

Financial HARTbeat

Counter signals
Oct 2nd 2026



Good Morning,

Valuation favours bonds: The only clearly negative reading is valuation, signalling an unusually expensive stock-versus-bond relationship.

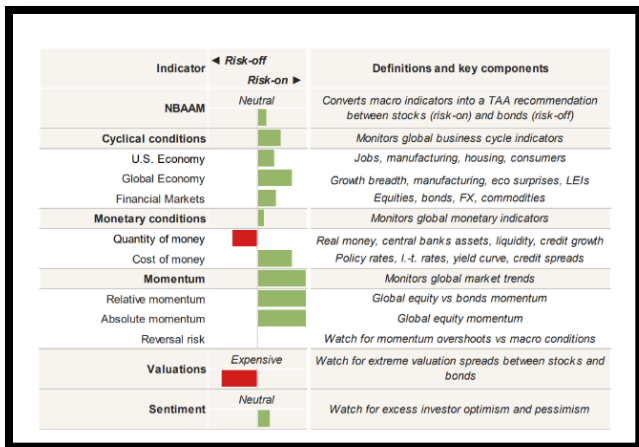
Momentum still favours stocks: Relative and absolute momentum remain strongly risk-on. Equity markets are still outperforming bonds, so the trend has not yet confirmed the valuation signal.

The economy is not confirming a defensive turn: U.S. and global cyclical indicators remain positive, while overall sentiment is neutral rather than euphoric.

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

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

Chart of the Day: AI Vendor Financing to watch..



CIO Office (data via Refinitiv). Data as of September 25, 2026.



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Top News

US stock index futures advance as Treasury yields retreat, driven by reduced odds of a rate increase this month, and softer oil prices steadied investor sentiment as they digest the jobs report. Nonfarm payrolls increased by 29,000 jobs last month after a downwardly revised 133,000 rise in August, the Labor Department's closely watched employment report showed this morning. Economists had forecast payrolls advancing 90,000 after a previously reported 162,000 surge in August.

The unemployment rate increased to a still-low 4.2% last month from 4.1% in August. Later, we'll also have August data on factory orders along with comments by Dallas Fed President Lorie Logan. Traders see a 76% chance of Fed rates staying unchanged in October, up from around 29% a week ago. Brent crude prices slipped below \$100 a barrel this morning after a report that the European Union discussed additional diesel and crude stock releases, even though there were no new updates on the resolution to the Middle East conflict.

Futures tied to Canada's blue-chip index edge higher this morning, joining a global relief rally as bond-market volatility eases. WTI crude oil prices fall more than 3% following reports of talks over additional diesel and crude stock releases. Gold prices are little changed but remained on track for a second straight weekly decline as a stronger US dollar and elevated Treasury yields weigh.

Bank of Canada Senior Deputy Governor Carolyn Rogers said restoring housing affordability will take time and require more housing supply, improved planning and infrastructure. European stocks rebound this morning after a sharp selloff driven by a bond market rout, while investors parse inflation data for fresh clues on monetary policy. Data showed inflation in the 21 nations sharing the euro currency jumped to 3.8% in September from 3.2% a month earlier, exceeding expectations for 3.6%, driven primarily by fuel, natural gas, and to a lesser extent, food costs. A closely watched 'core' figure, which excludes volatile food and fuel prices and signals underlying trends, accelerated to 2.5% from 2.4%.



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The ECB lifted interest rates last month, and traders are currently pricing in 81.8% chances of a rate hike in December. France presented its 2027 budget, seeking to enact unpopular belt-tightening measures aimed at reducing the deficit and reassuring bond markets ahead of next year's presidential election. Late last month, France's 10-year borrowing costs reached the highest since the global financial crisis in 2008.

Hong Kong stocks posted their steepest one-day decline in more than six months on the first trading day of October, as a surge in the 10-year US Treasury yield to a more-than-two-decade high and rising oil prices weighed on risk sentiment. China's onshore financial markets are closed from October 1 until October 7 for the National Day holidays.

Japan's Nikkei 225 retreated from a 6-week high as investors locked in gains and turned cautious over the outlook for interest rates, inflation, and geopolitical risks. Data showed core inflation in Tokyo accelerated in September at the fastest pace in 10 months, bolstering the case for further rate hikes. South Korean shares closed higher today, but posted a weekly loss.

Soft Jobs Cool Interest Rates (Argus)

The Bureau of Labor Statistics (BLS) has released the Employment Situation for September. The U.S. added 29,000 nonfarm jobs, helped by increases in healthcare and construction, while employment in financial activities declined. Private payrolls were up 46,000, while the government category lost 17,000 jobs, with federal down 1,000. Our forecast was for an increase of 115,000 new jobs in September, while the consensus was 90,000. August's payrolls were revised lower by 29,000 to 133,000 and July was reduced by 31,000 to a loss of 10,000 jobs. September's results and the revisions reduced the three-month average to 51,000 from 71,000. The unemployment rate rose to 4.2%, which was higher than our estimate of 4.0% and the consensus of 4.1%. The labor force participation rate increased by 0.02%, meaning more job growth would have been needed to hold unemployment steady. Average hourly earnings increased \$0.05 month to month and are 3.0% higher year over year. The average workweek remained at 34.4 hours. Employment showed little change in mining, quarrying, and oil and gas extraction; wholesale trade; retail trade; transportation and warehousing; information; professional and



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business services; social assistance; leisure and hospitality; and other services. The manufacturing sector added 9,000 jobs and construction added 11,000.

Stock futures rose after the report and the yield on the 10-year Treasury declined by five basis points to 5.18%. The yield on the two-year Treasury, which is closely tied to expectations for monetary policy, was down by five basis points to 4.73%. Based on futures, traders became more hawkish. The probability of a pre-election rate hike at the October 27-28 meeting decreased to 16.1% from 21.6%. There was no expectation that the Fed would reduce the 3.75%-4.0% target range before or after the report. The probability that the funds rate will be 4.0%-4.25% (25 basis points higher) at the end of the year rose to 63.8% from 61.4%, but the probability that rates will be higher by 50 basis points decreased to 11.3% from 19.2%.

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	3.57%	-3.0
CDA Prime	4.45%	0.0	CDA 10 year	3.90%	-3.3
CDA 3 month T-Bill	2.40%	0.2	CDA 20 year	4.15%	-2.7
CDA 6 month T-Bill	2.55%	-1.0	CDA 30 year	4.25%	-2.7
CDA 1 Year	2.90%	-1.0			
CDA 2 year	3.23%	-2.9			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.75-4.00%	0.0	US 5 year	4.99%	-1.4
US Prime	7.00%	0.0	US 10 year	5.22%	-1.4
US 3 month T-Bill	4.01%	1.7	US 30 year	5.59%	-1.1
US 6 month T-Bill	4.27%	0.1	5YR Sovereign CDS	42.74	
US 1 Year	4.42%	-1.0	10YR Sovereign CDS	51.71	
US 2 year	4.78%	-0.8			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	695.54	0.01%	-0.10%		
BMO Laddered Preferred Shares (ETF)	12.73	0.08%	3.24%		

Source: LSEG

Keep looking forward! Have a great day!

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