

Financial HARTbeat

85 Officials Granted Clemency
Oct 13th 2026



Good Morning,

Reuters found that President Trump granted clemency to at least 85 public officials facing corruption-related charges or convictions, the vast majority of whom were Republicans, Republican appointees, or public supporters of Trump and the MAGA movement. The recipients collectively avoided about **130 years of prison time and more than \$15 million in fines and penalties**.

Critics, including former prosecutors and legal experts, argue these pardons weaken public-corruption enforcement and accountability, especially as the DOJ's Public Integrity Section and FBI anti-corruption efforts have been scaled back. Supporters of the pardons contend that many recipients were victims of politically motivated prosecutions.

The article highlights several high-profile examples, including Nevada official Michele Fiore, convicted of charity fraud before being pardoned, and Tennessee lawmakers convicted in a bribery scheme who later received pardons. Reuters argues the pardons often benefited political allies and sent a message that loyalty to Trump could lead to clemency, while some Republicans themselves criticized the decisions as undermining public trust.

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Chart of the Day: Hold...

	 Bank of Canada	 Federal Reserve	 European Central Bank
President / Chair	Tiff Macklem	Kevin Warsh	Christine Lagarde
Policy rate	Overnight rate	Fed Funds rate	Deposit facility rate
Current policy rate	2.25%	4.00%	2.50%
Next meeting date	October 28, 2026	October 28, 2026	October 29, 2026
Market-implied policy rate*	2.36%	4.05%	2.49%
Spread vs. current rate	+11 bp	+5 bp	-1 bp
Probability of...			
... hike	44%	19%	0%
... hold	56%	81%	95%
... cut	0%	0%	5%
25bps hikes (cuts) priced in...			
... next 3 months	0.9	1.0	0.7
... next 6 months	-	2.1	1.7
... next 12 months	-	3.2	-

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



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Top News

In Canada, the TSX posted its biggest gain in five weeks on Friday after soft jobs data reduced expectations for another Bank of Canada rate increase, with markets now seeing just a 28% chance of a hike at this month's meeting. This morning, the Canadian benchmark stock index futures rose as bond yields steadied and precious-metal prices edged higher, which helped the domestic market shrug off a global selloff in semiconductor shares. Global equities came under pressure after reports of rapid advances by Chinese memory-chip maker CXMT sparked worries that China is closing the technology gap. The MSCI's main world stocks index dipped, with tech-heavy stock markets of Asia and the United States feeling the brunt of the selloff. US Nasdaq futures dropped the most in North America, with memory chipmaker Micron Technology down almost 4% in premarket trading and Nvidia, down almost 1%.

South Korea's KOSPI, a market at the heart of the global AI boom, sank more than 5%, in its sharpest one-day drop since mid-August.

European stocks bucked the trend, helped by limited exposure to the tech sector as well as a drop in oil prices. Oil prices eased as traders assessed supply risks from attacks on Saudi Arabia while weighing the prospect of additional diesel supplies from Russia. Brent crude futures dipped to \$104.76 per barrel, holding just below a two-week high touched a day earlier. In bond markets, the benchmark 10 year yield dipped as low as 5.187% this morning, inching away from the 24 year high of 5.364% it hit last week. A toxic mix of inflationary pressure from elevated energy prices and worries about ballooning government debt has triggered several bond selloffs in recent weeks, pushing borrowing costs to multi-decade highs across the globe.

Traders are awaiting US inflation data on Wednesday for clues on the Federal Reserve's policy path. They are pricing in an 80.6% chance that it holds rates steady later this month, up from 51% a month earlier. However, according to LSEG data, markets are still pricing in at least one additional 25-basis-point Fed rate hike before year-end. Investor attention is shifting to corporate earnings, with major US banks kicking off the reporting season today, which is expected to provide a gauge on the impact of the recent surge in Treasury yields on dealmaking, lending growth and funding costs.



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JPMorgan Chase fell short of quarterly profit estimates for the first time in nearly three years as market volatility and an uncertain economic outlook dampened dealmaking and reduced bond market trading activity in recent months. However, the stock reversed early losses in premarket trading and was last up almost 1%, after falling nearly 3% shortly after the results were released. Following other quarterly releases, Wells Fargo dropped, while Goldman Sachs climbed about 3%.

Elsewhere, the International Monetary Fund on Tuesday flagged significant growth and financial stability risks from a potential ending of the AI investment boom, growing debt levels and a prolonged Middle East conflict. The IMF forecast global growth at 3.1% for 2026, a slight uptick from a 3.0% forecast in July as still-strong AI infrastructure investment offset higher oil prices caused by the war in the Middle East. The IMF also predicts 3.4% growth in 2027, but that is based on assumptions that the Strait of Hormuz reopens by March and shipping conditions return to the pre-war situation by October 2027.

Don't Overlook Small- and Mid-Caps (Argus)

Despite bursts of volatility, small- and mid-cap stocks (SMID) have outperformed large-caps year to date. And looking ahead, SMID stocks may be in a better position to generate market-beating returns. For one thing, SMID companies tend to focus on domestic markets, so their businesses could be less disrupted by the trade and tariff debate, fallout from unrest in the Middle East, the Russian invasion of Ukraine, issues in China, or other geopolitical developments. As well, higher interest rates as the Federal Reserve tightens policy could signal a stronger domestic economy for companies of all sizes. In addition, the prices of SMID stocks generally are lower than the prices of large-caps, with the P/E ratio on the Russell 2000 SmallCap Index at 17, compared to a trailing P/E near 25 for the S&P 500.

Finally, there are long stretches in the record books when SMID stocks have outperformed large-caps. Indeed, from 2003-2021, the Russell 2000 Index climbed 450%, compared to an advance of 330% for the S&P 500. That said, SMID stocks can be risky. The standard deviation for monthly returns was 5.7% for SMID stocks during 2003-2026, versus 4.2% for large-caps. SMID stocks fell further in negative years during our test period when they did fall, with an average 15% drop versus a 12% pullback for large-caps. Still, despite the risks, diversified investors look to have exposure to small-caps and mid-caps based on



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the long-term performance record. We estimate that 10% of the U.S. stock market's capitalization is comprised of SMID stocks.

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	3.61%	0.0
CDA Prime	4.45%	0.0	CDA 10 year	3.95%	0.0
CDA 3 month T-Bill	2.41%	0.0	CDA 20 year	4.21%	0.0
CDA 6 month T-Bill	2.62%	0.0	CDA 30 year	4.32%	0.0
CDA 1 Year	2.94%	0.0			
CDA 2 year	3.24%	0.0			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.75-4.00%	0.0	US 5 year	5.07%	4.5
US Prime	7.00%	0.0	US 10 year	5.32%	4.7
US 3 month T-Bill	4.05%	1.0	US 30 year	5.69%	3.3
US 6 month T-Bill	4.31%	2.6	5YR Sovereign CDS	43.51	
US 1 Year	4.45%	4.1	10YR Sovereign CDS	52.24	
US 2 year	4.81%	4.2			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			699.14	0.05%	0.42%
BMO Laddered Preferred Shares (ETF)			12.81	0.39%	3.89%

Source: LSEG

Keep looking forward! Have a great day!

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