

Financial HARTbeat

USD how far to fall?
June 26th 2025



Good Morning,

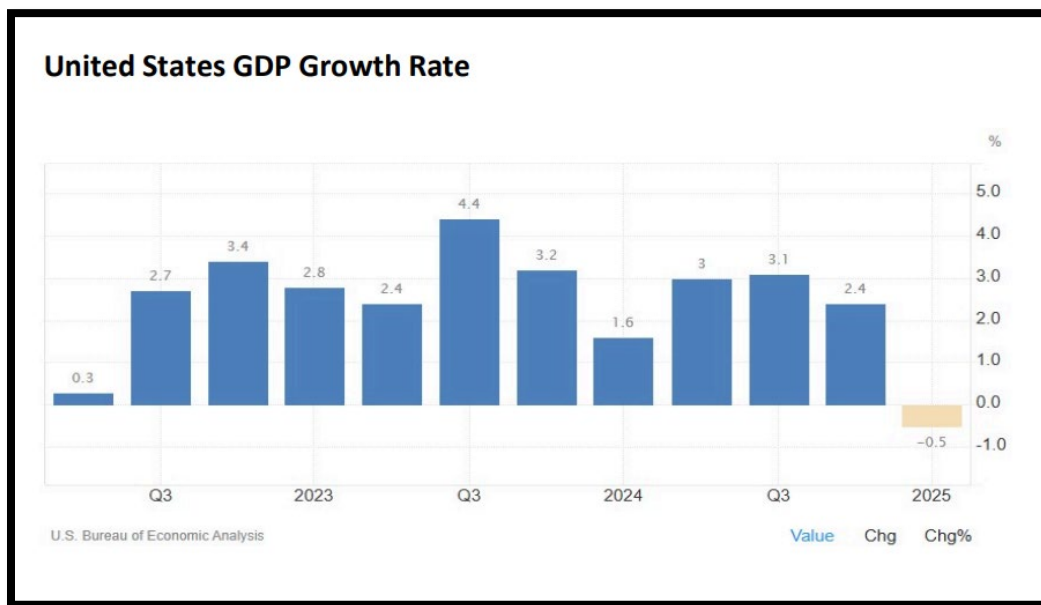
The USD is telling us stimulus is coming...well effectively, stimulus is already here as the USD weakens around the world...

ECB...mildly happy that they can continue to cut rates as the Euro strengthens...good news if you are in a cutting cycle...

Maybe it is true.... tariffs export deflation to the rest of the world...now if you couple that with technology...could we actually be heading in that direction instead of what the headlines say?

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

Chart of the Day: USD GDP Growth Rate...how long can the smoke and mirrors last?



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



Top News

U.S. stock index futures rose this morning, signaling indexes were nearing their record peaks, as robust earnings from memory-chip maker Micron fueled optimism around artificial intelligence. Following Federal Reserve Chair Jerome Powell's congressional testimony where he reiterated a wait-and-watch approach on interest rate cuts, reports suggested President Donald Trump could potentially announce a Fed Chair successor as early as September or October in a bid to undermine Powell. In economic data released this morning, Initial claims for state unemployment benefits dropped 10,000 to a seasonally adjusted 236,000 for the week ended June 21, the Labor Department said.

Economists had forecast 245,000 claims for the latest week. The data included last week's Juneteenth National Independence Day holiday. Claims tend to be volatile around public holidays. The US economy contracted at an annualized rate of 0.5% in the first quarter of 2025, a sharper decline than the previously estimated 0.2% drop and the first quarterly contraction in three years (see chart). Traders are pricing in about 63 basis points of rate cuts by the end of 2025, with a 70% chance of a 25-bps rate cut in September, according to CME Group's FedWatch tool. Tomorrow, the Personal Consumption Expenditures (PCE) report - the Fed's preferred gauge of inflation - will be scrutinized to ascertain tariff-induced price changes in the U.S. economy.

Futures for Canada's main stock index nudged higher this morning, aided by signs that the Israel-Iran ceasefire appeared to be holding. Oil prices steadied, while safe-haven gold edged higher on a weaker U.S. dollar. Meanwhile, copper prices jumped to their highest in nearly three months. Many Canadians are living pay cheque to pay cheque, but new data suggests it's even worse for a growing number of families that are falling behind every month.

Consumer debt in Canada has hit \$2.55 trillion and the average nonmortgage debt rose to \$21,859. Nonmortgage delinquencies are at a level that we have not seen since 2009. Household debt is now at a rate of 173.9 per cent.

European shares edged higher this morning, also aided by signs that the Israel-Iran ceasefire appeared to be holding, while investors braced for the July 9 deadline for trade deals with the United States. H&M



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



gained more than 5% after the Swedish fashion retailer reported a slightly stronger second-quarter profit. Attention has now shifted to the upcoming July 9 U.S. tariff pause deadline. EU leaders are expected to tell the European Commission whether they prefer a quick trade deal with the U.S., even if it means conceding better terms to Washington, or to escalate the dispute in hopes of securing a more favorable outcome. The bloc is already facing tariffs including 50% on steel and aluminium and 25% for cars and car parts. Trump has threatened that tariffs could rise to 50% without an agreement.

China and Hong Kong shares weakened after hitting multi-month peaks, as a relief rally over the ceasefire in the Middle East took a breather. The brokers sector lost 1.7% to give up some of the gains seen yesterday and the rare earth sector declined 1.2%.

In Hong Kong, the benchmark Hang Seng Index snapped a four-day winning streak and weakened 0.6%, pulling back from a three-month high hit at the previous close.

Japan's Nikkei share average touched its highest in almost five months today, as a period of calm in the Middle East encouraged investors to buy back riskier assets, particularly chip and other high-tech shares.

Final 1Q GDP Report Before the Bell (Argus)

This morning's release from the Bureau of Economic Analysis (BEA) will be the third, and final, update of 1Q GDP. The update last month indicated 1Q real GDP decreased at an annualized 0.2% pace, a significant drop from 2.4% growth in 4Q24. We do not see the decline as a harbinger of recession, but rather as a result of businesses and consumers making purchases ahead of the widely anticipated implementation of tariffs. Imports jumped 43%. Foreign-made products, which are subtracted from domestic output, reduced GDP by 4.9 percentage points and could not be offset by 2.4% growth in exports, which added about a quarter point to GDP. We are likely to see a partial reversal of the import drag in 2Q. On June 18, the Atlanta Fed's GDP Nowcast was projecting a 3.4% increase in 2Q GDP, with imports declining almost 15% and exports dropping 2.8%. We expect consumer spending to return to its leading role in the economy after trade negotiations are resolved.



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

**National Bank Financial -
Wealth Management**

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.

Financial HARTbeat



Personal Consumption Expenditures (PCE), as the category is called in the GDP report, rose 1.2% in 1Q according to the second revision. This was the category's smallest increase since 2Q23. PCE is projected to grow 1.9% in the second quarter according to the Nowcast. Gross private domestic investment jumped 24.4% in 1Q, adding nearly 4 points to GDP. Investment in equipment led the charge, increasing by 24.8%, as businesses appeared to purchase computers ahead of tariffs. Residential fixed investment declined 0.6% in 1Q, as high prices and elevated mortgage rates kept prospective buyers on the sidelines. The Nowcast projects a 4.4% decline in residential investment in the second quarter. In his press conference after the June 18 meeting of the Federal Open Market Committee, Fed Chairman Powell noted that private domestic final purchases (or PDPF, which excludes net exports, inventory investment, and government spending) "grew at a solid 2.5 percent rate" in the first quarter. Government consumption and expenditure were down 0.7%, with the federal government down 4.6% on a somewhat surprising 7.1% decrease in defense spending, but state and local government up 1.7%.

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	2.91%	-0.2
CDA Prime	4.95%	0.0	CDA 10 year	3.35%	-1.0
CDA 3 month T-Bill	2.68%	-0.2	CDA 20 year	3.57%	-0.2
CDA 6 month T-Bill	2.67%	0.0	CDA 30 year	3.63%	-0.2
CDA 1 Year	2.64%	0.5			
CDA 2 year	2.65%	-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	3.84%	-2.1
US Prime	7.50%	0.0	US 10 year	4.28%	-1.6
US 3 month T-Bill	4.19%	-0.5	US 30 year	4.83%	-1.5
US 6 month T-Bill	4.25%	0.8	5YR Sovereign CDS	43.99	
US 1 Year	3.99%	-1.1	10YR Sovereign CDS	47.47	
US 2 year	3.76%	-1.9			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			656.89	0.04%	3.38%
BMO Laddered Preferred Shares (ETF)			11.55	0.30%	5.48%

Source: LSEG

Things are looking up! Have a great day!

Ben



Ben Hart

Senior Wealth Advisor & Portfolio Manager

› 613-760-3788

› ben.hart@nbc.ca

National Bank Financial - Wealth Management

50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.