

Financial HARTbeat

New Political Party in US?
July 7th 2025



Good Morning,

Elon Musk announces launching a new political party...stock market does not like this...

USD continues to flounder around a depressed levels...

Is it possible to have deflation and inflation at the same time...this appears to be something the world is wrestling with currently with the economic set up and putting central bankers on the heels..

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

Chart of the Day: While earnings season gets under way this will be important to watch as valuations already stretched...

	Reported	Beat	Met	Missed	y/y %*
S&P 500	4%	74%	5%	21%	5.1%
Consumer Staples	13%	80%	0%	20%	-2.8%
Consumer Discretionary	12%	67%	0%	33%	-4.1%
Information Technology	7%	100%	0%	0%	17.4%
Industrials	3%	50%	50%	0%	1.1%
Financials	1%	0%	0%	100%	2.2%
Utilities	0%				-2.1%
Real Estate	0%				1.0%
Materials	0%				-4.6%
Health Care	0%				2.6%
Energy	0%				-25.5%
Communication Services	0%				31.5%

*Blends current quarter EPS growth with analyst expectations for companies yet to report.



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Top News

Futures point to lower open on Monday as murky U.S. tariff policies kept investors on edge, while Tesla shares took a hit after CEO Elon Musk announced his plans to launch a political party. In an interview with reporters Sunday, President Donald Trump and Commerce Secretary Howard Lutnick were asked to clarify when tariffs are set to go into effect. In response, Lutnick said, “Tariffs go into effect Aug. 1. But the president is setting the rates, and the deals, right now.” Trump nodded in approval.

Adding to trade worries, Trump also threatened an additional 10% tariff on countries that align with the “Anti American policies of BRICS,” which refers to emerging market countries including Brazil, Russia, India and China. Trump did not elaborate on any specific policy of BRICS. Shares of Tesla shed nearly 7% in Monday’s premarket trading session after CEO Elon Musk announced his intention over the weekend to form a new political party called the “America Party.”

Investors have been less than pleased with the billionaire’s foray into politics this year, which some say have damaged Tesla’s brands and sales. European shares were subdued on Monday, with investors on the lookout for any trade-related headlines in the countdown to U.S. President Donald Trump’s tariff deadline.

German industrial production rose more than expected in May thanks to the automotive industry and energy production, the federal statistics office said on Monday. Production rose 1.2% over the previous month, while analysts polled by Reuters had predicted it to be flat at 0%. Investor sentiment in the euro zone improved more than expected in July to hit its highest level in more than three years, a survey showed on Monday, as the bloc’s economic recovery broadened.

The Sentix index for the euro zone rose to 4.5 from 0.2 in June, beating the 1.1 forecast from analysts polled by Reuters and marking its third consecutive monthly increase. London’s main stock indexes were mixed on Monday as investors focused on corporate updates and a three-week delay in higher U.S. tariff rates, alongside progress on trade agreements.



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Japan's Nikkei share average ended lower on Monday as cautious investors assessed the details of U.S. President Donald Trump's tariffs and their impact on corporate outlook. Yaskawa Electric tanked 10.29% to become the biggest percentage loser on the Nikkei. The machinery maker on Friday cut its annual operating profit forecast, citing uncertainties about the demand outlook due to the effect of U.S. tariff policy.

China and Hong Kong stocks edged lower on Monday as anxiety over U.S. trade policy intensified ahead of deadline, with upcoming inflation data expected to further test investor nerves. Although China is not at risk of imminent higher tariffs, thanks to the trade truce with the U.S., sentiment was still largely subdued as U.S. President Donald Trump's policy swings left investors on edge.

Bonds Hold Performance Edge (Argus)

We have three strategic asset-allocation models based on risk-tolerance: Conservative, Growth, and Aggressive. We make tactical adjustments to the models based on our outlooks for the various segments of the capital markets. In terms of performance through the first half of 2025, stocks and bonds are close, with stocks pulling a few hundred basis points ahead in June. From an asset-allocation standpoint, our Stock-Bond Barometer model still slightly favors bonds over stocks for long term portfolio positioning. We are over-weight on large-caps at this stage of the market cycle, favoring them for growth exposure and financial strength amidst volatility. Our recommended exposure to small- and mid-caps is 10% of equity allocation, below the benchmark weighting. Global stocks have taken an early performance lead in 2025, although U.S. stocks have outperformed global peers over the trailing one and five years. We expect this long-term trend favoring U.S. stocks to continue, given volatile global economic, political, geopolitical, and currency conditions.

Still, international stocks offer favorable near-term valuations and we target an increased 10%-20% of equity exposure to the group. In terms of growth and value, growth rebounded in 2023-2024 and outperformed value as interest rates stabilized and started lower, though value is off to a good start in 2025 and looks likely to outperform in a risk-off environment.



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Key value sectors that may be less exposed to the trade wars include Consumer Staples, Healthcare, Utilities, and Financial (regional banks).

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	2.94%	2.2
CDA Prime	4.95%	0.0	CDA 10 year	3.39%	2.3
CDA 3 month T-Bill	2.67%	0.8	CDA 20 year	3.63%	2.9
CDA 6 month T-Bill	2.67%	1.2	CDA 30 year	3.68%	2.8
CDA 1 Year	2.66%	1.8			
CDA 2 year	2.68%	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	3.93%	0.0
US Prime	7.50%	0.0	US 10 year	4.36%	1.8
US 3 month T-Bill	4.27%	0.5	US 30 year	4.89%	3.1
US 6 month T-Bill	4.31%	0.2	5YR Sovereign CDS	38.96	
US 1 Year	4.09%	-0.3	10YR Sovereign CDS	42.44	
US 2 year	3.87%	-1.0			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			665.49	-0.01%	4.73%
BMO Laddered Preferred Shares (ETF)			11.59	-0.09%	5.84%

Source: LSEG

Things are looking up! Have a great day!

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