Financial HARTbeat

Earning season continues to beat
May 13th 2025

Good Morning,

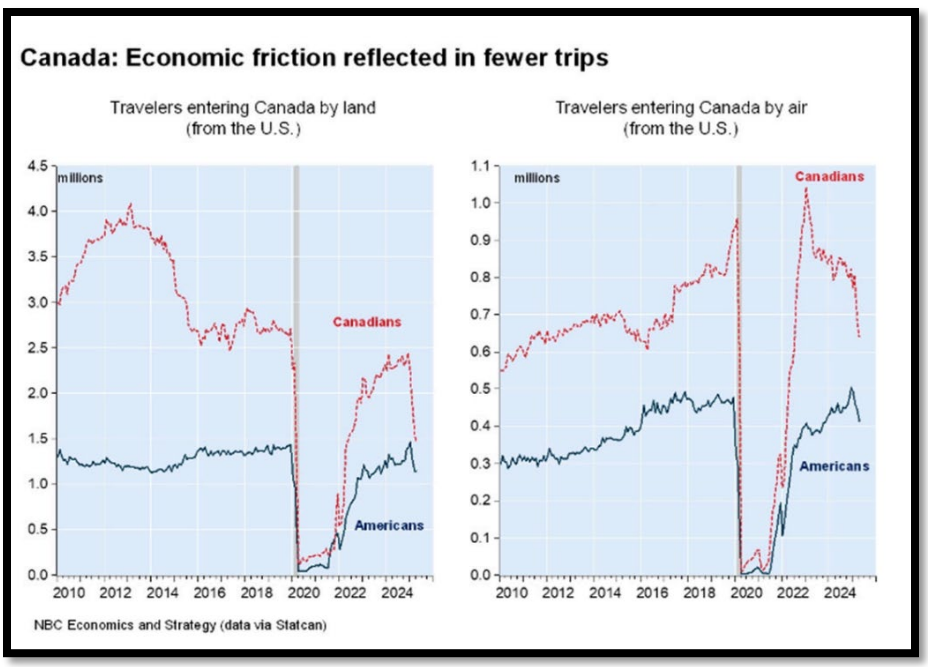
US consumer prices rise moderately in April….this is a positive development…maybe trade issues aren't inflationary short term…

US banking sector says easing US leverage rules could allow the greater ability to prop up the treasury market…this turns out to be easier liquidity in the system..

US SPR (Strategic Petroleum Reserve) is being refilled….looks like a good trade so far….sell high and buying lower…

Catch the playback of our Weekly Roundup ***click here***..

Chart of the Day: I know I tagged this last week..However, adding a new visual…



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Top News

U.S. stock index futures stayed relatively unchanged this morning after a lower-than-expected inflation report boosted expectations that the Federal Reserve was on track to lower borrowing costs this year. The Labor Department report showed that U.S. consumer prices rebounded moderately in April, but inflation is likely to pick up in the months as tariffs boost the cost of imported goods.

The consumer price index (CPI) increased 0.2% last month after dipping 0.1% in March, which was the first decline since May 2020. Economists polled by Reuters forecasted the CPI would rise 0.3%. In the 12 months through April, the CPI climbed 2.3% after advancing by 2.4% in the 12 months through March. Excluding the volatile food and energy components, the CPI rose 0.2% last month after gaining 0.1% in March. The so-called core CPI inflation increased 2.8% on a year-on-year basis in April after rising 2.8% in March.

However, the data likely only captures tariffs, including a doubling of fentanyl-related taxes on all Chinese imports to 20% and a 25% levy on imported cars and light trucks, imposed before President Donald Trump's April 2 "Liberation Day" announcement. While Trump in April paused for 90 days most of his country-specific tariffs, a 10% blanket duty on almost all imports remained in place.

Economists said they expected the hit from the tariffs on prices to start showing up significantly beginning with May's CPI report. Economists still expect inflation to rise this year because of tariffs, but probably not as sharply as they had anticipated before the 90-day truce announced yesterday between the world's two largest economies, allowing the Federal Reserve to maintain its wait-and-see stance. The Fed last week kept its benchmark overnight interest rate unchanged in the 4.25%-4.50% range.

Financial markets expect the central bank to resume its policy easing only in September. A separate report showed, U.S. small-business confidence fell for a fourth straight month in April, with the share of owners reporting job openings declining to the lowest level in more than four years, potentially hinting at a significant labor market slowdown. On the trade front, the U.S. will cut the "de minimis" tariff for low-value items imported from China, further de-escalating a potentially damaging trade war between the world's two largest economies. The levies will be reduced to 54% from 120% for these items valued at up to $800 sent from China via postal services, with a flat fee of $100 to remain, starting from May 14.

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The number of shipments entering the U.S. through the tax-free channel exploded in recent years with more than 90% of all packages coming via de minimis. Of those, about 60% came from China, led by direct-to-consumer retailers such as Temu and Shein. According to 2024 congressional testimony from a U.S. Customs and Border Protection official, the average value of a de minimis shipment during fiscal year 2023 was just $54.

In Canada, futures for the main stock index trade lower today, after rising to a near three-month high yesterday. In commodities, oil prices held steady and gold recovered as bargain-hunters stepped in after prices hit a more than one-week low in the previous session.

Oil Prices Likely to Trend Lower (Argus)

The price of a barrel of the crude oil benchmark grade West Texas Intermediate has fluctuated between $58 and $83 over the past year and is currently near the bottom of that range. Oil prices are down almost 50% from the $115-120 level touched back in 1H22, when Russia invaded Ukraine. For 2025, we are anticipating an average price of $66, up slightly from current levels but lower compared to $77 in 2024, $80 in 2023, and $95 in 2022. Our forecast trading range for the year is $55 to $75. The core drivers behind oil prices over the long term come from Econ 101: global supply and demand. According to the U.S. Energy Information Administration, there will be an excess supply of oil in 2025: global consumption is estimated at 104.1 million barrels per day, while global production is estimated at 104.4 million barrels. Early forecasts for 2026 also call for supply to exceed demand, which is likely to provide a ceiling to oil prices. Of course, there are always wild cards, such as geopolitical developments, ranging from tariffs (Canada), to wars (Russia's invasion of Ukraine), to sanctions (Iran, Venezuela), to the ongoing turmoil in the Middle East, to the whims of OPEC.

The growth path of the Chinese economy also plays an outsized role in the direction of oil prices, and growth in India may some day have a greater impact than it does today. These wild cards can cause oil prices to fluctuate dramatically. That said, absent the wild cards, the global supply demand outlook suggests the days of triple-digit oil prices are in the rear-view mirror, this as the world economy pivots toward cleaner energy solutions.

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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	2.80%	-1.0
CDA Prime	4.95%	0.0	CDA 10 year	3.21%	0.0
CDA 3 month T-Bill	2.62%	-1.0	CDA 20 year	3.44%	-0.8
CDA 6 month T-Bill	2.60%	-0.5	CDA 30 year	3.51%	-0.6
CDA 1 Year	2.57%	-0.5			
CDA 2 year	2.59%	-0.3			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	4.08%	-2.3
US Prime	7.50%	0.0	US 10 year	4.45%	-1.2
US 3 month T-Bill	4.30%	0.6	US 30 year	4.89%	0.1
US 6 month T-Bill	4.26%	0.5	5YR Sovereign CDS	54.08	
US 1 Year	4.13%	-0.3	10YR Sovereign CDS	57.11	
US 2 year	3.99%	-1.7			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	638.42	0.04%	0.47%
BMO Laddered Preferred Shares (ETF)	10.99	0.32%	0.37%

Source: LSEG

Things are looking up! Have a great day!

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