

Financial HARTbeat

Carney and Trumps 1st meeting!
May 7th 2025



Good Morning,

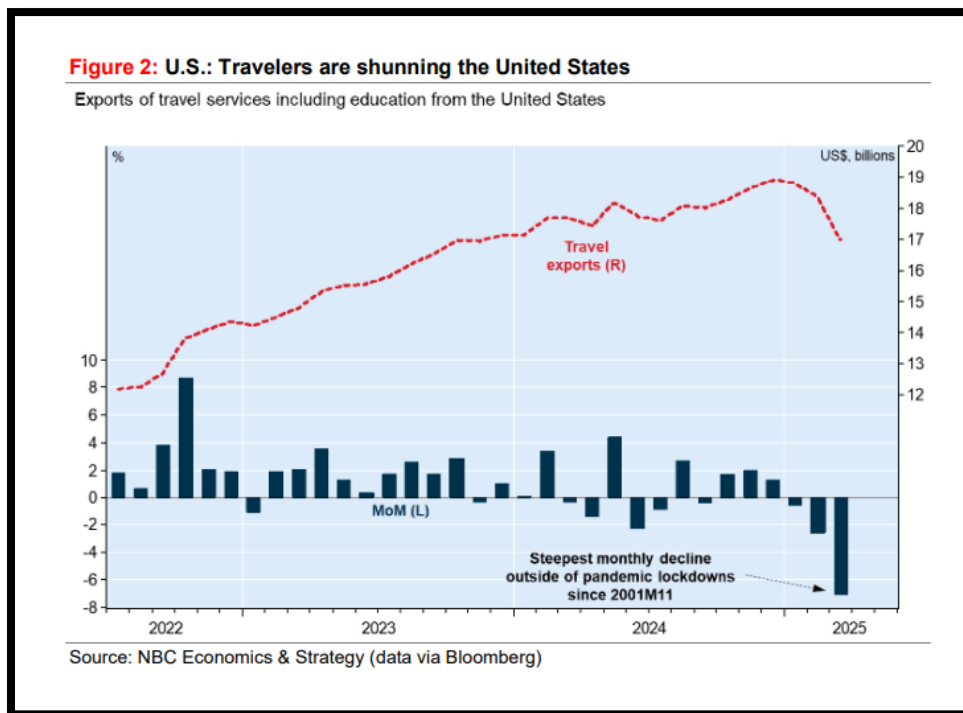
Carney and Trump was an interesting meeting....Carney did not lose his cool and used facts and figures to combat the Trump insinuations.... "we will never be for sale"..

US and China meet in Switzerland this weekend...this will be worth watching what if anything gets announced out of these meetings..

Tesla launching a new lower cost Model Y for sale in the US...still most selling EV in the world..

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

Chart of the Day: This is no joke....this will play out into GDP...



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



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Top News

U.S. stock index futures rose today as hopes of a de-escalation in trade tensions with China rose after Washington announced that representatives of the two countries would meet over the weekend in Switzerland to discuss trade. Mixed signals from the world's two biggest economies on the status of the negotiations left markets in a state of uncertainty, pushing many companies to shelve their forecasts. So far, President Donald Trump's administration has said potential deals with major trading partners are underway, but markets are yet to see tangible results on that front.

Canadian Prime Minister Mark Carney visited the White House yesterday for his first talks with Donald Trump and bluntly told the U.S. president that Canada would never be for sale. Overall, Carney termed the meeting as constructive, and said the two sides would start serious talks on a new relationship he insists is needed in the wake of the tariffs. Carney's comments about a new economic relationship had cast into doubt the future of the U.S.-Mexico-Canada Agreement, which Trump signed during his first White House term but has distanced himself from. It is due to be reviewed in 2026. Carney steered clear of suggesting a major revamp, saying only that some things about the pact needed to be changed, while Trump described the agreement as "fine" and "great for all countries".

The meeting never appeared at risk of degenerating into the acrimonious exchanges that marked the visit of Ukrainian President Volodymyr Zelenskiy in February. That encounter has served as a warning for other world leaders about the delicate dance they face in negotiating with Trump.

The Canadian dollar rose to a near seven-month high against its U.S. counterpart as investors assessed Carney's visit.

Today, investors will also focus on the Federal Reserve's decision on interest rates expected later in the day, it's widely expected to hold interest rates steady. Comments from policymakers will be scrutinized for clues on how they plan to approach monetary policy easing this year, amid Trump's repeated calls for lower interest rates and criticism of Fed Chair Jerome Powell, which had spooked investors in April. Federal Reserve officials say they want a clearer picture of the U.S. economy's direction before deciding



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their next interest rate move, but data since the central bank's last meeting have made the outlook arguably even more confusing as trade and other policies remain unsettled.

Policymakers could cite a downturn in first-quarter gross domestic product and declines in business and consumer confidence to make a case that rate cuts may be needed sooner than later. Or they could cite still-strong employment data, healthy consumer spending and an anticipated tariff-driven jump in inflation as a reason to wait.

Either choice is risky until President Donald Trump's policies become clearer, which makes it likely that the policy-setting Federal Open Market Committee will leave rates unchanged when it announces its latest policy decision at 2 p.m. EST, while continuing to acknowledge the limits of what it can say about the future. According to data compiled by LSEG, traders are now roughly pricing in a rate cut only by July.

Bonds Hold Performance Edge (Argus)

We have three strategic asset-allocation models, based on risk-tolerance levels: Conservative, Growth, and Aggressive. On a regular basis, we make tactical adjustments to the models, based on our outlooks for the various segments of the capital markets. In terms of performance through April, bonds are outperforming stocks based on expectations for a slowing economy. 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 the 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 this long-term trend favoring U.S. stocks to return, 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, growth rebounded in 2023-2024 and outperformed value as interest rates stabilized and started lower, though value is off to a good start



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in 2025 and looks likely to outperform in a riskoff environment. Key value sectors that may be less exposed to the global trade wars include Consumer Staples, Healthcare, Utilities, and Financial (regional banks).

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	2.76%	0.9
CDA Prime	4.95%	0.0	CDA 10 year	3.15%	0.2
CDA 3 month T-Bill	2.64%	0.0	CDA 20 year	3.41%	-0.2
CDA 6 month T-Bill	2.61%	0.0	CDA 30 year	3.48%	0.3
CDA 1 Year	2.56%	1.0			
CDA 2 year	2.54%	0.8			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.92%	2.1
US Prime	7.50%	0.0	US 10 year	4.32%	0.6
US 3 month T-Bill	4.22%	0.2	US 30 year	4.80%	-1.2
US 6 month T-Bill	4.23%	0.5	5YR Sovereign CDS	57.00	
US 1 Year	4.02%	1.8	10YR Sovereign CDS	59.95	
US 2 year	3.81%	2.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			627.08	0.03%	-1.31%
BMO Laddered Preferred Shares (ETF)			10.79	0.23%	-1.46%

Source: LSEG

Things are looking up! Have a great day!

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