Financial HARTbeat

Canadian Banks..
June 2nd 2025

Good Morning,

Aluminum and steel prices jump, and a number of those companies rally materially..

May was an excellent month for long risk….stocks rallied and other risky assets…

USD continues to weaken…while US Government might not be saying so this makes them very happy…

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

Chart of the Day: Bank of Canada and ECB this week..

		Bank of Canada	Federal Reserve	European Central Bank
Rates	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%	2.25%
Next meeting	Next meeting date	June 4, 2025	June 18, 2025	June 5, 2025
	Market-implied policy rate*	2.68%	4.49%	2.01%
	Spread vs. current rate	-7 bp	-1 bp	-24 bp
	Probability of…			
	… hike	0%	0%	0%
	… hold	74%	96%	3%
	… cut	26%	4%	97%
Rate cuts	25bps cuts priced in over...			
	... next 3 months	0.7	0.3	1.2
	... next 6 months	-	1.4	1.9
	... next 12 months	-	3.4	-

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

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Top News

U.S. prices of steel and aluminum spiked today while shares of foreign steelmakers slumped after U.S. President Donald Trump said he would double tariffs on imports of the two metals to 50% starting June 4, intensifying a global trade war just hours after he accused China of violating an agreement with the U.S. to mutually roll back tariffs and trade restrictions for critical minerals. According to the Department of Commerce, the U.S. is the world's largest steel importer, excluding the European Union, with a total of 26.2 million tons of steel imported last year. Some industry experts questioned whether the tariffs will be implemented as stated, in light of Trump's earlier reversals, they also acknowledge that uncertainty and climbing prices of the metals would dampen industrial activity.

The premium for consumers buying aluminum on the physical market in the United States jumped more than 50% while U.S. hot rolled coil steel climbed by about 5%. Analysts also remained skeptical about whether the full force of the tariffs as announced on Friday would come into play. Meanwhile, the tariff shift was applauded by U.S. aluminum producers, who said the move would stop a "flood" of imports. Shares of U.S. steelmakers climbed in premarket trade, with Nucor, Cleveland-Cliffs and Steel Dynamics surging between 14% and 26%.

Elsewhere in markets, U.S. stock index futures declined as it is really hard to keep up or predict what's going to happen on trade at the moment, and that's before we factor in the full ramifications from the federal appeals court on Thursday temporarily reinstated most of Trump's 'Liberation Day' tariffs blocked a day prior to that by the Court of International Trade.

In the meantime, investors will focus on comments from Federal Reserve Chair Jerome Powell later in the day as he presents opening remarks before the Federal Reserve Board International Finance Division's 75th anniversary conference at 1:00 p.m. ET. In Canada, futures tied to Canada's main stock index edged higher on Monday despite lingering tariff-led uncertainty, helped by gains in commodity shares. Gold prices rose more than 1% and oil prices rebounded more than $2.50 a barrel. Copper prices also gained. The spotlight this week will be on the Bank of Canada's interest rate decision due on Wednesday and the Canadian employment report, expected Friday.

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Abroad, European manufacturing took another step towards stabilization in May as production increased for a third consecutive month in the Euro zone area.

The HCOB Eurozone Manufacturing Purchasing Managers' Index rose to 49.4 in May from 49.0 in April, marking a 33-month high and in line with a preliminary estimate but remaining below the 50.0 threshold separating growth from contraction.

In Asia, factory activity shrank as soft demand in China and U.S. tariffs took a heavy toll, highlighting the darkening outlook for the once fast-growing region.

Previewing Friday's Jobs Report (Argus)

On Friday, the Bureau of Labor Statistics (BLS) will report May payrolls, and we expect the result will be a solid increase of 140,000. That should be good news for the stock market, as employed consumers have been the engine of U.S. growth. The consensus has been fluctuating around 130,000. New claims for unemployment insurance remain relatively low and support our expectation. We also check our estimate for payrolls by going to the Job Openings and Labor Turnover Survey (JOLTS) report from the BLS and subtracting separations from hires. At 274,000, the March estimate (the most recent) showed no signs of weakness. The BLS will release the JOLTS report for April on Tuesday. We expect Friday's jobs report will show average hours worked held steady at 34.3 and growth in average hourly earnings stayed at 3.8%. We expect the unemployment rate to remain at 4.2%, which is healthy and near our estimate of full employment.

If unemployment comes in as we expect, it would, by our calculation, remain well below the threshold where investors should start to worry about the Sahm Rule recession indicator. Based on the Federal Reserve Bank of Atlanta's jobs calculator, increases in nonfarm payrolls would need to average 112,000 a month to hold unemployment at 4.2% over the next 12 months. If the unemployment rate rises to 4.4% over the next 12 months, consistent with median 2025 estimate from Fed officials, monthly gains would average 84,000, according to the calculator. Any meaningful uptick in the level of layoffs would start to appear in initial jobless claims, which are reported every Thursday. The current four-week average of 230,700 is below the 300,000 mark that may represent a recession warning. With so many job cuts announced by the federal government and the potential for additional job losses related to spending

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cuts, we will take a close look at our forecasts if the four-week average stays above 250,000 for multiple weeks

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	2.82%	1.0
CDA Prime	4.95%	0.0	CDA 10 year	3.22%	2.4
CDA 3 month T-Bill	2.66%	0.5	CDA 20 year	3.44%	2.1
CDA 6 month T-Bill	2.63%	0.0	CDA 30 year	3.50%	2.1
CDA 1 Year	2.60%	-0.5			
CDA 2 year	2.59%	-0.1			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	3.99%	0.9
US Prime	7.50%	0.0	US 10 year	4.44%	1.8
US 3 month T-Bill	4.25%	0.0	US 30 year	4.97%	4.0
US 6 month T-Bill	4.32%	0.0	5YR Sovereign CDS	50.99	
US 1 Year	4.12%	0.5	10YR Sovereign CDS	54.93	
US 2 year	3.92%	0.4			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	647.71	0.01%	1.93%
BMO Laddered Preferred Shares (ETF)	11.26	0.09%	2.83%

Source: LSEG

Things are looking up! Have a great day!

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