

Financial HARTbeat

Canada 2% Nato Contribution?
June 9th 2025



Good Morning,




Is it possible Canada is going on the offensive with Military spending? Will find out more details of Prime Minister Carney's plan..

Private sector job growth in Canada continues to accelerate to the downside...given continued uncertainty this trend is likely to continue..

US Job market continues to be a conundrum for the FOMC..likely forcing them to stay on hold and not ideal for the US economy...at least for now..

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

Chart of the Day: Rates what's ahead..this is based on futures market expectations

	 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%	2.00%
Next meeting			
Next meeting date	July 30, 2025	June 18, 2025	July 24, 2025
Market-implied policy rate*	2.68%	4.50%	1.71%
Spread vs. current rate	-7 bp	-0 bp	-29 bp
Probability of...			
... hike	0%	0%	0%
... hold	73%	99%	0%
... cut	27%	1%	100%
Rate cuts			
25bps cuts priced in over...			
... next 3 months	0.6	0.4	1.6
... next 6 months	-	1.6	1.9
... next 12 months	-	2.9	-

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



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Top News

U.S. and Chinese officials will meet in London today for talks aimed at defusing the high-stakes trade dispute that has widened in recent weeks beyond tit-for-tat tariffs to export controls over goods critical to global supply chains. Officials from the two major economies will try to get back on track with a preliminary agreement struck last month in Geneva that had briefly lowered the temperature between Washington and Beijing.

In Geneva the two sides agreed to reduce steep import taxes on each other's goods that had had the effect of erecting a trade embargo between the two economies, but U.S. officials in recent weeks accused China of slow-walking on its commitments, particularly around rare earths shipments. The inclusion of Lutnick in today's negotiation, whose agency oversees export controls for the U.S., is one indication of how central rare earths has become. He did not attend the Geneva talks, at which the countries struck a 90-day deal to roll back some of the triple-digit tariffs they had placed on each other. The second round of meetings comes four days after Trump and Chinese leader Xi Jinping spoke by phone, their first direct interaction since Trump's January 20 inauguration. During the more than one-hour-long call, Xi told Trump to back down from trade measures that roiled the global economy and warned him against threatening steps on Taiwan, according to a Chinese government summary. But Trump said on social media the talks focused primarily on trade led to "a very positive conclusion," setting the stage for Monday's meeting in London. The next day, Trump said Xi had agreed to resume shipments to the U.S. of rare earths minerals and magnets.

China's decision in April to suspend exports of a wide range of critical minerals and magnets upended the supply chains central to automakers, aerospace manufacturers, semiconductor companies and military contractors around the world. The preliminary deal in Geneva sparked a global relief rally in stock markets. The S&P 500 Index, which at its lowest point in early April was down nearly 18% after Trump unveiled his sweeping "Liberation Day" tariffs on goods from across the globe, is now only about 2% below its record high from mid-February. The final third of that rally followed the U.S.-China truce struck in Geneva.

In markets today, Wall Street index futures hovered a touch higher while the dollar pared recent gains at the outset of the London talks. Sentiment remains weighed down as Trump deployed National Guard



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troops to the streets of Los Angeles on Sunday to help quell a third day of protests over President Donald Trump's immigration enforcement, a step the state's Democratic governor, Gavin Newsom, called unlawful.

In Canada, futures for the main stock index also rose today, supported by gains in metal prices. Beijing signaled interest in improving relations with Canada, as Chinese Premier Li Qiang and Prime Minister Mark Carney talked on Friday, according to the Xinhua news agency. Carney is scheduled to unveil a new security and defense investment plan today that would enable Canada to meet NATO's 2% military spending target this fiscal year.

Bonds Hold Performance Edge (Argus)

We have three strategic asset-allocation models, based on risk-tolerance levels: Conservative, Growth, and Aggressive. We make tactical adjustments to the models on a regular basis, based on our outlooks for the various segments of the capital markets. In terms of performance through May, stocks and bonds are neck-and-neck, both with sub-par returns of 1% year to date. Looking ahead from an asset-allocation standpoint, our Stock-Bond Barometer model still slightly favors bonds over stocks for long-term portfolio positioning. In other words, these asset classes should be near their target weights in diversified portfolios, with a slight tilt toward bonds. We are over-weight on large-caps at this stage of the market cycle. We favor large-caps for growth exposure and financial strength, amidst volatility. Our recommended exposure to small- and midcaps 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 their global peers over the trailing one- and five-year periods.

We expect the long-term trend favoring U.S. stocks to re-emerge, given volatile global economic, political, geopolitical, and currency conditions. That said, 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, value is off to a good start in 2025 and may continue to outperform in a risk-off environment. Key value sectors that may be less exposed to the global trade wars include Consumer Staples, Healthcare, Utilities, and the regional bank industry within Financials.



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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	2.97%	1.6
CDA Prime	4.95%	0.0	CDA 10 year	3.36%	2.0
CDA 3 month T-Bill	2.68%	0.0	CDA 20 year	3.56%	2.7
CDA 6 month T-Bill	2.69%	3.0	CDA 30 year	3.61%	2.6
CDA 1 Year	2.67%	4.0			
CDA 2 year	2.71%	1.0			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.11%	-1.4
US Prime	7.50%	0.0	US 10 year	4.50%	-0.6
US 3 month T-Bill	4.25%	0.5	US 30 year	4.97%	0.9
US 6 month T-Bill	4.29%	-0.5	5YR Sovereign CDS	48.01	
US 1 Year	4.15%	-0.3	10YR Sovereign CDS	51.99	
US 2 year	4.02%	-1.9			
Preferred Shares Indicators		Last	Daily %	YTD	
S&P Preferred Share Index		652.67	0.00%	2.71%	
BMO Laddered Preferred Shares (ETF)		11.36	0.00%	3.74%	

Source: LSEG

Things are looking up! Have a great day!

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