Financial HARTbeat

Election Monday ahead!
April 25th 2025

Good Morning,

Final weekend for the candidates across Canada to change voters' minds….

Google had solid earnings last evening and it appears the heavy investments in AI starting to show some positive momentum on earnings!

Gold and Oil appear to be lower for the week…global uncertainty causing volatility to remain high..

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

Chart of the Day: Great visual from our ETF team on things to think about re:Tarriffs..

Figure 11: Non-sector tariff trade ideas

Strategy	Pros	Cons
Gold Bullion	Safe-haven asset	No yield, speculative
Infrastructure	Reduced equity risk, attractive income	Equity exposure and interest rate sensitivity
Balanced Portfolio	One-ticket stock bond portfolio solution	Lower growth long term
Cash/Money Market	Safe-haven asset	Low real return
Mid Term Govt Bond	Can hedge against equity	High volatility
Low Volatility	Reduced equity risk	Still largely beta
International Equity	Attractive valuation, diversification	Historically lagged U.S. equity
U.S. Equal-weight	Diversification	Still largely beta
Buffer	Protects against some loss	Cap on the upside
Alts: Market Neutral	Uncorrelated returns	May lag equity in bull market

Source: NBF ETF Research.

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Top News

U.S. stock index futures slipped this morning as uncertainty remained high on the U.S.-China trade front despite signs of a possible softening in Beijing's stance. Meanwhile, shares of Google-parent Alphabet leapt almost 5% in premarket trade after the company reported upbeat first-quarter results, easing investor worries about returns on hefty artificial intelligence-focused investment.

U.S. President Donald Trump said his administration is talking with China to strike a tariff deal and that Chinese President Xi Jinping has called him, according to a Time magazine interview published this morning as Beijing continues to dispute U.S. characterization of talks. Futures reversed early gains as Trump's comments offset some optimism after China granted some U.S. imports exemptions from its hefty 125% tariffs, according to businesses notified. The data docket is light, with the final reading of the University of Michigan's April consumer survey due at 10 a.m. ET.

Futures for Canada's main stock index dipped this morning as commodity prices fell and investors weighed mixed U.S.-China trade signals despite Beijing showing possible flexibility. Gold prices lost more than 1% this morning. Copper prices eased on a stronger U.S. dollar and uncertainty about demand. Oil prices also fell and are set for a weekly decline of over 2% on the back of oversupply concerns. Meanwhile Canada stands to elect a more business-friendly government in Monday's vote, though analysts expect increased deficit spending may follow given the country's trade-dependent economy.

In economic data, Canadian retail sales fell by 0.4% in February from January at $69.33 billion, on lower sales at motor vehicle and parts dealers, Statistics Canada said. Sales likely increased 0.7% in March, the agency said in a flash estimate. Also, factory sales most likely fell 1.9% in March from April, largely driven by lower sales in the petroleum and coal product, primary metal, and transportation equipment subsectors, Statistics Canada said in a flash estimate.

European shares ticked higher this morning as investors assessed a potential de-escalation in the U.S.-China trade war, while some upbeat quarterly earnings also offered support. European defense stocks led sector gains with a 2.4% rise, followed by construction and materials stocks.

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China and Hong Kong stocks edged up today, registering their second consecutive weekly gains, as the U.S. and China both softened their attitudes towards a full-on trade war to investors' relief. Beijing has granted some exemptions on U.S. imports from its 125% tariffs in an effort to mitigate the economic fallout from the trade war. That follows a shift in tone from the White House this week, which is considering easing tensions with China. U.S. President Donald Trump also said on Thursday that trade talks between the two countries were underway. Also lifting the mood, the Politburo of China's Communist Party said that it will support firms and workers most affected by the impact of U.S. tariffs, and ease monetary policy to maintain stability at home.

Japan's Nikkei share average ended higher as investors scooped up technology stocks after the White House softened its trade stance against China and the yen weakened following talks between Japan-U.S. finance chiefs. Core inflation in Japan's capital accelerated to a two-year high in April on surging food costs, making the central bank's quest to fully exit ultra easy policy a delicate balancing act.

The Case for Innovation (Argus)

Innovation may be hard to define. But to borrow from former U.S. Supreme Court Justice Potter Stewart, you know it when you see it. The United States economy is full of innovation. It has to be. Manufacturing industries that dominated the economy decades ago - textiles, televisions, even automobiles to a large degree - have moved overseas, where labor and materials costs are lower. Yet the U.S. economy, even during the pandemic and the recent period of high inflation, has expanded to record levels. If U.S. corporations weren't innovating, creating new products (such as AI) and services (such as Uber), as well as moving into new markets (clean energy, organic food, rare drugs), the domestic economy would not be growing, and capital would not be flooding into the country. A couple of statistics should help illustrate our point. Consider that U.S. GDP was approximately $1 trillion in 1930 and was almost $30 trillion at the end of 2024.That's growth of 30-times.

Meanwhile, the U.S. population has grown less than 3-times during that time span, to 340 million from 120 million. The delta between GDP growth and population growth has been driven, in large part, by innovation. In addition, the value of listed corporations on U.S. stock exchanges at the end of 2024 was approximately $60 trillion, according to SIFMA, representing 48% of global equity market capitalization, while U.S. GDP represented only 26% of global GDP in purchasing power parity terms. The current above-

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average level of the U.S. dollar relative to currencies around the world attests to the confidence that global investors have in the durable and innovative U.S. economy.

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	2.77%	-2.5
CDA Prime	4.95%	0.0	CDA 10 year	3.16%	-3.4
CDA 3 month T-Bill	2.65%	0.0	CDA 20 year	3.42%	-3.6
CDA 6 month T-Bill	2.63%	-0.5	CDA 30 year	3.49%	-3.6
CDA 1 Year	2.58%	-1.0			
CDA 2 year	2.58%	-1.4			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	3.91%	-1.4
US Prime	7.50%	0.0	US 10 year	4.28%	-2.5
US 3 month T-Bill	4.21%	-0.1	US 30 year	4.73%	-3.2
US 6 month T-Bill	4.21%	0.4	5YR Sovereign CDS	57.99	
US 1 Year	3.99%	1.0	10YR Sovereign CDS	60.93	
US 2 year	3.79%	0.2			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			617.08	0.04%	-2.89%
BMO Laddered Preferred Shares (ETF)			10.6	0.38%	-3.20%

Source: LSEG

Things are looking up! Have a great day!

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