

# Financial HARTbeat

What will the world care about?  
June 16<sup>th</sup> 2025



Good Morning,




If you watched the news flow over the weekend, you wouldn't have anticipated a positive open to the stock market this morning and gold and bonds lower...is the world immune to all the negativity?

It appears USA and Russia cancelled their next round of talks as tensions continue to rise..

Los Angeles appears to be in a state of standoff as Marine's not welcomed..

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

**Chart of the Day: In a huge flip flop...ECB went from 100% chance of a cut to 7%..??**

	 <b>Bank of Canada</b>	 <b>Federal Reserve</b>	 <b>European Central Bank</b>	
<b>Rates</b>	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%
<b>Next meeting</b>	Next meeting date	July 30, 2025	June 18, 2025	July 24, 2025
	Market-implied policy rate*	2.68%	4.50%	1.98%
	Spread vs. current rate	-7 bp	-0 bp	-2 bp
	Probability of...			
	... hike	0%	0%	0%
	... hold	74%	99%	93%
	... cut	26%	1%	7%
<b>Rate cuts</b>	25bps cuts priced in over...			
	... next 3 months	0.6	0.5	0.5
	... next 6 months	-	1.8	0.9
	... next 12 months	-	3.3	-

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



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## Top News

Global stocks rose today as easing oil prices boosted sentiment despite ongoing attacks between Israel and Iran. Leaders from the Group of Seven nations begin annual talks on Monday amid wars in Ukraine and the Middle East that add to global economic uncertainty, as host Canada tries to avoid a clash with U.S. President Donald Trump. The first five months of Trump's second term upended foreign policy on Ukraine, raised anxiety over his closer ties to Russia and resulted in tariffs on U.S. allies.

With an escalating Israel-Iran conflict, which is spiking global oil prices, the summit in Canada is seen as a vital moment to try and restore a semblance of unity between democratic powerhouses. That will not be easy. After years of consensus, the traditional allies have scrambled to keep Trump engaged and maintain unity. Talks on Monday will center around the economy, advancing trade deals, and China.

The escalation between Israel and Iran is on the agenda, with diplomatic sources saying they hope to achieve at least a joint statement to urge restraint and a return to diplomacy. Highlighting the unease among some of Washington's allies, Trump spoke on Saturday with Russian President Vladimir Putin and suggested the Russian leader could play a mediation role. The Kremlin said this morning that Russia remains ready to act as a mediator in the conflict between Israel and Iran.

European diplomats dismissed the idea, arguing that Moscow could not be a negotiator because it had started an illegal war against Ukraine. Ukraine's President Volodymyr Zelenskiy and NATO Secretary General Mark Rutte will attend the summit on Tuesday.

European officials said they hoped to use the meeting, and next week's NATO summit, to convince Trump to toughen his stance on Putin. In the meantime, crude prices pulled back slightly from January highs, offering some respite to investors worried about a resurgence in inflation. The surge in oil prices in recent days comes ahead of the U.S. Federal Reserve's monetary policy decision on Wednesday, when policy makers are widely expected to keep interest rates unchanged. Investors will focus on Fed Chair Jerome Powell's comments as well as the central bank's updated projections for monetary policy and the economy, for clues on potential rate cuts later this year.

Money market moves show traders are pricing in about 48 basis points of rate cuts by the end of 2025, with a 56% chance of a 25-bps rate cut in September.



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In Canada, futures linked to the main stock index recovered from the declines of the previous session. Still, the TSX index posted weekly gains, buoyed by rising commodity prices, lower-than-expected U.S. inflation data and optimism around the U.S.-China trade deal.

Gold prices declined, while copper edged higher, supported by better-than-expected Chinese retail sales data.

On the economic front, Canadian housing starts were largely flat in May compared with April as a slight rise in groundbreaking in multiple unit urban homes was offset by a marginal drop in starts in single-family detached urban homes.

## Lower Inflation Trend Intact (Argus)

Two recent inflation reports -- the Consumer Price Index (CPI) and the Producer Price Index (PPI) signaled that pricing pressures are easing, at least for now. They both also indicated that overall pricing pressures remain well below the peak rates in the summer of 2022. But both also confirmed that inflation remains above the Fed's target of 2.0%, and it may take a while to get to that level. Let's first take a deeper dive into the CPI. The news here was good, as the month-to-month headline number increased only one-tenth of a percent from the previous month; the annualized rate was 2.4%. Meanwhile, the core inflation rate (ex-food and energy) also rose only one-tenth of a percent month to month and was steady at 2.8%. The two wild cards in this report are costs for Transportation Services and Shelter. In those 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. Next up is the PPI, which measures pricing trends farther up the supply chain, at the manufacturing level. Here, the news was also generally positive.

The PPI final demand annual rate through May was 2.6%, compared to 3.7% in January. Based on the fundamentals, we expect pricing pressures to continue easing as the housing market cools due to high mortgage rates and the price of oil stays below \$90 per barrel. But that low price of oil reflects a new wild card that has entered the forecasting picture: Trump's trade wars. Those tariffs (should they ever go into 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



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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	2.99%	2.5
CDA Prime	4.95%	0.0	CDA 10 year	3.40%	2.8
CDA 3 month T-Bill	2.69%	0.7	CDA 20 year	3.63%	2.4
CDA 6 month T-Bill	2.68%	-0.5	CDA 30 year	3.69%	2.6
CDA 1 Year	2.67%	0.0			
CDA 2 year	2.73%	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	4.05%	2.3
US Prime	7.50%	0.0	US 10 year	4.45%	2.4
US 3 month T-Bill	4.27%	0.2	US 30 year	4.94%	2.5
US 6 month T-Bill	4.30%	1.0	5YR Sovereign CDS	47.02	
US 1 Year	4.11%	2.1	10YR Sovereign CDS	50.52	
US 2 year	3.98%	2.3			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			651.96	0.00%	2.60%
BMO Laddered Preferred Shares (ETF)			11.35	0.00%	3.65%

Source: LSEG

Things are looking up! Have a great day!

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