Financial HARTbeat

Bond Market
Aug 10th 2026

Good Morning,

Inflation Risk: Markets are watching whether inflation remains sticky enough to keep central banks hawkish.

Government Debt: Rising fiscal deficits and heavy Treasury issuance are putting upward pressure on long-term bond yields.

Growth vs. Geopolitics: Investors are weighing slowing economic growth against inflation risks from tariffs, energy prices, and geopolitical tensions.

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Chart of the Day: Tariffs/War causing US to raise rates?

		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	September 16, 2026	September 10, 2026
	Market-implied policy rate*	2.30%	3.87%	2.40%
	Spread vs. current rate	+5 bp	+12 bp	+15 bp
	Probability of…			
	… hike	21%	49%	60%
	… hold	79%	51%	40%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	0.3	0.7	0.9
	... next 6 months	-	1.3	1.4
	... next 12 months	-	1.7	-

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

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Top News

Canadian stock index futures are muted this morning, as investors weighed developments in the Middle East and fresh corporate earnings. The S&P/TSX Composite index notched a record high on Friday, posting its biggest weekly advance in four months.
Iran said it was nearing a final pact with Oman defining new shipping lanes between them through the Strait of Hormuz but repeated that the U.S. must meet other conditions, including compensation and an end to sanctions and military threats, before the strategic waterway is reopened. Iranian Foreign Ministry spokesman said during a press conference that the discussions also covered mechanisms for safe navigation, environmental protection, maritime services and combating crime, adding that such services would normally entail receiving payment in return.

Iran and the U.S. are not engaged in direct talks, a50nd U.S. President Donald Trump said in an interview with Axios that the U.S. was "low-keying" it with Iran. "We are only semi-negotiating with them. We are just watching Iran with its huge inflation and the fact they have no money". Oil prices were little changed, with West Texas Intermediate Crude trading at around $79.50 a barrel.

Despite a very strong Canadian jobs report on Friday, with employment jumping by 75,100 positions and the jobless rate falling for the third consecutive month, LSEG-data shows that the Bank of Canada is still widely expected to keep its interest rates unchanged during the September meeting.

Meanwhile, in the U.S., near term interest rate-hike bets eased after data on Friday showed the U.S. economy unexpectedly shed jobs in July. Traders are now pricing in a 44% chance of a rate hike in September. Readings of U.S. consumer and producer prices due later this week could be key to garnering clues on the Federal Reserve's monetary policy path, given Fed Chair Kevin Warsh's stance of offering muted forward guidance. Hot CPI numbers on Wednesday could leave the Federal Reserve with a dilemma as it will come on top of last week's data showing unexpected job losses in July. Economists polled by Reuters expect the July consumer price index to rise 3.4% year on year. Core CPI, which excludes volatile food and energy prices, is forecast to increase 2.5% annually. Producer price data due a day later will provide a fuller picture of inflation. CPI and PPI figures in the previous month were softer than

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expected, but inflation remained well above the Fed's 2% target. The Fed held rates steady last month, but three policymakers dissented in favour of a hike.

On the corporate front, the earnings calendar thins out this week, with semiconductor company Applied Materials and networking equipment maker Cisco among the few reporting. Of the 436 companies in the S&P 500 that have reported earnings to date for the June quarter, 85.1% have beaten analysts' expectations, according to LSEG data. The beat-rate stands well above the 67% seen in a typical quarter since 1994.

GARP Sectors (Argus)

Each month, we take a close look at an aspect of sector investing. This month, we are examining sector growth and valuation, which is often referred to as GARP investing (with GARP standing for Growth At A Reasonable Price). Investors hunting for GARP stocks that reasonably balance long-term growth prospects and current value characteristics might want to look at companies in the Financial, Materials, Energy, and Communication Services sectors. These are among the industry groups that are currentlyselling for PEGY (price/earnings)/(growth+yield) ratios at or below the S&P 500's ratio of 1.7. To generate the PEGY ratios, we use the P/E ratio for each sector based on forward earnings for the numerator. For the denominator, we average the growth rates for the past five years along with two years of forward estimates, this in order to achieve a less-volatile earnings growth rate trend. We then add the current yield to approximate total return. As an example, the current S&P 500 P/E ratio is 19, the current yield is 1.2%, and the historical growth rate is 10%. The formula is 19/(1.2+10.0) = 1.7. Based on our analysis of growth rates and valuations, along with other factors, we have established our current over-weight sectors as Information Technology, Financial, Industrial, and Materials. Our under-weight sectors are Consumer Staples and Consumer Discretionary.

Our Market-Weight sectors are Communication Services, Healthcare, Energy, Utilities, and Real Estate. selling for PEGY (price/earnings)/(growth+yield) ratios at or below the S&P 500's ratio of 1.7. To generate the PEGY ratios, we use the P/E ratio for each sector based on forward earnings for the numerator. For the denominator, we average the growth rates for the past five years along with two years of forward estimates, this in order to achieve a less-volatile earnings growth rate trend. We then add the

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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	3.30%	3.5
CDA Prime	4.45%	0.0	CDA 10 year	3.67%	3.0
CDA 3 month T-Bill	2.29%	-0.1	CDA 20 year	3.92%	1.3
CDA 6 month T-Bill	2.40%	1.0	CDA 30 year	4.06%	2.1
CDA 1 Year	2.69%	2.5			
CDA 2 year	2.99%	2.7			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.38%	1.9
US Prime	6.75%	0.0	US 10 year	4.67%	0.8
US 3 month T-Bill	3.73%	1.0	US 30 year	5.21%	-0.1
US 6 month T-Bill	3.93%	0.4	5YR Sovereign CDS	39.24	
US 1 Year	4.03%	1.3	10YR Sovereign CDS	48.46	
US 2 year	4.23%	2.2			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	717.75	0.00%	3.09%
BMO Laddered Preferred Shares (ETF)	13.02	-0.04%	5.60%

Source: LSEG

Keep looking forward! Have a great day!

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