

# Financial HARTbeat

Yield Curve Control...  
July 2<sup>nd</sup> 2025



Good Morning,




Paramount settles with President Trump and they agree to allocate \$16 million as part of their agreement to admit no wrong doing but settle and allocate this to Trump's library or something along those lines...

Starting to hear rumblings at Yield Curve Control in the United States...this means active intervention by the government to control rates.

Intel looking to shift its manufacturing and rebuild its business...

**Catch the playback of our Weekly Roundup [Click here](#)**

**Chart of the Day: I think this will move dramatically this month and need to keep on eye on them...**

	 <b>Bank of Canada</b>	 <b>Federal Reserve</b>	 <b>European Central Bank</b>
<b>Rates</b>			
President / Chair	Tiff Macklem	Jerome Powell	Christine Lagarde
Policy rate	Overnight rate	Fed Funds rate	Deposit facility rate
Current policy rate	2.75%	4.50%	2.00%
<b>Next meeting</b>			
Next meeting date	July 30, 2025	July 30, 2025	July 24, 2025
Market-implied policy rate*	2.65%	4.45%	1.96%
Spread vs. current rate	-10 bp	-5 bp	-4 bp
Probability of...			
... hike	0%	0%	0%
... hold	62%	79%	86%
... cut	38%	21%	14%
<b>Rate cuts</b>			
25bps cuts priced in over...			
... next 3 months	0.8	0.6	0.5
... next 6 months	-	2.3	1.0
... next 12 months	-	4.2	-

ved from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).



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## Top News

Futures were little changed Wednesday after a new report showed private payrolls surprisingly decreased in June. Private sector hiring unexpectedly contracted in June, payroll processing firm ADP said Wednesday, in a possible sign that the economy may not be as sturdy that investors believe as they bid the S&P 500 back up to record territory to end the month. Private payrolls lost 33,000 jobs in June, the ADP report showed. Economists polled by Dow Jones forecast an increase of 100,000 for the month. The May job growth figure was revised even lower to just 29,000 jobs added from 37,000. Trump said on Tuesday he was not thinking of extending the July 9 deadline for imposing tariffs and expressed doubts that an agreement could be reached with Japan, although he said he expected a deal with India.

Shares of some of the major U.S. banks were higher in the premarket after the firms announced plans to hike dividends following the Federal Reserve's latest stress test results. Elsewhere, President Donald Trump's tax-and-spending bill narrowly passed the Senate on Tuesday. The measure will return to the House, where there are still hold-outs among GOP lawmakers. European shares edged higher on Wednesday, led by banks, while investors assessed the prospects for trade deals ahead of U.S. President Donald Trump's July 9 tariff deadline.

Meanwhile, European Union's trade chief is expected to hold negotiations this week in Washington to avert higher U.S. tariffs. The number of people registered as unemployed in Spain fell in June to the lowest figure since May 2008, before the bursting of a real estate bubble led to a deep crisis in the country. According to data from the Labor Ministry released on Wednesday, a total of 2.41 million people were registered as unemployed in June, down by 48,920 from the previous month. London's blue-chip stock index edged higher and the midcap index fell on Wednesday as investors assessed a mixed bag of corporate news, including a media report that AstraZeneca is moving its listing to the U.S. Chinese stocks were little changed, while Hong Kong shares climbed on Wednesday following a local holiday, with investors remaining cautious amid ongoing global trade tensions.

Hong Kong's retail sales by value rose 2.4% in May from a year earlier, the first increase in more than a year, government data showed on Wednesday. Japanese shares fell slightly on Wednesday, reacting to a



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selloff in U.S. technology heavyweights and uncertainty about trade tariffs, with the prospect of Fed interest rate cuts providing markets a floor.

Tokyo has been scrambling to convince the U.S. to scrap a 25% tariff on Japanese cars and a 24% reciprocal tariff on other Japanese imports. The reciprocal tariff has been paused until July 9, but Japan has yet to secure a trade deal after nearly three months of negotiations.

## Monthly Review of Valuations (Argus)

We have different ways of looking at market valuations and most are signaling that stocks are reasonably valued. Our asset-allocation model, the Stock Bond Barometer, is indicating that the two major portfolio asset classes are near parity on valuation. The model takes into account real-time price levels, historical growth rates and forward-looking forecasts of short- and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading, going back to 1960, is a modest premium for stocks of 0.09 sigma, with a standard deviation of 1.05. So, stocks normally sell for a slight premium. The current valuation is a 0.37 sigma premium for stocks -- not a discount but easily within the normal range. Other measures show reasonable multiples for stocks. The forward P/E ratio for the S&P 500 is about 21, within the normal range of 15-24. On price/book, stocks are priced at the high end of the historical range of 5.3-1.8, given that IT stocks, which have low capital bases, are the biggest component of the market. On price/sales, the current ratio of 3.1 is above the historical average of 1.8, but below the 4.0 multiple at the peak of the dot-com bubble. The current S&P 500 dividend yield of 1.29% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 30% compared to the long-run average of 39%. Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is 312 basis points, compared to the historical average of 400.

Lastly, the ratio of the S&P 500 price to an ounce of gold is now 1.9, just below the midpoint of the historical range of 1-3. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading, going back to 1960, is a modest premium for stocks of 0.09 sigma, with a standard deviation of 1.05. So, stocks normally sell for a slight premium. The current valuation is a 0.37 sigma



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premium for stocks -- not a discount but easily within the normal range. Other measures show reasonable multiples for stocks.

**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	2.88%	5.1
CDA Prime	4.95%	0.0	CDA 10 year	3.33%	5.8
CDA 3 month T-Bill	2.67%	0.0	CDA 20 year	3.51%	0.0
CDA 6 month T-Bill	2.66%	0.0	CDA 30 year	3.56%	0.0
CDA 1 Year	2.62%	0.5			
CDA 2 year	2.64%	4.2			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.86%	2.5
US Prime	7.50%	0.0	US 10 year	4.28%	3.6
US 3 month T-Bill	4.26%	2.4	US 30 year	4.82%	4.0
US 6 month T-Bill	4.25%	0.3	5YR Sovereign CDS	42.48	
US 1 Year	4.01%	0.7	10YR Sovereign CDS	45.46	
US 2 year	3.79%	1.4			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			662.30	0.03%	4.23%
BMO Laddered Preferred Shares (ETF)			11.54	0.26%	5.39%

Source: LSEG

Things are looking up! Have a great day!

Ben



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