

Financial HARTbeat

UK/USA trade deal?
May 9th 2025



Good Morning,

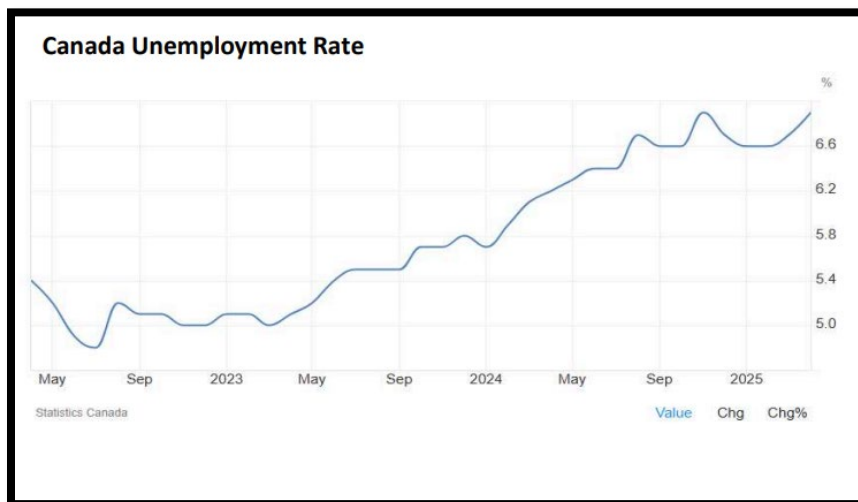
UK/USA trade deal...100,000 cars exempt from tariff above this level and 25%...a new steel/aluminum/agricultural deals....this on the surface is net negative for Canada...However, setting a precedence that is focus is no bilateral agreements solely.

India-Pakistan relations are deteriorating...while they have been on thin ice for decades...the conflict is increasing, with missile and drone strikes proceeding....Gulf states appear to be the leaders in trying to mediate a ceasefire or settlement..

US might not need Canada...However, we send them 4m barrels of Oil a day and roughly 60% of all their softwood lumber needed to build homes...we are an extremely important partner and will be worth watching how this all plays out...

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

Chart of the Day: This is a very important chart to watch...BOC would have this on their daily dashboard..



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 are subdued this morning after a rally in the previous session, when a new trade agreement between the United States and Britain had fueled expectations of more such deals to ease the sting of the global trade war. Investors are also awaiting meetings between U.S. and China representatives over the weekend in Switzerland.

Reuters reported India had offered to slash its tariff gap with the U.S. to less than 4% from nearly 13% now, in exchange for an exemption from Trump's tariffs, according to sources. The S&P 500 and the Nasdaq are set for marginal declines this week. A host of Fed officials including presidents John Williams, Austan Goolsbee and Thomas Barkin are scheduled to speak through the day, in the first appearances after the latest Fed decision.

Futures for Canada's main stock index rose this morning, buoyed by optimism around the first trade deal between the United States and Britain, as markets await the upcoming U.S.-China meeting, which could influence global trade dynamics. In commodities, oil and gold prices rose and are poised for a weekly gain, while prices of base metals are mixed.

In economic data, Canada's unemployment rate rose to 6.9% in April, matching the November figure when joblessness in the country scaled an eight-year high outside of the pandemic era (see chart). Overall, the employment number was largely flat with minimal gains of net 7,400 jobs in April, Statistics Canada said. This contrasted with a loss of 32,600 jobs the prior month. Analysts had predicted the employment to increase by 2,500 people and the unemployment rate to increase to 6.8%.

European shares ticked higher this morning, with Germany's benchmark index notching an all-time high, as investors bet on de-escalation in the trade war ahead of discussions between the U.S. and China over the weekend. BP shares rose 3.5% after a Financial Times report said Shell, Chevron, Exxon Mobil and TotalEnergies and ADNOC have "run the numbers" for a possible takeover of the oil major.

China and Hong Kong stocks struggled to gain traction, trimming the week's rise, as investors awaited the upcoming trade talks between the world's two largest economies. China's exports beat forecasts in April, buoyed by demand for materials from overseas manufacturers who rushed out goods to make the most



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of U.S. President Donald Trump's 90-day tariff pause. Outbound shipments from China rose 8.1% year-on-year in April, beating a forecast 1.9% increase but slowing from the 12.4% jump in March. China's exports to the U.S., meanwhile, fell 21%. Imports fell 0.2%, compared with expectations for a 5.9% drop, suggesting domestic demand may be holding up better than expected as policymakers continue to take steps to prop up the \$19 trillion economy.

Japan's Nikkei share average closed at a more than one-month high, as risk appetite was lifted after a U.S. trade agreement with Britain raised optimism for progress in talks with other countries. Japanese real wages decreased for a third consecutive month in March, squeezed by relentless inflation although consumer spending beat expectations.

Value Sectors (Argus)

Include Financial, Healthcare, IT Each month, we examine at an aspect of sector investing. This month, we are examining growth and valuation. Investors hunting for stocks that reasonably balance long-term growth prospects and current value characteristics might look at companies in the Healthcare, Financial, and Information Technology sectors. These are among the industry groups currently selling for (price/earnings)/(growth+yield) ratios at or below the S&P 500's ratio of 2.1. To generate the PEGY ratios, we use the P/E ratio for each sector based on forward earnings as the numerator. For the denominator, we average the growth rates for the past five years along with two years of forward estimates, this to achieve a smoother earnings growth rate trend. Then we add the current yield, to approximate total return. As an example, the current S&P 500 P/E ratio is 17.9, the current yield is 1.2%, and the historical growth rate is 9%. The formula is $17.9/(1.2+9.0)=1.7$. Sectors with favorable growth and valuation characteristics, in addition to the three listed above, also include Energy and Materials.

Premium-valued sectors with low growth rates include the consumer groups. Based on our analysis of growth rates and valuations, along with other factors, our current over-weight sectors are IT, Financial, Healthcare, Utilities, and Consumer Staples. Our underweight sectors are Materials and Consumer Discretionary. Our Market-Weight sectors are Energy, Communication Services, Real Estate, and Industrial.



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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	2.81%	0.1
CDA Prime	4.95%	0.0	CDA 10 year	3.21%	1.0
CDA 3 month T-Bill	2.63%	0.0	CDA 20 year	3.46%	1.4
CDA 6 month T-Bill	2.62%	-0.5	CDA 30 year	3.52%	1.6
CDA 1 Year	2.58%	-0.5			
CDA 2 year	2.58%	-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	3.98%	-1.4
US Prime	7.50%	0.0	US 10 year	4.39%	1.7
US 3 month T-Bill	4.22%	-0.7	US 30 year	4.87%	3.6
US 6 month T-Bill	4.25%	-0.7	5YR Sovereign CDS	57.00	
US 1 Year	4.06%	-0.6	10YR Sovereign CDS	59.95	
US 2 year	3.86%	-3.3			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			633.31	0.01%	-0.33%
BMO Laddered Preferred Shares (ETF)			10.88	0.09%	-0.64%

Source: LSEG

Things are looking up! Have a great day!

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