

Financial HARTbeat

USD gains again
May 14th 2025



Good Morning,

US turning its attention back to Nuclear Energy....its currently the largest producer of nuclear energy in the world, accounting for just over 30% of the worlds nuclear generation...yet the number of companies in this space continues to shrink..

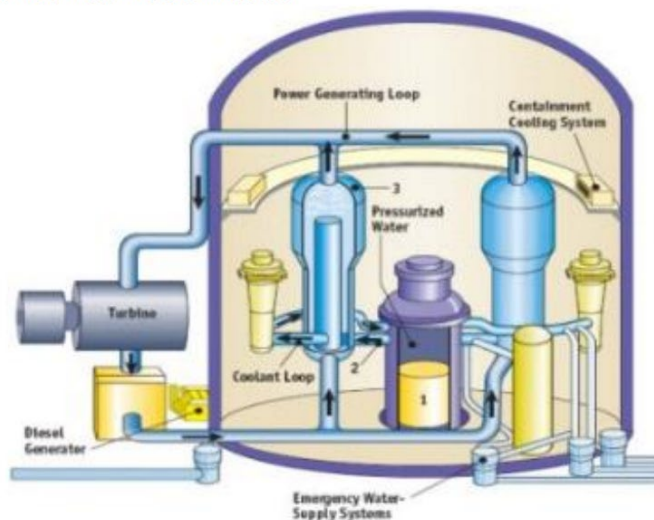
Tesla to resume shipping to China....I think if you listened closely you could hear all the shipping engines in the world come back on line and the ocean starting to move again.

India and Pakistan tensions were escalating very quickly...However, a ceasefire seems to have been put in place as USA brokering the deal...why were they able to so quickly?

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

Chart of the Day: Microreactors getting more attention in the need for additional electrical capacity expected ahead...

Figure 2: Pressurized-water Nuclear Reactor



Source: U.S. NRC, Evercore ISI Research



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Top News

U.S. stock index futures were mostly unchanged this morning as investors focused on potential developments on the trade front after a strong start to the week, when soft inflation numbers and Washington's trade truce with China boosted sentiment.

Tuesday's close saw the S&P 500 Index finally getting back into positive territory for the year, a milestone not seen since late February. However, the benchmark index remains more than 4% off the record peak it hit earlier this year. Equity markets were relieved yesterday to see that that tariffs weren't showing up in a major way in consumer prices, even though April included the 10% universal baseline tariffs, and much higher tariffs on China.

According to LSEG data, current bets indicate at least two 25-basispoint interest-rate cuts by the end of the year, with the first cut potentially arriving in September. Investors will pay attention to policymakers' speeches today, at least three U.S. Federal Reserve officials including Fed Governor Christopher Waller are scheduled to speak, but the main event of the week will be Fed Chair Jerome Powell's public remarks on Thursday, which will be dissected for any hawkish or dovish undertones. On the corporate front, Tesla and Nvidia led gains among major megacap and growth stocks, both rising close to 2% each in premarket trading.

On the other hand, American Eagle Outfitters dropped more than 13% after the apparel company withdrew its annual forecasts, citing tariffs-fueled economic uncertainty. With about 90% of the companies in the S&P 500 that have reported actual results for Q1 2025 to date, 78% have reported actual EPS above estimates, which is above the 5 and 10-year averages of 77% and 75% respectively. In aggregate, companies are reporting earnings that are 8.5% above estimates, which are below the 5-year average of 8.8% but above the 10-year average of 6.9%. As a result, the estimated earnings growth rate for the first quarter is about 13.4%. However, despite the strong current quarter results, companies have significantly reduced their outlook for the full year.

Corporate earnings growth for 2025 has now been reduced to 8.7%, versus 10.5% on April 1st and 14% at the start of the year.



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In Canada, the main stock index is trading higher for a sixth straight day this morning, helped by gains in energy and financial shares, as cooler-than-expected U.S. inflation data fueled positive investor sentiment following an easing of trade tensions.

Economic data released today showed that the value of Canadian building permits fell by 4.1% in March from February. The residential sector saw higher intentions for the multi-family component, while all three components were down in the non-residential sector. The value of building permits were down in six provinces, with the largest decrease recorded in Ontario.

Fear Index Back to Normal Levels (Argus)

After almost two months of dramatic market swings -- including one point at which the S&P 500 had fallen 19% from its alltime high -- the closely-watched VIX Volatility Index has declined back below its historical average of 20. Meanwhile, stock prices have recovered most of the lost ground and the benchmark S&P has again turned positive for the year. We can't say the recent downdraft was unexpected. Indeed, in our 2025 Market Outlook, we noted that investor complacency was high, that tariffs and trade wars could slow the economy, and that stock valuations were susceptible in the event of a sell-off in the Information Technology sector. That was our "Bearish Case," and certain elements are likely to linger for the next few months, at least. Our "Base Case" called for another year of growth in the U.S. economy (and no recession), declining interest rates, and double-digit EPS growth. Each of those planks in the "Base Case" platform is currently in place. So assuming that the Trump administration gets its economic growth plans firmly on track, there's reason to expect that equity prices can't continue to recover. Back to the market, the current VIX fear index reading is around 18.0, which is again below the 10-year average of 20 and is consistent with a bull market. Indeed, during the long bull market in the 2010s, the VIX averaged 18 and even touched lows below 10 in 2017.

We continue to think that the S&P 500 is in the early/mid-stage of a bull market that dates to October 2022. And while the path for equities won't be straight up, we suggest investors favor growth stocks in their portfolios at the current market and economic juncture.



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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	2.82%	0.2
CDA Prime	4.95%	0.0	CDA 10 year	3.22%	0.8
CDA 3 month T-Bill	2.62%	0.0	CDA 20 year	3.46%	1.1
CDA 6 month T-Bill	2.60%	-1.0	CDA 30 year	3.53%	1.1
CDA 1 Year	2.56%	-0.5			
CDA 2 year	2.59%	-0.1			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.10%	-2.0
US Prime	7.50%	0.0	US 10 year	4.47%	-2.6
US 3 month T-Bill	4.29%	0.0	US 30 year	4.92%	-2.8
US 6 month T-Bill	4.25%	-1.0	5YR Sovereign CDS	54.02	
US 1 Year	4.12%	0.8	10YR Sovereign CDS	56.74	
US 2 year	4.01%	-0.6			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			640.16	0.05%	0.75%
BMO Laddered Preferred Shares (ETF)			11.04	0.45%	0.82%

Source: LSEG

Things are looking up! Have a great day!

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