

Financial HARTbeat

PM Carney it is
April 29th 2025



Good Morning,

Well Carney has been officially elected. Certainty...if you were cheering for him or not the markets like to know who is in charge so you can better prepare and predict likely outcomes and reactions from here....

Very little movement today in Canada...stock market pretty flat, CAD vs USD pretty flat, bond yields very little change...

Volatility continues to fall...

One important thing to watch here is how much high yields are paying above Governments...we presently sit around 450 bps in the US...this number has crept up..

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

Chart of the Day: The two differing platforms...worth following the Liberal plan and track execution

Exhibit 4: Our summary of the major parties platform positions

	Federal Liberal Party	Federal Conservative Party
Areas of Alignment - effectively identical views		
Carbon tax - consumer		Eliminate ^{1,4}
Interprovincial trade		Broadly remove trade barriers & incent provinces to do same ^{7,8}
Areas of Convergence - directionally similar, but details differ		
Capital gains tax increase	Eliminate the proposed increase ⁹	Eliminate the increase, as well as defer <i>all</i> capital gains tax on profits reinvested in Canada ^{6,10}
Income tax	Reduce lowest marginal tax bracket (below \$57,375) by 1% from 15% to 14% ¹	Reduce lowest marginal tax bracket (below \$57,375) by 2.25% from 15% to 12.75% ²
GST on homes	Eliminate on homes up to \$1 mln for first-time buyers ¹	Eliminate GST on all home purchases up to \$1.3 mln ³
Defense Spending	Reach 2% NATO target by 2030 ¹¹	Materially expand military infrastructure & presence in the arctic ¹²
Immigration	Maintain current immigration cap of 380k (2026) and 365k (2027) ¹³	Set immigration levels in year X to be below the number of homes build in year (X-1) ¹⁶
Areas of Divergence - material, possibly directionally different, views		
Industrial carbon tax	Maintain but augment the industrial carbon tax ¹³	Eliminate the federal requirement for industrial carbon tax ⁴
Net-zero	Net zero by 2050 ¹⁴	No clear support for net zero goals
Infrastructure/natural resource projects	Spend \$5 bln in a Trade Diversification Corridor Fund to build trade infrastructure ¹⁰	Repeal bill C-69 to speed up natural resource/pipeline approval ⁹
Emissions cap	Maintain an emissions (but not production) cap in oil & gas production ¹⁷	Repeal energy cap ¹⁸



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Top News

Canadian stock index futures were marginally higher this morning, as investors assessed Prime Minister Mark Carney-led Liberals' victory in an election centered around the trade war with the U.S. Liberals staged a major political comeback to retain power in parliamentary elections but did not secure the outright majority of 172 seats. With almost all votes counted, results from Elections Canada showed that the Liberals had won 168 electoral districts, followed by the Conservatives with 144.

Conservative leader Pierre Poilievre, who just three months ago had looked certain to sweep the polls, lost his seat in the Ontario district of Carleton to Liberal Bruce Fanjoy. Minority governments in Canada rarely last longer than 2-1/2 years.

If Carney strikes a deal with the left-leaning New Democrats and the Greens, he will be able to scrape together a slim majority.

Carney had promised a tough approach to Washington's import tariffs and said Canada would need to spend billions to reduce its reliance on the U.S. Back to markets, gold prices dropped on easing trade tensions, while oil prices fell as tariff-related concerns continued to dampen demand outlook.

World stocks and the dollar traded higher today as sentiment across stock markets was generally positive after the U.S. President Donald Trump's administration said it would move to reduce the impact of duties imposed on foreign parts in domestically manufactured cars and keep tariffs on vehicles made abroad from stacking up on other duties.

Ahead of the Wall Street open, General Motors pulled its forecast for the year, reflecting the uncertain effects of Trump's trade war on the industry, even as it reported strong quarterly results. In other signs of trade-war pain, sports car maker Porsche also cut its 2025 outlook on weakness in China and U.S. tariffs, while United Parcel Service reported a fall in quarterly revenue as U.S. trade policies began cooling the demand of shipping. UPS also said it will cut 20,000 jobs to lower costs in anticipation of weak volumes from its largest customer, Amazon.



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On the economic front, the U.S. trade deficit in goods widened sharply in March as imports surged, suggesting that trade exerted a large drag on economic growth in the first quarter. The goods trade gap increased 9.6% to \$162.0 billion. Goods imports soared \$16.3 billion to \$342.7 billion, likely as businesses rushed to bring in goods to avoid President Donald Trump's sweeping tariffs. Economists have cautioned that imports, which were also boosted by nonmonetary gold imports, could greatly exaggerate an anticipated economic slowdown in gross domestic product growth in the January-March quarter as imports are a subtraction in the calculation of GDP.

The U.S. government is scheduled to publish its advance GDP estimate for the first quarter on Wednesday, which will coincide with Trump's 100 days in office. A Reuters survey of economists forecast GDP increasing at a 0.3% annualized rate, which would be the slowest pace since the second quarter of 2022.

Fed's Favorite Inflation Indicator (Argus)

The Federal Reserve's favorite inflation indicator, the PCE Price Index, will be released by the BEA tomorrow. The index differs from the better-known Consumer Price Index (CPI) because its composition is changed more frequently and it is thus quicker to reflect real-time pricing fluctuations. In the most-recent report, through February, PCE inflation reportedly grew 2.5% year over year; by comparison, the latest CPI report, through March, had inflation rising 2.4%. Core PCE, which removes volatile food and energy prices, rose at a rate of 2.8% in the latest month. Our PCE forecasts call for steady-to-lower readings for March: 2.2% for the headline number and for 2.5% for the core reading, as lingering inflation in certain sticky-priced services remains a challenge as the Fed strives to achieve its 2% goal.

Overall, inflation in this cycle peaked in summer 2022 and has been on a fairly consistent downward trek since then. We track 20 inflation measures on a monthly basis. On average, they are indicating that prices are rising at a 2.7% rate year over year, down 50 basis points from a month-ago. The numbers are volatile and distorted somewhat by swings within the volatile Producer Price Inflation report.

Focusing on core inflation -- which we obtain by averaging Core CPI, market-based PCE Ex-Food & Energy (from the GDP report), the five-year forward inflation expectation rate, the 10-year TIPs Break-even Interest Rate and the Fed's favorite core PCE Price Index -- our reading is 2.55%, lower by five basis points month over month. Given inflation trends, we expect the Fed to remain on the sideline for the first half



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of 2025 and then implement two rate cuts in 2H24, with the ultimate goal of aligning the fed funds rate to about 100 basis points above the long-term inflation rate within the next 8-10 quarters.

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	2.79%	2.9
CDA Prime	4.95%	0.0	CDA 10 year	3.19%	2.7
CDA 3 month T-Bill	2.67%	0.5	CDA 20 year	3.46%	2.3
CDA 6 month T-Bill	2.64%	0.5	CDA 30 year	3.52%	2.9
CDA 1 Year	2.58%	1.0			
CDA 2 year	2.58%	1.6			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.84%	2.1
US Prime	7.50%	0.0	US 10 year	4.23%	1.3
US 3 month T-Bill	4.20%	0.1	US 30 year	4.70%	1.0
US 6 month T-Bill	4.20%	-1.0	5YR Sovereign CDS	57.03	
US 1 Year	3.94%	0.8	10YR Sovereign CDS	59.98	
US 2 year	3.71%	2.2			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			616.65	0.04%	-2.95%
BMO Laddered Preferred Shares (ETF)			10.66	0.33%	-2.65%

Source: LSEG

Things are looking up! Have a great day!

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