Financial HARTbeat

War Collide
July 29th 2026

Good Morning,

Drone war is the link: The battlefield "collision" is already happening through Iranian-designed Shahed drones: Russia has used them heavily in Ukraine, while Ukraine's combat-tested counter-drone expertise is reportedly being used to help Middle Eastern partners defend against Iranian drone attacks.

Air-defense squeeze: If the Iran conflict intensifies, Patriot/interceptor demand could rise in the Gulf and Israel, competing with Ukraine's need for the same scarce air-defense systems—creating a direct resource trade-off for Western allies.

Oil + sanctions spillover: A wider Iran war raises risks around energy prices and the Strait of Hormuz; also noted that potential Russia oil-sanction relief could boost global supply but complicate efforts to restrict Russia's war revenue.

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***Also, catch the playback of our Annual Outlook** [**Click here**]*

Chart of the Day: I think no chance of anything today…However, this is the what the market is saying

		Bank of Canada	Federal Reserve	European Central Bank
Rates	President / Chair	Tiff Macklem	Kevin Warsh	Christine Lagarde
	Policy rate	Overnight rate	Fed Funds rate	Deposit facility rate
	Current policy rate	2.25%	3.75%	2.25%
Next meeting	Next meeting date	September 2, 2026	July 29, 2026	September 10, 2026
	Market-implied policy rate*	2.29%	3.83%	2.38%
	Spread vs. current rate	+4 bp	+8 bp	+13 bp
	Probability of…			
	… hike	17%	33%	53%
	… hold	83%	67%	47%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	0.4	1.1	0.9
	... next 6 months	-	1.8	1.6
	... next 12 months	-	2.3	-

*Derived from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).

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Top News

Markets nudge lower mirroring a cautious mood across global markets as AI chip remain a concerns, ahead of earnings from some of the biggest companies and the Federal Reserve’s anticipated interest rate decision. Investors are looking ahead to the Federal Reserve’s interest rate decision and subsequent press conference with Chairman Kevin Warsh on Wednesday afternoon.

Fed funds futures traders are pricing in a nearly 70% likelihood that the central bank holds rates steady at the current targe range of 3.5% to 3.75%, according to CME’s FedWatch tool. Signs that Wall Street's biggest companies such as Alphabet and Tesla are running out of cash to fund their ambitions are making traders nervous, while China showcases cheaper AI models and deepens its presence in the competitive semiconductor industry.

Oil prices jumped nearly 5% on Wednesday as tensions in the Middle East escalated following U.S. and Saudi strikes in Iraq and an intercepted Iranian missile attack on U.S. forces, while U.S. crude inventories fell. The United States and Saudi Arabia launched strikes on Iran-backed groups in Iraq on Wednesday, blaming them for drone attacks on Saudi oil facilities.

European shares slipped in choppy trading on Wednesday, even after robust results from Kering, as a nervous market shunned technology stocks ahead of a slew of upcoming U.S. Big Tech earnings reports, while monitoring the Middle East crisis. UBS on Wednesday booked a 17% jump in second-quarter profit that beat expectations and said it plans to buy back shares worth $3 billion by the middle of next year at the latest.

London's FTSE 100 edged higher on Wednesday, supported by mining and energy stocks, as investors monitored developments. British households increased their borrowing at the fastest annual pace in almost eight years last month, adding to signs that consumers were in a more free-spending mood just before new Prime Minister Andy Burnham took office.

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Japan's Nikkei share average fell to close at a fresh two-month low on Wednesday, as investors sold off chip-linked shares ahead of major U.S. tech earnings, while renewed fighting in the Middle East dampened risk appetite.

Asian chipmakers have been highly volatile recently, as doubts over returns from AI companies' heavy spending emerge amid intensifying Chinese competition. South Korean chipmaker SK Hynix reported bumper quarterly results on Wednesday but fell short of lofty investor expectations, heightening market concerns about slower AI spending by big tech firms. Chinese stocks ended higher on Wednesday, as the selloff in AI-linked names tapered and investors shifted into consumer-focused sectors. Hong Kong shares also rose, buoyed by gains in internet platform companies.

U.S. the Leader in Drug R&D (Argus)

Pharmaceutical and biotech drug development is one of the core competencies of the U.S. economy, along with innovative technology, allocating capital, and aerospace and defense manufacturing. The United States is the undisputed global leader in pharmaceutical and biotech drug development, a position solidified by financial commitment and innovation output. U.S. research and development expenditure in the biopharmaceutical sector is massive, with total U.S. spending of almost $900 billion in 2025 -- contributing approximately 55% of the worldwide total R&D spending. That dwarfs the investment levels of other nations and regions, such as Europe (which accounted for 15% of global R&D expenditure). This robust investment translates directly into innovation leadership. Indeed, the U.S. Food and Drug Administration approved 58 new drugs in 2025, and over a five-year period (2020-2024) there were 64 more novel active substances launched in the U.S. compared to the top four EU countries and the UK combined.

The U.S. market, accounting for nearly half of global pharmaceutical sales, serves as an attractive launch market, ensuring that more than half of all new drugs are launched there first, with an average lag of about one year before they appear in other major OECD (Organisation for Economic Co operation and Development) markets. This combination of immense R&D spending, a high rate of novel drug approvals, and market dominance, firmly positions the United States at the forefront of global pharmaceutical and biotech innovation.

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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	2.25%	0.0	CDA 5 year	3.19%	2.5
CDA Prime	4.45%	0.0	CDA 10 year	3.55%	2.3
CDA 3 month T-Bill	2.29%	-0.6	CDA 20 year	3.82%	2.1
CDA 6 month T-Bill	2.37%	-1.1	CDA 30 year	3.93%	1.7
CDA 1 Year	2.63%	0.1			
CDA 2 year	2.88%	2.9			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.39%	3.3
US Prime	6.75%	0.0	US 10 year	4.63%	2.3
US 3 month T-Bill	3.77%	0.8	US 30 year	5.10%	0.5
US 6 month T-Bill	4.06%	2.3	5YR Sovereign CDS	41.23	
US 1 Year	4.12%	4.2	10YR Sovereign CDS	50.67	
US 2 year	4.31%	3.3			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	717.25	-0.01%	3.02%
BMO Laddered Preferred Shares (ETF)	13.08	-0.08%	6.08%

Source: LSEG

Keep looking forward! Have a great day!

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