

Financial HARTbeat

Will the bill pass?
May 21st 2025



Good Morning,

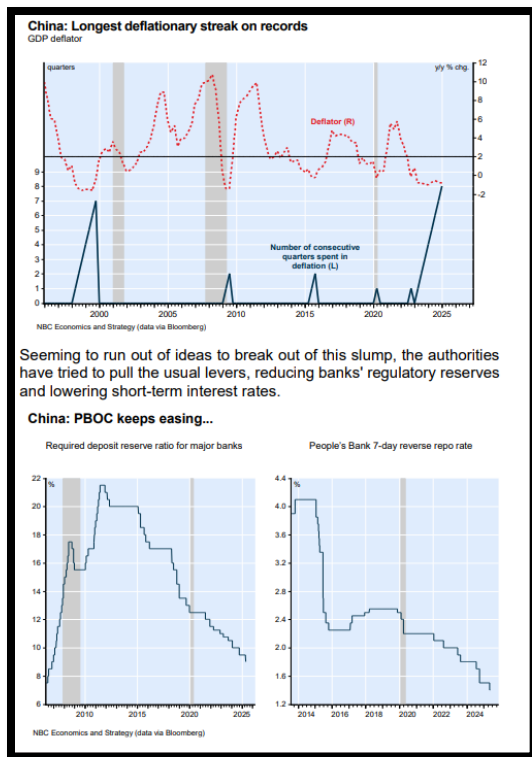
Trump tax cut bill...is that really what it is...spending cuts and tax cuts?

Target cuts annual forecast as tariff pressure mounts and consumer demand likely slows further...will liquidity then commeth?

Golden dome defence shield coming to US and also Canada interested in participating...

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

Chart of the Day: How long will China take this before they go full gas?



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Top News

The S&P/TSX Composite index rose to a record high yesterday as gains in metal mining shares lifted the Canadian benchmark and investors shrugged off hotter-than-expected domestic inflation data and looked for further progress in the easing of global trade tensions.

This morning, futures for Canada's main stock index traded lower as market sentiment remains fragile due to President Donald Trump's tax cut and spending bill faces a critical stress test today as Republicans in the U.S. House of Representatives try to overcome internal divisions about cuts to the Medicaid health program and tax breaks in high-cost coastal states.

The gate-keeping House Rules Committee has scheduled an unusual 1 a.m. ET hearing that is expected to run well into daylight hours where members will debate details of the measure. If passed by Congress, it would reduce some health and food benefits for low-income Americans, cancel green-energy programs and provide tens of billions of dollars for immigration enforcement.

House Speaker Mike Johnson has little room for error, as his party holds a narrow 220-213 majority and a handful of "no" votes from his side could scuttle the bill, which Democrats say favors the wealthy and cuts needed social programs. Fiscal hawks blocked the package in another committee on Friday, before relenting late on Sunday night. That scenario could play out again in the Rules Committee, which includes several Republicans who are calling for deeper cuts to the Medicaid health program, which serves 71 million Americans. The bill would extend the 2017 tax cuts that were Trump's signature first-term legislative achievement and also add tax breaks on income from tips and overtime pay that were part of his populist push on the campaign trail.

Trump is pushing for unanimous support from Republicans and said on that holdouts could be drummed out of the party. Nonpartisan analysts say it could add \$3 trillion to \$5 trillion to the federal government's \$36.2 trillion in debt. If it clears the committee, Johnson could push for a vote on the House floor as soon as today. Credit-rating firm Moody's last week stripped the U.S. government of its top-tier credit rating, citing the nation's growing debt. U.S. bonds have been under pressure since the start of the week, yields on the 30-year note are back up to 5.02% and the benchmark 10-year yield climbed 5.8 basis points to 4.53%.



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Meanwhile, markets are also monitoring the Group of Seven finance ministers' meetings currently underway in Canada as they try to agree on policies to restore global growth and stability, acknowledging that tensions over new U.S. tariffs would continue. G7 members Japan, Germany, France and Italy all face a potential doubling of reciprocal U.S. duties to 20% or more in early July. Britain negotiated a limited trade deal that leaves it saddled with 10% U.S. tariffs on most goods, and Canada is still struggling with Trump's separate 25% duty on several exports.

In corporate news, UnitedHealth Group dropped almost 4% after a Guardian report said the healthcare conglomerate secretly paid thousands in nursing homes in bonuses to help slash hospital transfers for ailing residents.

Healthy Outlook for Aerospace & Defense (Argus)

Aerospace & Defense design and manufacturing is one of the core competencies of the U.S. economy, along with innovative technology, allocating capital, and pharmaceutical R&D. In our view, the sector is positioned for solid growth over the next few years. During 2025, global revenues for the total A&D industry are expected to grow by 6% from 2025 and reach \$950 billion, as tracked by The Business Research Company. Looking ahead, forecasts call for the industry to grow at a CAGR of 5.8% and top \$1.1 trillion by 2028. Drilling down, the recovering global airline industry bodes well for commercial aerospace demand over the next several years. Airline passenger levels and airline revenues are again growing at a healthy pace. As well, with international markets reopened, we believe that the industry will be able to recover a substantial amount of its pre-COVID-19 revenues and profitability into 2026. We also expect solid military spending over the next few years. According to the Office of the Undersecretary of Defense, military funding for FY 2024 tallied \$817 billion.

For FY 2025, the White House has requested a base defense budget of \$850 billion, which represents 4% year-over-year growth. On top of the country's typical strong commitment to defense spending, the budget has been influenced by the ongoing Russian invasion of Ukraine, rising inflation, and other factors. We see the current geopolitical environment keeping this type of spending high for some time to come.



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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	2.93%	3.6
CDA Prime	4.95%	0.0	CDA 10 year	3.35%	5.6
CDA 3 month T-Bill	2.65%	0.5	CDA 20 year	3.60%	6.1
CDA 6 month T-Bill	2.64%	8.1	CDA 30 year	3.67%	6.3
CDA 1 Year	2.62%	9.5			
CDA 2 year	2.67%	2.3			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.12%	5.2
US Prime	7.50%	0.0	US 10 year	4.54%	6.4
US 3 month T-Bill	4.26%	-0.3	US 30 year	5.03%	6.7
US 6 month T-Bill	4.30%	1.1	5YR Sovereign CDS	53.00	
US 1 Year	4.13%	1.3	10YR Sovereign CDS	55.96	
US 2 year	4.00%	3.2			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			640.03	0.02%	0.73%
BMO Laddered Preferred Shares (ETF)			11.09	0.18%	1.28%

Source: LSEG

Things are looking up! Have a great day!

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