

Financial HARTbeat

The year of Geopolitics
Mar 25th 2026



Good Morning,

Pakistan in process of trying to broker a peace deal with Iran and USA...

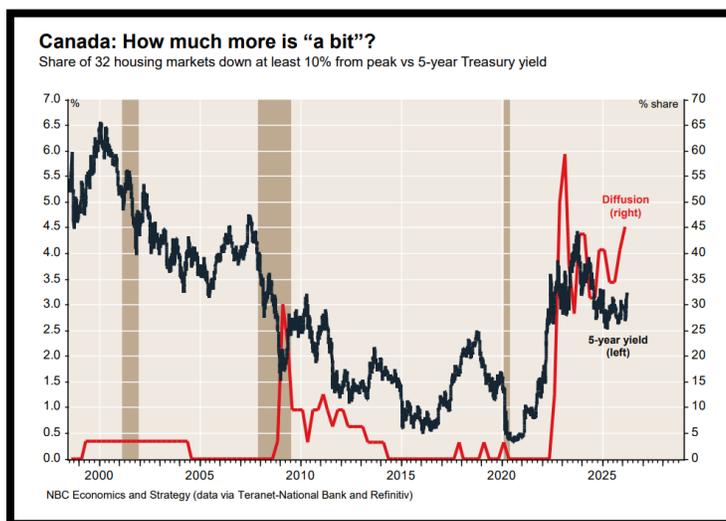
Belarus visits North Korea as the two allies meet to discuss world events..

Overnight rates have been spooked as the reminder of the covid shock still fresh in many central planners minds...however, does appear to be an overaction..

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

Also, catch the playback of our Annual Outlook [Click here](#)

Chart of the Day: Carolyn Rogers from the Bank of Canada says she would like to see house prices come down a “bit”...seems we have already seen a bit....what does this mean from here?



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Top News

U.S. stock index futures rose this morning after media reports that the U.S. was seeking a ceasefire in its war with Iran allayed some investor fears around prolonged energy supply disruptions. The New York Times reported that Washington sent Iran a 15-point plan to end the war. A senior Iranian official told Reuters that Pakistan has delivered a proposal from the United States to Iran, and either Pakistan or Turkey could be venues for discussions to de-escalate the war in the Gulf.

Tehran has so far denied in public that it would negotiate with the Trump administration. Global markets turned optimistic after the reports, hoping for a breakthrough that could help restore shipping through the crucial Strait of Hormuz. Oil prices sank more than 5%, supporting broader risk appetite. However, western allies trying to negotiate a way to protect the Strait of Hormuz for energy shipping face a stark reality: a similar effort in the Red Sea that started years earlier cost billions of dollars and ultimately failed against Yemen's Houthis.

So, investors should remain cautious about assuming a swift resumption of energy flows. BlackRock CEO Larry Fink said oil prices could reach \$150 a barrel and cause a "global recession" if Iran "remains a threat" even after the war ends. In the meantime, the spike in oil prices tied to the Iran conflict has revived inflation concerns, complicating the interest rate outlook of central banks. According to CME Group's FedWatch tool, markets are not pricing in any easing from the Federal Reserve this year, compared with two cuts anticipated before the war broke out.

In premarket moves, U.S.- listed shares of Arm jumped more than 12% after the company unveiled a new AI data center chip that is expected to bring billions of dollars in revenue. In Canada, futures tied to main stock index also climbed today amid a broader relief rally across global markets. Gold prices gained on a softer dollar, while the pullback in energy prices could offer some relief to central banks.

Traders expect the Bank of Canada to hold rates at its April meeting, with two hikes priced in by year-end. On the economic front, U.S. import prices increased by the most in nearly four years in February



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as energy costs surged in anticipation of conflict in the Middle East, adding to signs that inflation is poised to accelerate in the months ahead. Import prices jumped 1.3% last month, after an upwardly revised 0.6% gain in January.

Economists polled by Reuters had forecast import prices, which exclude tariffs, increasing 0.5% after a previously reported 0.2% rise in January. In the 12 months through February, import prices advanced 1.3%. That was the largest year-on-year increase since February 2025 and followed a 0.3% increase in January. The government last week reported that producer prices increased by the most in seven months in February, driven by broad increases in services and goods.

A survey from S&P Global on Tuesday showed businesses paid more for inputs in March and asked higher prices for their goods and services, blaming soaring energy costs and supply chain disruptions.

Subtle Changes in the Yield Curve (Argus)

Since the onset of the war in Iran, the U.S. Treasury yield curve has maintained an upward slope, signaling economic growth in the quarters ahead. But it also has shifted a bit -- with nuanced implications for the economy and interest rates. First, the curve has pushed higher. Back in late February, the 2-year Treasury note yield was 3.4% and the 10-year yield was 4.0%. Now, those rates are 3.9% and 4.4%, respectively. This shift higher in the yield curve implies inflation may be poised to make a comeback, likely driven by higher energy prices. Second, the upward slope of the yield curve has flattened a bit. In late February, the spread between the 2-year and 10-year bonds was 60 basis points. Now, that is down to 50 basis points. This tightening of the yield curve points toward a potential slowdown in the rate of economic growth, though we note that the curve is nowhere near an inverted state (which has long been associated with economic weakness).

We anticipate the yield curve will maintain its upward slope through 2026. This assumes that the war in Iran ends in the not-too-distant future, oil prices come down off their highs, and the Fed, with a new chairman at the helm in May, can be in a position to lower short-term interest rates at least once later this year. At the long end of the curve, inflation and Fed policy are not the only factors influencing market rates of interest. Total U.S. sovereign debt is at 120% of GDP, meaning Treasury issuance can



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'crowd out' the bond market and drive up yields. And federal budget deficits continue to swell. The responses in the market should, in our view, continue to result in an upward-sloping yield curve that points toward solid intermediate-term economic growth.

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	3.14%	-8.3
CDA Prime	4.45%	0.0	CDA 10 year	3.49%	-7.7
CDA 3 month T-Bill	2.31%	0.0	CDA 20 year	3.79%	-7.0
CDA 6 month T-Bill	2.43%	0.0	CDA 30 year	3.89%	-7.0
CDA 1 Year	2.71%	0.0			
CDA 2 year	2.88%	-9.2			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	3.94%	-8.9
US Prime	6.75%	0.0	US 10 year	4.31%	-8.4
US 3 month T-Bill	3.62%	-1.1	US 30 year	4.88%	-6.1
US 6 month T-Bill	3.73%	-1.6	5YR Sovereign CDS	43.75	
US 1 Year	3.77%	-4.0	10YR Sovereign CDS	55.24	
US 2 year	3.85%	-8.2			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			689.53	0.03%	-0.96%
BMO Laddered Preferred Shares (ETF)			12.39	0.24%	0.49%

Source: LSEG

Things are looking up! Have a great day!

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