Financial HARTbeat

What Growth?
June 27th 2025

Good Morning,

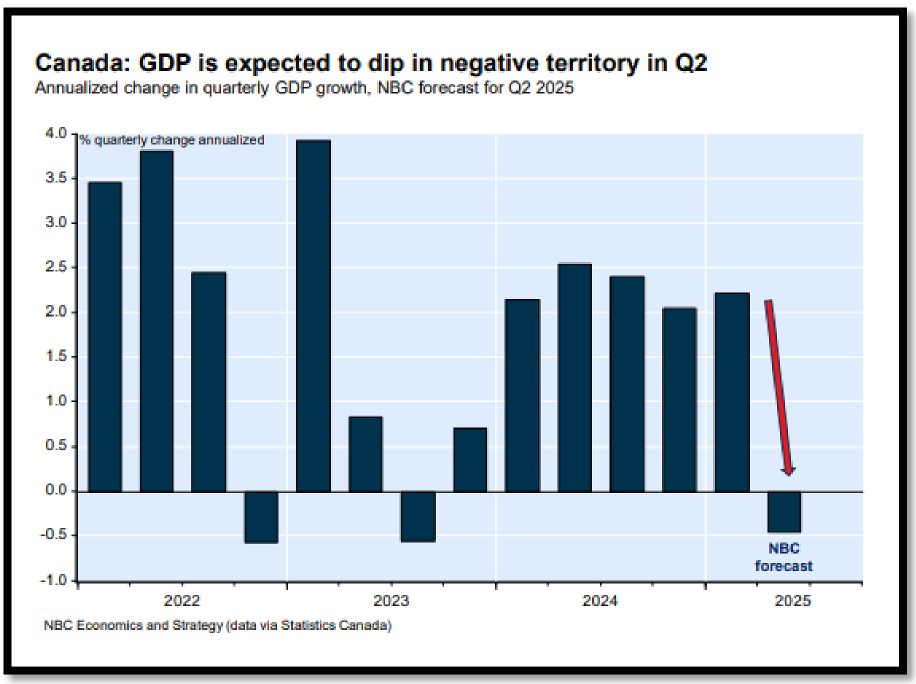
Canadian GDP came in lighter than expected…again is this a shock to anyone? Tariffs slow the economy, it's that simple…

Us consumer spending falls as 1 quarter was front loaded to get ahead of the Tariffs...

Kashkari back in the spotlight and says he expects at least 2 rate cuts this year in the US…

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

Chart of the Day: here's a visual of Q2 GDP expectations…



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

Top News

U.S. stock index futures held gains on Friday after a benign inflation reading kept alive hopes of interest-rate cuts by the U.S. Federal Reserve. Prices that consumers pay rose slightly in May, while the annual inflation rate moved further away from the Federal Reserve's target, according to a Commerce Department report Friday.

The report showed the Personal Consumption Expenditures Price index rose 0.1% in May compared with a 0.1% increase expected by economists polled by Reuters.

Annually, it stood at 2.3% against an estimate of 2.3%. As the ceasefire in the Middle East holds, investor focus has turned to the prospect of a dovish Fed after the Wall Street Journal reported that U.S. President Donald Trump toyed with the idea of announcing Fed Chair Jerome Powell's replacement by September or October. A spate of economic data this week, including a weaker-than-expected first quarter GDP reading as well as jobless claims reaching multi-year highs, has supported the case for the central bank to cut borrowing costs this year.

Commerce Secretary Howard Lutnick told Bloomberg news that a framework between China and the U.S. on trade had been finalized. Lutnick added that the Trump administration expects to reach deals with 10 major trading partners imminently.

President Donald Trump also said Thursday "we just signed with China yesterday," then a White House official later clarified he meant China agreed to "an additional understanding of a framework to implement the Geneva agreement." European stocks rose on Friday, led by automakers, as signs of easing trade tensions between Beijing and Washington raised hopes of a de-escalation in the U.S.-led tariff war. French consumer prices rose more than expected in June, ending a streak of declining inflation as service costs accelerated and energy price falls moderated.

France's harmonized inflation rate, adjusted for comparison with other euro zone countries, was 0.8% year-on-year in June, up from 0.6% in May, which was the lowest since December 2020. Spain's European

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

Union-harmonized 12-month inflation rate inched up in June to 2.2%, pushed higher by fuel and food and non-alcoholic beverages.

Japan's Nikkei share average closed at a six-month high on Friday, as technology stocks tracked Wall Street's robust finish overnight. Core consumer inflation in Japan's capital slowed sharply in June due to temporary cuts to utility bills but stayed well above the central bank's 2% target, keeping alive market expectations for further interest rate hikes. Steady rises in services prices added to continued increases in the cost of food including Japan's staple rice, data showed on Friday, highlighting broadening price pressures piling on an export-reliant economy facing headwinds from steep U.S. tariffs.

China's industrial profits swung back into sharp decline in May from a year earlier, as factory activity slowed in the face of broader economic stress and a fragile trade truce with the United States. Profits at China's industrial firms fell 9.1% in May from a year earlier, snapping a two month growth streak, National Bureau of Statistics data showed on Friday.

Economic Data Not Showing Much of a Tariff Impact (Argus)

The big concern with tariffs is that they will slow employment growth and raise prices. First-quarter GDP was the one place where tariffs clearly showed up in the data. But that reflected anticipatory actions rather than actual tariff impacts. First-quarter U.S. GDP declined 0.2%, reflecting a nearly five-percentage point subtraction to GDP due to companies loading up on imported goods ahead of the April 2 “Liberation Day” tariffs. Private inventories rose over 2.5 percentage points, as all those goods had to go somewhere.

Corporate capital spending (non-residential fixed investment) also ramped up with double-digit growth, while consumer spending (personal consumption expenditures) grew moderately. Second-quarter GDP, according to the Atlanta Fed’s GDP Now predictor, is on track for nearly 4% growth given that imports (subtractive to growth) will be nearly non-existent after the first-quarter splurge.

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

Outside of GDP, most of the data lends itself to a "yeah but" interpretation. The first big data point of June, nonfarm payrolls for May, slightly exceeded consensus expectations. The U.S. economy created 139,000 new jobs in May, better than the 129,000 consensus estimate, though down from a revised 147,000 for April. Unemployment remained at 4.2%, in line with consensus and the prior-month level. And hourly wages grew at a healthy 3.9% annual rate, roughly in line with the 4% trend of recent years.

In the "yeah but" category, April job gains were revised lower by 30,000 and March payrolls by 65,000. That pushed three-month average monthly jobs growth down to 135,000 from 155,000 prior to the May report. Some questioned the quality of jobs, with heavy concentration of new jobs in relatively low-wage areas such as healthcare (78,000 new jobs). The manufacturing sector, which gained 5,000 jobs in April, shed 8,000 in May. Other nonservice industries, such as mining, oil and gas extraction, and construction, were little changed. Federal government employment declined by 22,000 and is down by 59,000 since January. That is much less than the 284,000 federal layoffs announced this year, according to Challenger, Gray & Christmas. Of note, former federal employees receiving ongoing severance payments are not yet counted as unemployed.

The second big data point in June was in the form of the May CPI report, which came in a little bit better than expected. All-items CPI increased 0.1% month over month while the consensus and prior-month reading were both 0.2%. Headline CPI rose 2.4% year over year, also a tick better than the 2.5% consensus. Looking at core inflation, CPI excluding food and energy rose 0.1% month over month and 2.8% year over year.

In the "yeah but" category, both all-items and core inflation remain frustratingly above the Fed's 2% target level. In the "yeah but, but" category, two stubborn inflation series, transportation services and shelter, have declined meaningfully. These typically sticky categories have kept overall inflation elevated even as goods inflation has backed down in the past year.

The Producer Price Index (PPI) for May rose 0.1% from April. That was better than the 0.2% consensus call, but worse than the negative reading (-0.2%) for April. The annual change in core PPI was 2.6%, in

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

line with consensus and up from 2.4% for the previous 12-month period. Core PPI (excluding food, energy, and trade services) was up 0.1% monthly and 2.7% annually.

Consumer sentiment as recorded by the University of Michigan's Consumer Center bounced higher to 60.5 in June from a cycle low of 52.2 in the prior month. Likely driving this recovery is the recent CPI and PPI data, which are not yet showing meaningful price pressure from tariffs or from other administration policies. The "yeah but" here could come from the 50% tariffs on imported steel and aluminum that went into effect early in June, right after the UMich survey closed.

While these new duties will take time to work through the economy, economists expect hefty steel and aluminum tariffs to push up prices for vehicles, appliances, and new home construction. Prices for these goods are already very high, and new tariffs risk pushing prices out of reach for more and more consumers. Another "yeah but" is the willingness or ability of goods manufacturers to absorb tariffs rather than pass them on to buyers.

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

Financial HARTbeat

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	2.90%	1.7
CDA Prime	4.95%	0.0	CDA 10 year	3.35%	1.4
CDA 3 month T-Bill	2.68%	0.0	CDA 20 year	3.58%	1.1
CDA 6 month T-Bill	2.67%	1.0	CDA 30 year	3.64%	1.0
CDA 1 Year	2.64%	0.5			
CDA 2 year	2.64%	1.8			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	3.83%	3.1
US Prime	7.50%	0.0	US 10 year	4.27%	2.2
US 3 month T-Bill	4.22%	0.9	US 30 year	4.83%	0.9
US 6 month T-Bill	4.25%	0.6	5YR Sovereign CDS	43.98	
US 1 Year	4.00%	2.3	10YR Sovereign CDS	47.45	
US 2 year	3.75%	3.5			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			658.49	-0.01%	3.63%
BMO Laddered Preferred Shares (ETF)			11.54	-0.09%	5.39%

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