

Financial HARTbeat

Oh Canada...Tariff Increase?
July 11th 2025



Good Morning,

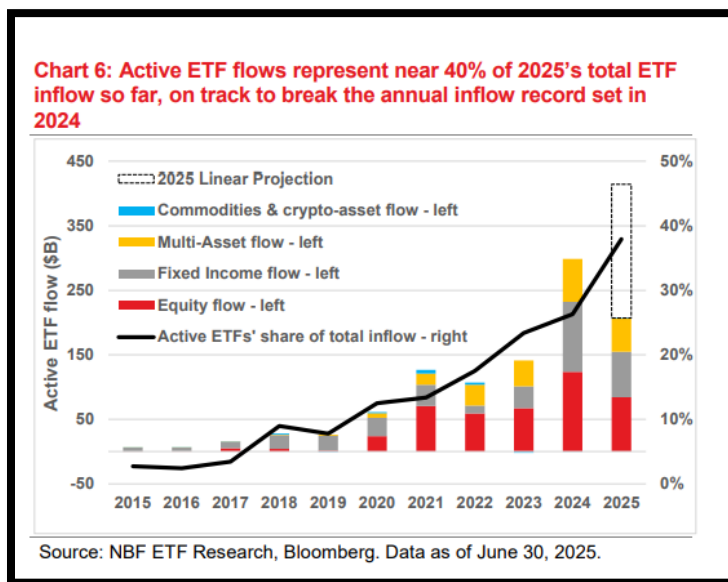
Well, another day another tariff threat...at some point if you cry wolf enough people will stop coming...or at least that is how the market is presently interpreting it...

IBM cut a huge swath of its HR division...being replaced generally by a Watson AI portal...trying their own medicine, I guess...

White house continues to attack FOMC and Powell reputation as a way to potentially remove him prior to his May 2026 term being up...

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

Chart of the Day: This is interesting..."active" effectively means they don't track or try to mirror an index...this is a divergence for norms..



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Top News

U.S. futures fell on Friday, as President Donald Trump amplified his tariff offensive against Canada, adding another layer of uncertainty around Washington's trade policies. U.S. President ramped up his tariff assault on Canada on Thursday, saying the U.S. would impose a 35% tariff on imports next month and planned to impose blanket tariffs of 15% or 20% on most other trading partners.

In a letter released on his social media platform, Trump told Canadian Prime Minister Mark Carney the new rate would go into effect on August 1 and would go up if Canada retaliated. Investors are also looking ahead to upcoming earnings season, which could offer better clarity on how trade uncertainties have affected corporations.

Wall Street's big banks are scheduled to report quarterly results next week, with J.P. Morgan kicking off the earnings season on Tuesday. Next week is also packed with economic data releases, including those on consumer and producer price inflation and retail sales.

European shares fell on Friday after the U.S. President Donald Trump stepped up his tariff threats against Europe, while investors awaited a potential letter for levies on the 27-nation bloc. Trump on Thursday said the European Union could receive a letter on tariff rates by Friday, throwing into question the progress of trade talks between Washington and the bloc.

London's main stock indexes slipped on Friday as weaker-than-expected GDP data and escalating U.S.-led trade tensions weighed on sentiment, a day after the blue-chip FTSE 100 hit a record high. Britain's economy contracted unexpectedly for a second month running in May, official data showed on Friday, compounding worries at home for finance minister Rachel Reeves as the nation navigates growing global turbulence. Gross domestic product shrank by 0.1% after a 0.3% drop in April, the Office for National Statistics said.

China stocks gave up most of their gains and closed flat on Friday, weighed down by a drop in bank shares, while Hong Kong shares held on to gains after a Goldman upgrade. Chinese banks are struggling to



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comply with new Beijing guidelines to boost consumer credit as they reel from a surge of defaults on personal loans and have a hard time finding households in good financial shape that want to borrow. Since March, financial regulators have issued multiple directives urging banks to offer more, and cheaper, loans to spur consumption, as part of broader efforts to counter the impact of the trade war with the United States.

Japan's Nikkei share average surrendered early gains to close lower on Friday as sharp declines in Fast Retailing led technology stocks to erase their gains. Japan's June core inflation likely slowed but remained above the central bank's 2% target, a Reuters poll showed, keeping it under pressure to resume interest rate hikes as U.S. trade tariffs threaten an already fragile economy. The core consumer price index (CPI), which includes oil products but excludes fresh food prices, was expected to climb 3.3% in June from a year earlier, a poll of 17 economists showed on Friday. That figure compared with 3.7% in May.

Global Stocks Offer Value (Argus)

As worldwide markets are challenged by trade wars, higher interest rates, conflict in the Middle East, and the lingering battle between Russia and Ukraine, one thing has not changed: U.S. stocks are more expensive than global stocks. And with the large run-up in stock prices in 2023 and 2024, U.S. stocks became even more expensive. The trailing P/E ratio on the S&P 500 is 27.0, above the global average of 18 and well above the 12-15 average P/Es for emerging-market stocks in China and Latin America. A review of yields tells a similar story. The current dividend yield for the S&P 500 is 1.2%, versus the global average of 2.4% and Australian and Latin American yields of 3%-6%. Taking a step back, investors generally are willing to pay a higher price for North American securities because of the transparency of the U.S. financial system as well as the liquidity of U.S. markets. What is more, global returns can be volatile across individual countries, given currency, security, political, and geopolitical risks. Indeed, U.S. stocks (ETF SPY) have outperformed EAFE (ETF EFA) over the past year as well as over the past five years.

The tide is turning a bit in 2025, as global investors respond to the uncertainty over U.S. trade policy and as global central banks lower rates. Year to date, global stocks are up 18%, while U.S. stocks are up 7%. Given expectations for more trade-related volatility in the months ahead, we think diversified investors



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should have 20%-25% of their equity allocations in international stocks so as to take advantage of the value. We have been adding global stocks to our Universe of Coverage.

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	2.96%	0.1
CDA Prime	4.95%	0.0	CDA 10 year	3.42%	1.3
CDA 3 month T-Bill	2.66%	1.0	CDA 20 year	3.67%	1.3
CDA 6 month T-Bill	2.65%	1.0	CDA 30 year	3.73%	1.3
CDA 1 Year	2.65%	-1.5			
CDA 2 year	2.68%	-1.3			
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%	2.9
US Prime	7.50%	0.0	US 10 year	4.39%	4.1
US 3 month T-Bill	4.26%	0.1	US 30 year	4.91%	5.0
US 6 month T-Bill	4.27%	0.1	5YR Sovereign CDS	38.98	
US 1 Year	4.08%	1.0	10YR Sovereign CDS	42.97	
US 2 year	3.89%	2.1			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			667.11	0.02%	4.99%
BMO Laddered Preferred Shares (ETF)			11.72	0.17%	7.03%

Source: LSEG

Things are looking up! Have a great day!

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