a week and a half later?? Might need a pulse check soon**

**Suspect methodology used to determine 'reciprocal' tariffs**
*Sample of countries hit by reciprocal tariffs & calculation breakdown*

| Country | U.S. trade deficit | | U.S. imports | | Tariff rate 'charged' to the U.S. | | Reciprocal tariff rate |
|---|---|---|---|---|---|---|---|
| Cambodia | 12.3 | ÷ | 12.7 | = | 97% | ÷2= | **49%** |
| Vietnam | 123.5 | ÷ | 136.6 | = | 90% | ÷2= | **45%** |
| Thailand | 45.6 | ÷ | 63.3 | = | 72% | ÷2= | **36%** |
| China | 295.4 | ÷ | 438.9 | = | 67% | ÷2= | **34%** |
| Taiwan | 73.9 | ÷ | 116.3 | = | 64% | ÷2= | **32%** |
| Indonesia | 17.8 | ÷ | 28.1 | = | 64% | ÷2= | **32%** |
| Switzerland | 38.4 | ÷ | 63.4 | = | 61% | ÷2= | **31%** |
| India | 45.7 | ÷ | 87.4 | = | 52% | ÷2= | **26%** |
| South Korea | 66.0 | ÷ | 131.5 | = | 50% | ÷2= | **25%** |
| Japan | 68.5 | ÷ | 148.2 | = | 46% | ÷2= | **23%** |
| EU | 231.8 | ÷ | 597.7 | = | 39% | ÷2= | **20%** |
| Israel | 7.4 | ÷ | 22.2 | = | 33% | ÷2= | **17%** |

*Source: NBC, U.S. government*


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**Top News**

U.S. stock index futures edged lower this morning as investors assessed the latest changes in the Trump administration's erratic trade policy and a bevy of mixed corporate results. Treasury Secretary Scott Bessent said a move to reduce levies would not come unilaterally. In response, China said that the U.S. should lift all unilateral tariff measures.

Yesterday, the Trump administration said in a Federal Register post that it had launched a probe into whether imports of medium- and heavy-duty trucks and parts for them pose a national security risk, a likely precursor to tariffs. The Financial Times, however, reported that the president was planning to exempt carmakers from some of his tariffs. A slew of contradictory headlines and the lack of clarity in the market make it difficult for investors, companies and consumers to assess the impact of Trump's changing stance on trade policy. Coping with that uncertainty is a primary point of focus for the quarterly corporate results season, with investors closely watching outlook provided by corporate America.

Economic data this morning showed initial claims for state unemployment benefits increased 6,000 to a seasonally adjusted 222,000 for the week ended April 19. Economists had forecast 222,000 claims for the latest week. New orders for manufactured durable goods in the US surged 9.2% month over-month in March 2025, marking the third consecutive monthly increase and far exceeding market expectations of a 2% rise. The sharp uptick was largely driven by a rush in orders ahead of the implementation of major tariffs. Transportation equipment led the increase with a jump of 27%. Excluding transportation, new orders were virtually unchanged. Minneapolis Fed President Neel Kashkari is also scheduled to speak later in the day.

Futures for Canada's main stock index were subdued this morning, as investors assessed the impact of the U.S. administration's shifting positions on tariffs. The spotlight will be on precious metal mining companies as gold was heading back towards Tuesday's record high (see chart). Copper prices are hovering below a three-week high, bolstered by a weaker U.S. dollar but unsettled by continued uncertainty over tariffs.

Oil prices recovered some losses after falling nearly 2% in the previous session. European stocks dipped this morning as investors digested mixed corporate results, while investors remained wary amid a


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changing U.S. tone around its trade war with China. European luxury stocks led declines among sectors with an 1.8% fall, followed by technology companies that shed about 1.4%.

The European Central Bank cut its deposit rate by 25 basis points last week to aid a struggling economy, with markets now expecting at least two rate cuts by the year-end. The Ifo institute said its business climate index rose to 86.9 in April from 86.7 in March, beating forecasts by analysts for a decrease to 85.2.

China stocks drifted and Hong Kong shares fell as Washington signalled a willingness to lower tariffs against China, but ruled out unilateral moves, bewildering investors over how the damaging Sino-U.S. trade war will evolve.

Japan's Nikkei share average rose to a three-week high, tracking a tech-led rally on Wall Street overnight, as the White House signalled a willingness to de-escalate its trade war with China. Japanese Finance Minister Katsunobu Kato will meet Bessent in Washington later in the day on the sidelines of International Monetary Fund and World Bank annual meetings

**Yield Curve May Flatten in Quarters Ahead (Argus)**

The yield curve is no longer inverted, which is a positive signal for economic growth. But according to our projections, the curve may flatten in the quarters ahead as the global economy cools in the wake of the Trump trade war. There is little doubt that the U.S. economy has been running at an impressive speed in recent quarters, with an average growth rate of 2.9% since late 2022. That's safely above the long-term growth expectation for U.S. GDP of 1.8%-2.0%. Given a low unemployment rate and two recent strong years in the stock market, the yield curve should be upward sloping. But the impact of trade wars is expected to slow the growth rate going forward, as companies face rising costs for raw materials as well as the difficult decision on whether to raise prices or endure lower margins. Over time, we anticipate that the innovative U.S. economy can adjust to the new cost realities and achieve productivity gains that will keep growth intact.

We expect the fallout from the trade wars and a slowing economy will have an impact across the yield curve. At the long end, global trading partners facing higher export costs may pull assets out of the Treasury market, keeping rates in the 4.5% range. At the short end, the Federal Reserve's hands may be

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tied for a time while the central bank waits to see whether higher costs are here to stay. The result, in our view, will be a flatter yield curve that points toward slower economic growth over the intermediate term.

**Bond Yields (bps (basis points) 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% | -4.9 |
| CDA Prime | 4.95% | 0.0 | CDA 10 year | 3.20% | -5.2 |
| CDA 3 month T-Bill | 2.67% | 0.0 | CDA 20 year | 3.46% | -4.2 |
| CDA 6 month T-Bill | 2.64% | -1.0 | CDA 30 year | 3.52% | -4.1 |
| CDA 1 Year | 2.59% | -2.5 | | | |
| CDA 2 year | 2.59% | -4.8 | | | |
| **US Key Rate** | **Last** | **Change bps** | **US Key Rate** | **Last** | **Change bps** |
| US FED Funds | 4.25-4.50% | 0.0 | US 5 year | 3.96% | -5.7 |
| US Prime | 7.50% | 0.0 | US 10 year | 4.34% | -5.1 |
| US 3 month T-Bill | 4.21% | -0.9 | US 30 year | 4.80% | -3.6 |
| US 6 month T-Bill | 4.20% | -0.8 | 5YR Sovereign CDS | 58.06 | |
| US 1 Year | 3.99% | -2.2 | 10YR Sovereign CDS | 61.02 | |
| US 2 year | 3.82% | -4.6 | | | |
| **Preferred Shares Indicators** | | | **Last** | **Daily %** | **YTD** |
| S&P Preferred Share Index | | | 616.06 | 0.04% | -3.05% |
| BMO Laddered Preferred Shares (ETF) | | | 10.56 | 0.38% | -3.56% |

Source: LSEG

Things are looking up! Have a great day!

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