

# Financial HARTbeat

Can deficits ever fall?  
May 1st 2025



Good Morning,

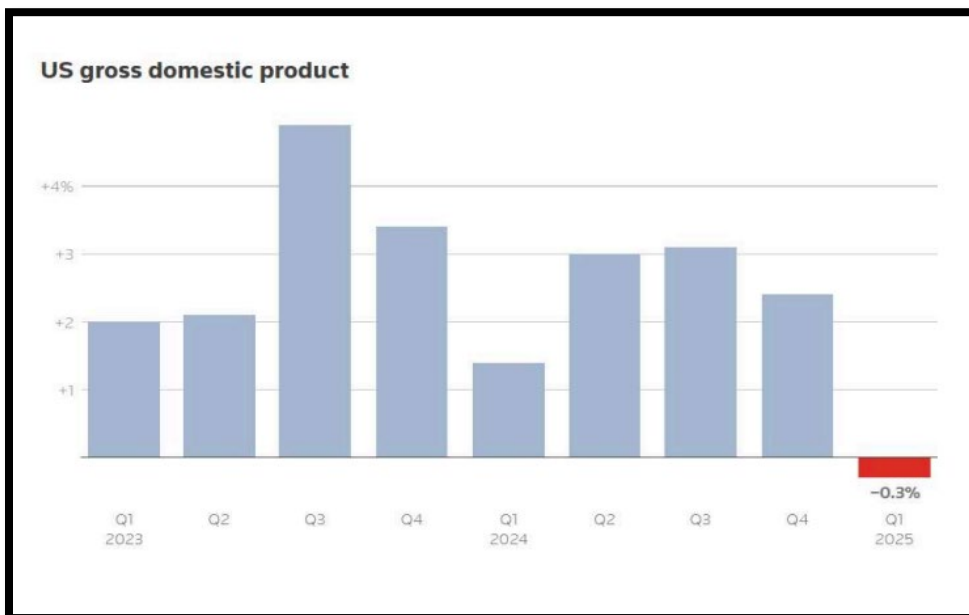
Well after all of that up and down for the month and I have been discussing liquidity matters...Nasdaq was down 12% intermonth and finished higher (still down YTD)...However, now we must digest what next?

Election seasons now done in Canada and the USA....can we all agree deficits will NEVER come down in either country...

Microsoft and Meta with good earnings...market is happy to start the month...

**Join us for Weekly Roundup [click here](#)..**

**Chart of the Day: This should not surprise anyone...However, it does give further cover for FOMC to cut**  
**Chart of the Day:**



Source: NBC Financial Markets/Top News



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## Top News

U.S. stock index futures rose this morning, powered by Magnificent Seven heavyweights Microsoft and Meta as their strong quarterly results pointed to a resilient outlook for the technology sector. Microsoft surged nearly 9% in premarket trading after it forecast stronger-than-expected quarterly growth for its cloud-computing business Azure.

Meta Platforms gained more than 6% after posting higher-than-expected revenue on the back of strong advertising performance. Strong results from the two megacaps helped calm jitters over an increasingly uncertain outlook for businesses and the economy due to sweeping and often erratic shifts in the U.S. tariff policy and an escalating trade war with China. Amazon.com and Apple are scheduled to report after the market closes today.

Many companies have trimmed or even pulled their forecasts. Still, S&P 500 earnings are expected to grow at 11.5% in the first quarter, as per LSEG data on Wednesday, up from the 7.8% growth forecast at the start of April. Despite choppy intraday trading, the S&P 500 has managed to close higher for the past seven sessions, a winning streak last seen in late November. The benchmark index and the Dow notched monthly losses in April, while the Nasdaq rose slightly.

Data yesterday also showed the U.S. economy contracted in the first quarter for the first time in three years (see chart). Despite signs of a weakening economy, Federal Reserve policymakers have signaled that short-term interest rates will remain unchanged barring clear data showing slowing inflation or a deteriorating labor market. Data this morning showed initial claims for state unemployment benefits jumped 18,000 a seasonally adjusted 241,000 for the week ended April 26, the Labor Department said. Economists had forecast 224,000 claims for the latest week. Manufacturing PMIs and construction spending numbers are expected later today.

Futures for Canada's commodity-heavy main stock index fell on Thursday, reflecting a decline in oil and gold prices as a contraction in the U.S. economy heightened fears of weakening demand. The TSX edged lower on Wednesday, as investors assessed U.S. gross domestic product data for signs of trade tariffs upending the global economy. In commodities, gold fell more than 1% this morning to a two-week low



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as appetite for the safe-haven asset weakened amid potential easing of trade tensions between the U.S. and China, with a stronger U.S. dollar also dragging it.

Meanwhile, oil prices extended losses after a steep decline the previous session due to indications that Saudi Arabia, the world's largest crude exporter, could increase production and a contraction in the U.S. economy, the world's top oil consumer. However, London copper edged up.

Japan's Nikkei share average rose today, extending early gains after the Bank of Japan slashed growth and inflation forecasts in a sign it would take longer than previously expected to raise interest rates again. The BOJ cited uncertainties stemming from U.S. President Donald Trump's aggressive and erratic trade policies in more than halving its growth forecast for the current fiscal year to 0.5%, and projected underlying inflation to take about an additional year to be consistent with its policy target.

The central bank kept the benchmark rate at 0.5%, as widely expected. Many European, Chinese and Hong Kong markets are closed for a holiday.

## May Usually OK (Argus)

The S&P 500 just delivered its third consecutive monthly decline in 2025 (-2.2% in April, before dividends). But if historical patterns hold true, the negative trend may end in May. The stock market typically rises in May, on average 1.0% and with a 71% winning percentage. We note that market returns in May have exceeded 5% on six occasions since 1980, including a 9.2% gain in 2000; and 2024 was not bad, at 3.9%. But there have been some clunkers in May, including 2019 (a painful 6.6% loss), 2010 (an 8.2% value wipeout), 2012 (down 6.0%) and 1984 (down 5.9%).

May starts off as a busy month on Wall Street, as companies report first-quarter earnings, the nonfarm payrolls report is released, and the Federal Reserve holds a meeting. But once the retailers wrap up their results in the middle of the month, investors will be left to ponder trade-war prospects, inflation trends, future Federal Reserve activity, the risk of recession, and the long Memorial Day weekend.

Looking ahead, our forecast for stocks in 2023 has been bullish, as we have expected the economy to grow (check), interest rates to decline (check), and earnings to expand at a double-digit rate (check). The wild card has been the White House. There's still time for a market recovery if the Trump administration



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will simply let the markets figure the way forward. In any event, given the volatility in the markets, we recommend an ongoing focus on quality stocks with strong earnings trends

**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	2.66%	-2.5
CDA Prime	4.95%	0.0	CDA 10 year	3.08%	-2.1
CDA 3 month T-Bill	2.65%	-0.5	CDA 20 year	3.36%	-2.0
CDA 6 month T-Bill	2.60%	0.0	CDA 30 year	3.43%	-1.4
CDA 1 Year	2.50%	-1.5			
CDA 2 year	2.46%	-2.5			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.71%	-4.5
US Prime	7.50%	0.0	US 10 year	4.14%	-3.4
US 3 month T-Bill	4.19%	-0.6	US 30 year	4.66%	-1.9
US 6 month T-Bill	4.17%	-0.9	5YR Sovereign CDS	57.00	
US 1 Year	3.85%	-1.6	10YR Sovereign CDS	59.95	
US 2 year	3.59%	-3.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			620.16	0.05%	-2.40%
BMO Laddered Preferred Shares (ETF)			10.62	0.43%	-3.01%

Source: LSEG

Things are looking up! Have a great day!

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