Financial HARTbeat

The World.
Aug 5th 2026

Good Morning,

Stocks hit fresh record highs as risk appetite remains strong
The S&P 500, Dow Jones, and Nasdaq continued their rally, supported by better-than-expected corporate earnings and ongoing enthusiasm around AI spending. Investors appear increasingly comfortable adding risk despite lingering geopolitical concerns.

Middle East tensions eased, helping markets
Sentiment improved after reports that the U.S. and Iran may be moving closer to an agreement that could reopen the Strait of Hormuz. Lower perceived risk to global energy supplies helped support equities and keep oil prices relatively contained.

Bond yields eased and the U.S. dollar softened
Treasury yields moved lower while the U.S. dollar weakened modestly, a combination that tends to support equity valuations, particularly growth and technology stocks. Investors are increasingly betting that inflation pressures are moderating and that central banks may have more flexibility ahead.

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Chart of the Day: World trade is surprising resilient…could the rest of the world find a way?

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Top News

Canadian stock index futures edged higher today, as gold prices hit a one month high on renew hopes for a U.S.-Iran peace deal that tempered some inflation concerns. Oddly, oil prices also gained after Yemen's Iran-backed Houthi rebels said they attacked a Saudi oil tanker in the Red Sea, dampening hopes that easing tensions with Iran could help restore shipping traffic and oil flows in the region.

On the earnings front, Shopify forecast quarterly revenue above Wall Street estimates, with U.S. listed shares of the e-commerce platform jumping over 25%. At the same time, Thomson Reuters also beat second-quarter profit and revenue estimates and raised its annual revenue growth forecast. These latest results add to a busy earnings season, that saw Suncor Energy and insurance and wealth manager iA Financial beat second-quarter profit estimates late on Tuesday.

In the U.S., futures tracking the S&P 500 and the Dow edged up today on hopes of a Middle East peace breakthrough, while ones tied to the Nasdaq lagged as upbeat forecasts from SpaceX and AMD failed to impress investors. Elon Musk-led SpaceX's revenue nearly doubled and operating losses narrowed in its first earnings report since going public, fueled by its booming Starlink satellite communications and AI businesses. But the rocket company's shares slid almost 12% in premarket trading after executives flagged the spending spree underpinning its lofty ambitions was far from over. Advanced Micro Devices forecast quarterly revenue above estimates, reflecting strong AI demand. However, shares slipped more than 9%, suggesting investors were looking for a stronger outlook to justify the stock's 142% jump this year.

Other chip stocks such as Intel and Micron lost more than 2% each, while megacaps Microsoft and Alphabet were steady as Wall Street took a breather from a rally spanning the past few sessions that took the benchmark S&P 500 Index and the blue-chip Dow Jones to record highs.

On the economic front, U.S. private payrolls growth slowed in July. The ADP national employment report showed this morning that private employment increased by 44,000 jobs last month after a downwardly revised 95,000 gain in June. Yesterday's BLS report showed that U.S. job openings dropped in June as vacancies in the healthcare and social assistance sector declined by the most in nearly a year, but an

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improvement in hiring and low layoffs suggested the labor market remained stable. The report from the Labor Department on Tuesday also showed a marginal increase in people quitting their jobs, presumably in search of greener pastures, which should limit wage growth and strengthen economists' views that the labor market was not a source of inflation. Still, most economists expected the Federal Reserve to raise interest rates this year to tame inflation fueled by the Middle East conflict.

Stock Market Valuation at Edge of Normal (Argus)

We have several ways of looking at market valuations, and most are signaling that stocks are reasonably valued, though not bargains. That said, our Stock/Bond Barometer asset-allocation model is indicating that bonds are the better value as interest rates have risen. The model goes back to 1960 and takes into account real-time prices, historical growth rates and forward-looking forecasts of short- and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in standard deviations to the mean, or sigma. The mean reading is a modest premium for stocks of 0.17 sigma, with a standard deviation of 1.06. So stocks normally sell for a slight premium valuation compared to bonds. The valuation level now is a 0.97 sigma premium for stocks, at the high end of the normal (+/- 1 sigma) range. Other valuation measures also show reasonable multiples for stocks. The forward P/E ratio for the S&P 500 is about 21, within the range of 15-24. On price/book, stocks are priced at the high end of the historical range of 5.5-1.8, given that tech stocks, with low capital bases, are the biggest component of the market.

The current S&P 500 dividend yield of 1.03% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 22% compared to the long-run average of 39%. On price/sales, the current ratio of 3.5 is above the historical average of 1.8, but well below the 4.0 multiple at the peak of the dot-com bubble. Further, the gap between the S&P 500 earnings yield and the benchmark 10 year government bond yield is 340 basis points, in line with the historical average and well below nosebleed valuation levels of 200 basis points.

Lastly, the ratio of the S&P 500 price to an ounce of gold is 1.7, within the normal range of 1-3. Valuation measures suggest to us that the stock market is not currently in danger of entering bubble territory.

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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	3.17%	0.7
CDA Prime	4.45%	0.0	CDA 10 year	3.55%	0.4
CDA 3 month T-Bill	2.29%	-0.5	CDA 20 year	3.83%	0.0
CDA 6 month T-Bill	2.38%	0.8	CDA 30 year	3.96%	0.0
CDA 1 Year	2.62%	1.6			
CDA 2 year	2.84%	1.0			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.33%	0.1
US Prime	6.75%	0.0	US 10 year	4.61%	-1.2
US 3 month T-Bill	3.74%	0.0	US 30 year	5.16%	-2.5
US 6 month T-Bill	3.96%	0.0	5YR Sovereign CDS	39.97	
US 1 Year	4.05%	0.8	10YR Sovereign CDS	49.16	
US 2 year	4.21%	1.6			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	718.78	0.00%	3.24%
BMO Laddered Preferred Shares (ETF)	13.03	0.00%	5.68%

Source: LSEG

Keep looking forward! Have a great day!

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