

# Financial HARTbeat

Yields!  
July 16<sup>th</sup>, 2025



Good Morning,

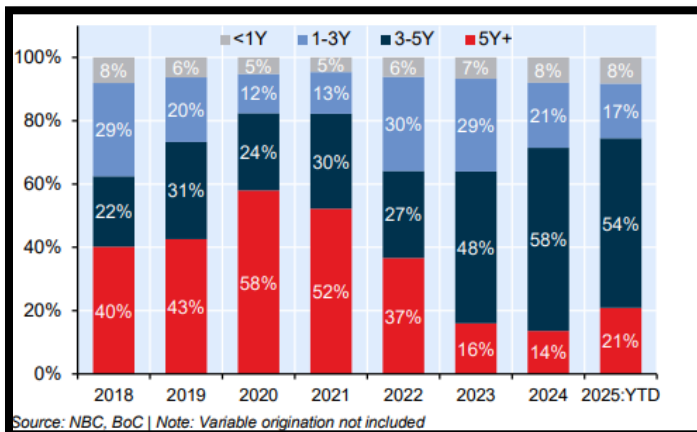
After decades of flat yields in Japan we are starting to see Yields move higher...could this disrupt the carry trade apple cart which leveraged markets are built on?

US 20 and 30 year bonds seeing a 5 handle...why do you care? US mortgages are built off of the 30-year bond yield...the US is a consumer based machine...if the machine is feeling extreme pressure (like it is now)...we need to pay attention...additionally, on the opportunity side...pensions and long duration money will like locked in 5%. You have a pretty good set up...depressed yields and depressed currency (USD)...

European government yields are moving towards near term highs as well...now technicians say the trend is your friend and ride it. However, when and if yields “break out” to the upside usually something breaks in the financial system...

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

**Chart of the Day: Lions share of 2025 mortgages moving to 3-5 year fixed.**



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## Top News

U.S. stock index futures moved higher today after cooler-than-expected producer prices data for June reinforced expectations that the Federal Reserve could cut interest rates later this year. The Labor Department data showed the Producer Price Index rose 2.3% on an annual basis in June, compared with a 2.5% gain expected by economists polled by Reuters. On a monthly basis, it was flat compared with an estimated 0.2% rise. Excluding volatile food and energy components, core PPI increased 2.6% on an annual basis, compared with an expected 2.7% rise. The report improves the cautious mood in the markets that followed yesterday's inflation report, which pointed to rising prices fueled by President Donald Trump's tariffs and dimmed hopes for deeper rate cuts from the Federal Reserve.

Money markets pricing show traders are betting on just 43 basis points of Fed easing by year-end, with a July rate cut off the table and the odds of a September move now a coinflip. Trade tensions also remained in focus after Trump announced a 19% tariff on Indonesian goods as part of a new deal, one of several rushed agreements ahead of an August 1 deadline for broader tariff hikes.

Meanwhile, the European Union was preparing retaliatory measures should talks with Washington falter. Still, investors have shown resilience in recent weeks. The tech-heavy Nasdaq closed at a record high yesterday, powered by a jump in Nvidia's shares after the chip designer announced plans to resume sales of its H20 AI chips to China. Investors will also monitor a new round of major corporate earnings today. Among stocks trending in pre-market, U.S. semiconductor equipment makers down after ASML warned it may not achieve growth in 2026 because of U.S. tariff uncertainty.

Bank of America gained after its profit rose in the second quarter as its traders brought in more revenue from tumultuous markets in the second quarter. Meanwhile, Johnson & Johnson rose after the drugmaker reported second-quarter profit above estimates and raised its full-year sales forecast by around \$2 billion.

In Canada, futures linked to main benchmark index were also trading slightly higher despite trade tensions remaining in focus. Gold prices gained on a softer dollar, while oil prices were trading lower. On



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the economic front, Canadian housing starts posted a surprise increase in June, rising 0.4% from May. The national housing agency data showed that the seasonally adjusted annualized rate of housing starts rose to 283,734 units from a revised 282,705 units in May.

Economists had expected starts to fall to 259,000. In response to the inflation data yesterday as well as stronger-than-expected jobs data on Friday, money markets have largely priced out the chances of a rate cut at the Bank of Canada's next policy decision on July 30. In company news, Canadian gold and copper miner Aura Minerals announced it plans to raise about \$196.4 million from its U.S. initial public offering.

## Debt a High Level of GDP (Argus)

With tax cuts now approved as part of the One Big Beautiful Bill Act, market participants are starting to take a closer look at U.S. debt. They don't appear to like what they see, despite prospects of reductions in federal spending through President Trump's plans to shrink the government. The yield on the benchmark Treasury 10-year bond has jumped from 4.0% to 4.4%. There is no doubt that U.S. debt levels have quietly and quickly grown over the past 10 years, and total U.S. debt is now more than 120% of GDP, according to the Office of Management & Budget. That is the highest level since World War II. In the 1970s and 1980s, the debt/GDP ratio was consistently in the 30%-40% range and moved up toward 60% by 2000.

The debt level soared around 2010, as the government spent aggressively to halt the Great Recession and rekindle growth; according to Keynes, that's what the government is supposed to do. However, despite more than 10 years of economic growth prior to the pandemic, debt only increased as a percentage of GDP. Then, spurred by the fiscal spending allocated to fight the impact of COVID-19, debt levels surged further. This is not a problem that has to be fixed today; Japan's current debt-to-GDP ratio is around 250%. But we do note that interest expense now accounts for 3.7% of U.S. GDP, up from 2.3% in 2020 and compared to the historical average of 3.0% and a high of 5.0% in 1991. Ideally, politicians should start to establish a plan to address the issue in the next 10-15 years. If the trend persists and is not reversed, a debt debacle could result in a weak dollar and persistent hyper-inflation. That would send interest rates even higher and cut into economic growth and equity valuations.



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**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	3.14%	0.0
CDA Prime	4.95%	0.0	CDA 10 year	3.60%	-1.0
CDA 3 month T-Bill	2.71%	0.0	CDA 20 year	3.83%	-0.4
CDA 6 month T-Bill	2.75%	0.0	CDA 30 year	3.89%	-0.4
CDA 1 Year	2.76%	0.0			
CDA 2 year	2.84%	0.3			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.04%	-0.9
US Prime	7.50%	0.0	US 10 year	4.48%	-0.6
US 3 month T-Bill	4.25%	-0.2	US 30 year	5.01%	-0.3
US 6 month T-Bill	4.30%	-0.3	5YR Sovereign CDS	38.96	
US 1 Year	4.12%	-0.1	10YR Sovereign CDS	43.93	
US 2 year	3.95%	-1.1			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			668.27	0.02%	5.17%
BMO Laddered Preferred Shares (ETF)			11.75	0.17%	7.31%

Source: LSEG

Things are looking up! Have a great day!

Ben



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