Financial HARTbeat

Warsh
July 30th 2026

Good Morning,

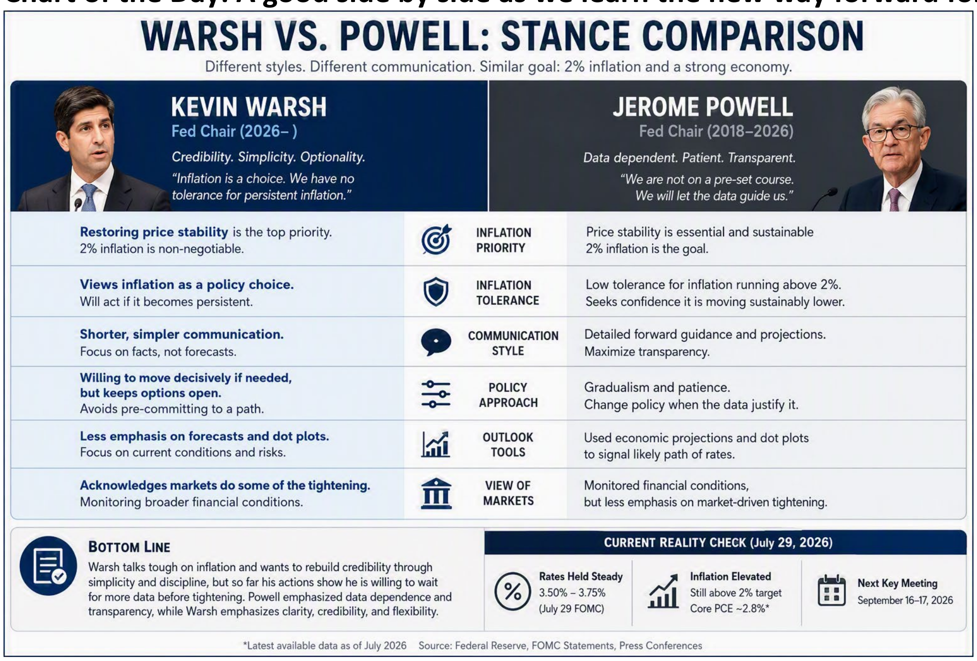
Market is going to take some time to get to deal with Warsh and how he approaches the FOMC…

Yields jump on his view that all is well and nothing to see here and we might raise rates if we have too..

When watching my thoughts on really on…How long will the market let him blame Powell for where inflation is before the market smacks him in the face….

Catch the playback of our Weekly Roundup [Click here]
Also, catch the playback of our Annual Outlook [Click here]

Chart of the Day: A good side by side as we learn the new way forward for FOMC



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Top News

Stock index futures rose on Thursday after a sharp selloff driven by insecurity around the Federal Reserve's policy outlook, while Microsoft's forecast-beating results soothed investor concerns about massive AI spending by companies. Microsoft jumped in premarket trading amid growth from its Azure business. Semiconductors jumped as a result.

Investors have been alarmed by rising AI costs at big technology firms even as they report strong earnings. Economic growth was weaker than expected in the second quarter while inflation in June held well above the Federal Reserve’s goal, the Commerce Department reported Thursday.

Gross domestic product, a broad measure of goods and services, increased just 1.5% for the April-through June period, according to Bureau of Labor Statistics numbers adjusted for seasonality and inflation. Economists surveyed by Dow Jones had been looking for a growth rate of 1.8%, following the 2.1% increase in the first quarter. A separate report showed that the personal consumption expenditures price index, which is the Federal Reserve’s primary forecasting gauge, fell a seasonally adjusted 0.1% for the month, putting the annual inflation rate at 3.7%. The readings were in line with forecasts. Excluding food and energy, core PCE posted a monthly increase of 0.1% and an annual level of 3.3%, against respective forecasts for 0.2% and 3.3%.

Bond yields remained under pressure, with the 30-year yield hovering near 2007 highs after the Fed’s decision to keep rates unchanged. Oil prices were volatile session on Thursday, edging down after earlier gains as investors weighed talks between Oman and Iran over the Strait of Hormuz and escalating tensions between the United States and Iran.

European shares rose on Thursday, buoyed by earnings in cyclical sectors such as financials and industrials, while investors assessed the possible impact from escalating tensions in the Middle East and from uncertainty over U.S. interest rates. The euro zone economy grew faster than expected last quarter as surging investment in AI, ample government spending and several one-off factors more than offset a

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drag from high energy costs and the war in Iran. The economy of the 21 nations sharing the euro currency expanded by 0.4% on the quarter, above modest expectations for 0.2% in a Reuters poll as many of the bloc's biggest nations outperformed forecasts.

Japan's Nikkei share average ended higher on Thursday as Advantest's robust profit forecast lifted chip-related stocks, while banks pulled down the broader Topix. Chip-making equipment maker Tokyo Electron rose 4.48%. Memory chip maker Kioxia climbed 2.92%, while Murata Manufacturing rose 2.97%.

China stocks fell on Thursday, while Hong Kong shares edged up, as a sharp selloff in semiconductor and optical transceiver sectors weighed on the broader market. China's factory activity growth likely stagnated in July, as weak domestic consumption and cost pressures from the Middle East War offset the boost to production from strong global demand for Chinese goods

Consumers and Investment Lift 2Q GDP (Argus)

According to the advance estimate released today by the Bureau of Economic Analysis, U.S. Gross Domestic Product (GDP) rose in the second quarter at an annualized rate of 1.5%. That's below the 2.1% consensus and a deceleration from 2.1% growth in the fourth quarter. Our estimate was for a 2Q increase of 2.0%. Spending and investment by the federal government was down 4.1%, with nondefense down 12.9%. Real final sales to private domestic purchasers, which focuses on the core consumer spending and business investment, were up a strong 3.9%, versus a 1.7% increase in 4Q. These results are consistent with the Federal Open Market Committee's comments yesterday that economic activity is expanding at a solid pace and inflation remains elevated. The committee voted 9-3 to maintain the federal funds target at 3.5%-3.75%.

Following the meeting, Argus Fixed Income Strategist Kevin Heal reiterated his expectation for the Fed to maintain the current funds target in 2026 and cut rates by 25 basis points in the second half of 2027. Kevin noted that elevated mortgage rates are weighing on home prices, which should be an important factor in cooling "core" inflation. Spending by consumers rose 3.2% in 2Q, an acceleration from the 0.5% increase in 1Q with durable goods up 6.8%. The huge services category was up a solid 2.2%, following an increase of just 0.5% in 1Q. The category added about a point of growth. Private investment grew 3.0%.

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Spending on Artificial Intelligence continued to be an important driver of growth. Intellectual property products grew by 8.8%. Equipment grew 15.2%. Net exports of goods and services, aka the trade balance, reduced 2Q GDP by a percentage point. Imports increased 11.5%. The report also contains data on inflation, which remains elevated. The PCE Price Index increased 5.1% in the second quarter. Excluding food and energy, the index increased 3.4%. Stock futures and bond yields are little changed after the report.

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	3.20%	-0.8
CDA Prime	4.45%	0.0	CDA 10 year	3.59%	-0.3
CDA 3 month T-Bill	2.29%	0.5	CDA 20 year	3.87%	-0.4
CDA 6 month T-Bill	2.38%	-1.0	CDA 30 year	4.00%	0.2
CDA 1 Year	2.62%	-0.5			
CDA 2 year	2.84%	-1.6			
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%	4.2
US Prime	6.75%	0.0	US 10 year	4.68%	5.7
US 3 month T-Bill	3.68%	-2.1	US 30 year	5.21%	7.1
US 6 month T-Bill	3.94%	-0.6	5YR Sovereign CDS	41.24	
US 1 Year	4.02%	-0.3	10YR Sovereign CDS	50.72	
US 2 year	4.25%	1.2			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			719.17	-0.01%	3.29%
BMO Laddered Preferred Shares (ETF)			13.07	-0.08%	6.00%

Source: LSEG

Keep looking forward! Have a great day!

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