

Financial HARTbeat

Treasury market under pressure?
May 22nd 2025



Good Morning,

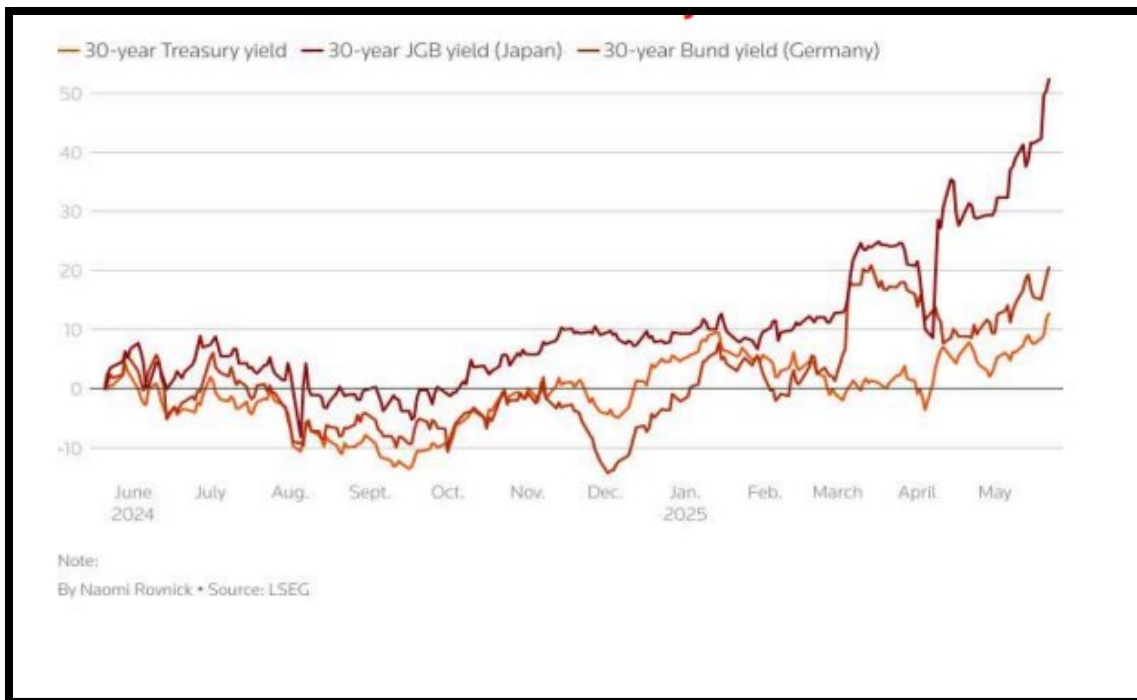
US Treasury market under pressure again....this is the one thing that can really worry the FOMC...the other things they can control..However, if there is a run on treasuries...all markets cant take this..

Shootings in the US...Israeli embassy and CIA both in Washington...

Canada Post risk of striking again...this company currently at risk..

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Chart of the Day: This could cause something to break...30 year moving higher..



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Top News

U.S. stock index futures are subdued in volatile trading this morning after the U.S. House of Representatives passed President Donald Trump's tax bill by a razor-thin margin. If the bill becomes law, it is expected to add about \$3.8 trillion to the federal government's \$36.2 trillion debt in the next decade, according to the nonpartisan Congressional Budget Office. The bill now faces a test in the Republican-controlled Senate and will fulfill much of Trump's populist agenda if passed, delivering new tax breaks on tips and car loans and boosting military spending.

Longer-dated Treasury yields stayed near their multi-month highs, with those on the 10-year benchmark at 4.60%. At least two Federal Reserve officials including New York Fed President John Williams are slated to speak later in the day. In economic data this morning, initial jobless claims inched lower by 2,000 from the previous week to 227,000 on the period ending May 17th, the lowest in four weeks, and below market expectations of an increase to 230,000.

Futures for Canada's main stock index edged lower this morning, as the U.S. House of Representatives narrowly passed President Donald Trump's "big, beautiful" tax bill. Yesterday, Canada's finance minister François-Philippe Champagne said he had a good meeting with U.S. Treasury Secretary Scott Bessent and that both were pleased with the progress they were making. In commodities, oil prices dropped by more than 1% after a report that OPEC+ is discussing a production increase for July, stoking concerns that global supply could exceed demand growth. Gold prices extended gains for the fourth straight session. In economic news, producer prices in Canada declined 0.8% in April from March on lower prices for energy and petroleum products, as well as primary non-ferrous metal products, Statistics Canada said. The decline followed a revised 0.3% increase in March.

Raw materials prices fell 3.0% in April, and were down 3.6% on the year. Analysts had expected a 0.5% decrease in industrial prices in April from March. European stocks fell this morning, as concerns over U.S. fiscal health kept Treasury yields elevated, while data showed euro zone business activity unexpectedly slipped back into contraction this month. HCOB's preliminary composite eurozone Purchasing Managers' Index dropped to 49.5 this month from 50.4 in April. The survey showed that the bloc's dominant services industry suffered a deeper downturn in demand, although manufacturing showed further signs of stabilisation.



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Stocks in mainland China reversed earlier gains and ended lower, as gains in banks and miners were outpaced by rising investor concerns over the fiscal health of the world's largest economy, which has dragged Hong Kong and its regional peers lower. China's Lenovo, the world's largest personal computer manufacturer, said fourth-quarter profit plunged 64%, a result that was far worse than expected and one that sent its shares sharply lower.

Japan's Nikkei share average closed at a two-week low today, as investors turned risk-off after sharp declines on Wall Street and a spike in U.S. Treasury yields stoked worries about a flight from U.S. assets. The au Jibun Bank flash Japan manufacturing purchasing managers' index (PMI) edged up to 49.0 in May from April's final reading 48.7, but stayed below the 50.0 threshold that separates growth from contraction for the 11th month. The au Jibun Bank flash services PMI was down to 50.8 in May from 52.4 in April, with slower increases in new business, export business and employment.

Sustainable Investing Draws AUM (Argus)

According to the Global Sustainable Investment Association, global assets under management in Sustainable Investment strategies had grown to \$30 trillion in 2022, up from \$23 trillion in 2016, despite a pull-back of more than \$8 trillion in investment in the U.S. in recent years. Europe and Japan are now the fast-growing regions. Meanwhile, the UN Principles for Responsible Investing -- to which Argus Research is a signatory -- now represents more than 5,000 signatories, according to UNPRI.org. Indeed, the UN is targeting global asset growth in the strategy of another \$10-\$20 trillion in 2024-2027, as outlined in its recent PRI Strategy Plan. As assets have flowed in over the past 40 years, Sustainable Impact Investing has evolved. The discipline, originally known as Socially Responsible Investing, first focused on excluding companies that conducted business in South Africa, or participated in industries such as tobacco, alcohol, and firearms.

In time, the list of industries to avoid increased to include soft drinks, fast food, and oil and gas, among others. Performance of these initial strategies lagged, and the approach has been modified. Now, instead of merely identifying industries to avoid, the discipline promotes "sustainable" business practices across all industries that can have an "impact" on global issues such as climate, hunger, poverty, disease, shelter, and workers' rights. Companies and managements are now increasingly measured on their adherence to



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sustainable best practice approaches and techniques. Given the strategy's focus on leading management practices, we expect the growth curve for Sustainable Investing to slope upward again in the years ahead.

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	2.97%	-0.8
CDA Prime	4.95%	0.0	CDA 10 year	3.39%	0.1
CDA 3 month T-Bill	2.65%	0.0	CDA 20 year	3.63%	0.8
CDA 6 month T-Bill	2.63%	-1.5	CDA 30 year	3.70%	0.7
CDA 1 Year	2.64%	-1.0			
CDA 2 year	2.69%	-1.4			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.14%	-1.8
US Prime	7.50%	0.0	US 10 year	4.61%	1.4
US 3 month T-Bill	4.24%	0.4	US 30 year	5.14%	5.1
US 6 month T-Bill	4.30%	-0.3	5YR Sovereign CDS	53.02	
US 1 Year	4.13%	-0.6	10YR Sovereign CDS	56.01	
US 2 year	3.99%	-2.9			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			637.92	-0.05%	0.39%
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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