

Financial HARTbeat

EU in Trumps crosshairs?
May 23rd 2025



Good Morning,

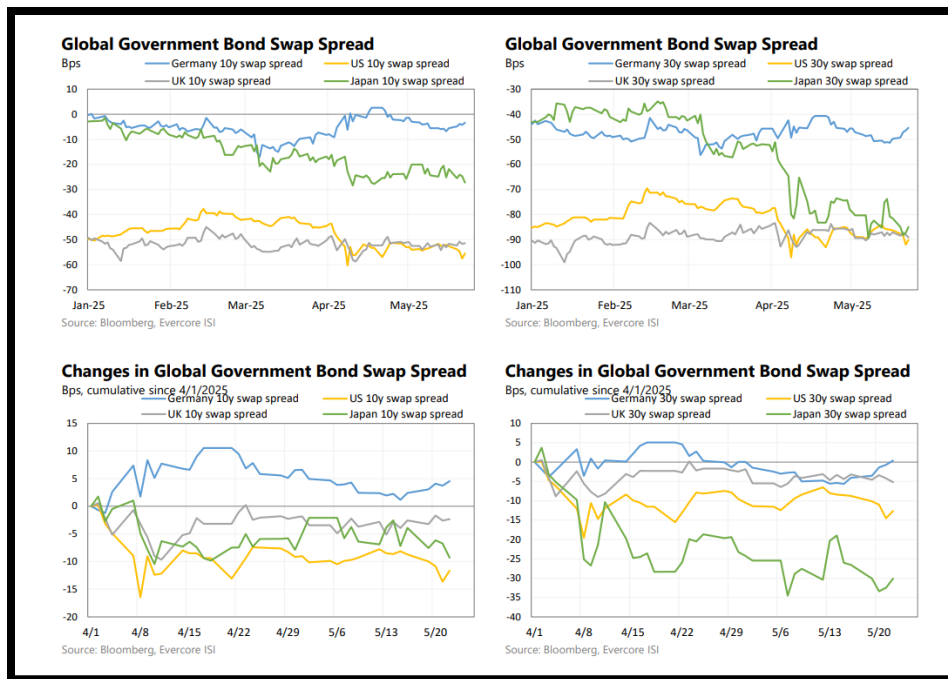
Now if I were a conspiracy theorist one might think a certain President is trying to sway markets with his daily diatribe of nonsense...

Bessent says EU not operating in “good faith” and therefore should be treated as hostile...

US and Iran deal will be worth watching...outside looking in, it will be very difficult to close the gap..

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

Chart of the Day: Seems European bonds getting more love and attention then US Treasuries...



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Top News

U.S. stock index futures turned lower this morning as shares of Apple dropped after U.S. President Donald Trump said the company would have to pay a 25% tariff if phones sold in the country are not made within its borders. Shares of the iPhone maker dropped more than 3% in premarket trading.

U.S. stock index futures drop further after U.S. President Donald Trump recommended steep 50% tariffs on the European Union, starting June 1, which would result in stiff levies on luxury items, pharmaceuticals and other goods produced by European manufacturers.

Futures for Canada's main stock index dipped after U.S. President Donald Trump recommended steep 50% tariffs on the European Union. In commodities, oil prices dropped for a fourth consecutive session and are set for their first weekly decline in three weeks.

Gold prices rose and are poised for their biggest weekly gain in more than a month, while copper prices are expected to see slim weekly gains. Yesterday, Bank of Canada Governor Tiff Macklem said he expected second quarter growth to be "quite a bit weaker" than the first quarter, and that it could be worse in subsequent quarters if the uncertainty around U.S. tariffs continued. Statistics Canada will release the first-quarter GDP data on May 30, a week before the central bank's next interest rate decision. In economic data released this morning, Canadian retail sales grew by 0.8% in March from February, on higher sales at motor vehicle and parts dealers, Statistics Canada said. Sales likely increased 0.5% in April, the agency said in a flash estimate.

European stocks tumbled, the euro gave back some gains, and euro zone government bond yields fell sharply after U.S. President Donald Trump said he is recommending a straight 50% tariff on goods from the European Union starting on June 1. Earlier at the open, Europe's broad Stoxx 600 index rose on better-than expected economic data. The German DAX opened up about 0.5%, trading just below all-time highs, after data showed the country's economy grew significantly more in the first quarter than previously estimated. The economy grew by 0.4% in the first quarter of 2025 compared with the previous quarter, the statistics office said, revising a preliminary reading of 0.2%. Hong Kong stocks closed roughly flat, logging a sixth straight weekly gain, underpinned by renewed listing momentum and signs of easing Sino-U.S. trade tensions.



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China stocks fell today. Shares of pharma giant Jiangsu Hengrui soared 25% in their Hong Kong debut. The CSI Healthcare Index edged up 0.3%, bucking a broader market decline as most other sectors ended in losses. BYD shares jumped as much as 4.6% after reports showed the Chinese automaker sold more electric vehicles in Europe than Tesla. Auto shares tracked gains and were up 1.7%. Weakness in China's property sector is expected to persist this year with home prices falling nearly 5% and set to remain stagnant in 2026, a Reuters poll showed. Japan's Nikkei share average rallied today, supported by falling U.S. Treasury yields and a weaker yen, but still lost ground for the week. The gauge closed up 0.5%, trimming its five-day slide to 1.6%.

Japan's core inflation accelerated at its fastest annual pace in more than two years in April on steady rises in food costs, data showed, raising the odds of another interest rate hike by year-end. The core consumer price index (CPI), which excludes fresh food but includes oil prices, rose 3.5% in April from a year earlier, exceeding market forecasts for a 3.4% gain and accelerating from a 3.2% increase in March.

Home Prices May Fall (Argus)

This Fall U.S. home prices have risen at a compound annual rate of almost 7% over the last 10 years. Along the way, homeowners have become richer, with households' collective equity in real estate nearly tripling to \$35 trillion. But with mortgage rates back up to 7% and more homes on the market, the pace of appreciation is slowing. The S&P/Case-Shiller National Home Price Index could soon be declining on a year-over-year basis. Strong home prices are important to the economy. They provide security for lenders and, when prices are buoyant, homeowners are willing to spend on upgrades and renovations based on the belief that they will see a payoff down the road. We don't expect a significant drop in prices because the big Millennial generation is starting households and others are on the sidelines hoping to buy a piece of the American Dream.

Yesterday, the National Association of Realtors reported Existing Home Sales for April that were near the consensus pace of 4.0 million at a seasonally adjusted annual rate. The median home price hit a record of \$414,000, but the annual increase slowed to 1.8% as the inventory of existing homes increased by 9% to 4.4 months' supply (from 4 months in March). On May 27, we expect the Case-Shiller National Index will show 2.5% annual growth in March. The index rose 3.9% in February. The Zillow Home Value Index rose by an annual 1.4% in April, down from a 2.1% increase in March. We don't see a looming crisis, but there are growing risks that cannot be ignored.



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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	2.91%	-6.1
CDA Prime	4.95%	0.0	CDA 10 year	3.31%	-6.9
CDA 3 month T-Bill	2.64%	-0.5	CDA 20 year	3.54%	-5.9
CDA 6 month T-Bill	2.62%	-1.5	CDA 30 year	3.61%	-5.9
CDA 1 Year	2.61%	-3.0			
CDA 2 year	2.65%	-4.8			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	4.00%	-11.0
US Prime	7.50%	0.0	US 10 year	4.45%	-10.2
US 3 month T-Bill	4.25%	-0.2	US 30 year	4.98%	-8.2
US 6 month T-Bill	4.29%	-1.2	5YR Sovereign CDS	52.99	
US 1 Year	4.09%	-4.1	10YR Sovereign CDS	55.95	
US 2 year	3.91%	-9.1			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			636.74	0.05%	0.21%
BMO Laddered Preferred Shares (ETF)			11.09	0.45%	1.28%

Source: LSEG

Things are looking up! Have a great day!

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