

# Financial HARTbeat

Misjudging?  
July 22<sup>nd</sup>, 2025



Good Morning,

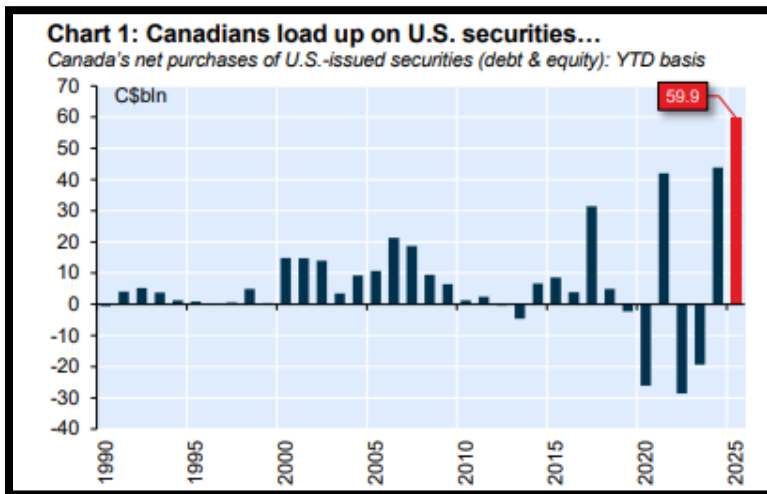
Is it possible that the central banks are no longer in control of the narrative...while globalization and one dominant currency running the global system...things were generally controllable...now that an unknown variable being thrown in the mix (tariffs and war)...could the world be misjudging the forward outcomes?

What if inflation is under control and heading lower, what if USD gets stronger again, what if Gold corrects, what if bond yields go down??

These are the thoughts and questions I am wrestling with these days...However, while holdings go up and markets go up we are looking to keep putting you in the right position for what is ahead...

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

## Chart of the Day: Interesting...seems counter



Source: NBC, StatCan | Note: Includes U.S.-issued m-mkt, bonds, equity/lfs; YTD is Jan-May



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## Top News

U.S. main stock index futures traded lower today as investors geared up for a slew of corporate earnings to assess the impact of President Donald Trump's tariffs on businesses. So far, positive earnings surprises has kept markets near record territory. Data compiled by LSEG shows that analysts expect S&P 500 companies to report a healthy 6.7% jump in second-quarter profits, with Big Tech leading the charge.

However, Wall Street's heavyweights are starting to feel the sting of tariffs, General Motors saw its second-quarter core profit tumble 32% to \$3 billion, blaming steep tariff costs for shaving \$1.1 billion from its bottom line and RTX cut its 2025 profit forecast as the aerospace and defense giant took a hit from Trump's tariff war. Investors will also look at potential breakthroughs in negotiations between the United States and its trading partners. With little over a week to go before August 1, Treasury Secretary Scott Bessent emphasized on Monday that the U.S. administration was prioritizing the quality of trade deals over speed.

Meanwhile, Trade negotiations appeared shaky after EU diplomats said the 27-nation bloc was considering broader countermeasures against Washington, while prospects for an interim trade deal between India and the U.S. have also dimmed, according to Indian government sources. Lastly in the U.S., investors will also be turning to a speech from U.S. Federal Reserve Chair Jerome Powell this morning, as they are searching for hints on the central bank's next move. The Fed's reluctance to cut rates has drawn fire from the Trump administration, fueling speculation about Powell's future. Bessent signaled yesterday that he wants to review the Fed's performance as an institution. Following last week's mixed economic signals, traders have all but ruled out a rate cut next week and now see a 56.3% chance of an easing in September.

In Canada, stock index futures also traded lower as market mood soured over the fading prospects of trade deals. In its quarterly survey, the Bank of Canada said that Canadian businesses see less chance of a worst-case tariff scenario but remain cautious, while keeping hiring and investment in check. Firms' short-term inflation expectations have returned to levels observed at the end of last year and the number of businesses planning for recession has declined slightly, the bank's Business Outlook Survey said. Earlier this year firms had fretted that U.S. tariffs would hit the economy hard, triggering inflation, weak



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economic growth and joblessness. But their impact has largely been contained to the steel, aluminum and automobile sectors.

Inflation, job numbers and the economy have not deteriorated markedly. Around one-third of the firms expect higher tariff-related costs, down from roughly two-thirds in the last quarter, the bank said. A separate monthly survey of business leaders suggests the outlook amongst companies, especially exporters, improved as few have been directly affected by the tariffs so far. Analysts and economists say the business outlook survey gives the central bank more teeth to take a call on rates. Only around 12% of the current money market bets show a likely rate cut at the central bank next meeting, on July 30.

## Inflation Relatively Stable (Argus)

Two important inflation reports -- the Consumer Price Index (CPI) and the Producer Price Index (PPI) -- were released week and both signaled that pricing pressures were essentially unchanged from the prior month. But they did not show that consumer inflation was still declining toward the Fed's stated 2.0% goal, and it may take a while longer to get to that level. Let's first take a deeper dive into the Consumer Price Index. The news here was so-so, as the month-to-month headline number increased three-tenths of a percent from the previous month; the annualized rate was 2.7%, up from 2.4% a month ago. Meanwhile, the core inflation rate (ex-food and energy) rose two-tenths of a percent month to month, and ticked higher to an annual rate of 2.9% from the prior reading of 2.8%. The two wild cards in the report have been Transportation Services and Shelter costs. In these sticky categories, recent news has been good, as year-over-year rates have declined meaningfully. Gas prices are also sharply lower year over year, which should please consumers during the summer driving season. The Producer Price Index measures pricing trends farther up the supply chain, at the manufacturing level.

Here, the news was better. For example, the PPI final demand annual rate through June was 2.3%, compared to 3.7% in January. Looking ahead and based on the fundamentals, we expect pricing pressures to ease in the months ahead as the housing market cools due to high mortgage rates and the price of oil stays below \$90 per barrel. But the current low price of oil reflects a new wild card that has entered the forecasting picture:



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Donald Trump's trade wars. His tariffs -- should they ever go into full effect -- will almost certainly raise prices, sending the inflation rate higher again. That will put new pressure on the Federal Reserve, which we think (again, based on the fundamentals) should be in position to lower rates two times by the end of the year.

**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	3.05%	0.9
CDA Prime	4.95%	0.0	CDA 10 year	3.51%	-0.7
CDA 3 month T-Bill	2.69%	0.0	CDA 20 year	3.76%	-0.8
CDA 6 month T-Bill	2.72%	-0.5	CDA 30 year	3.82%	-0.8
CDA 1 Year	2.74%	-0.5			
CDA 2 year	2.78%	-1.7			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.91%	0.3
US Prime	7.50%	0.0	US 10 year	4.37%	0.4
US 3 month T-Bill	4.24%	1.4	US 30 year	4.95%	0.8
US 6 month T-Bill	4.27%	-0.3	5YR Sovereign CDS	39.44	
US 1 Year	4.08%	0.5	10YR Sovereign CDS	46.83	
US 2 year	3.85%	0.0			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			673.24	-0.02%	5.95%
BMO Laddered Preferred Shares (ETF)			11.8	-0.17%	7.76%

Source: LSEG

Things are looking up! Have a great day!

Ben



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