Financial HARTbeat

FOMC this week
Sept 14th 2026

Good Morning,

Inflation vs. growth is the battle. Stronger-than-expected employment data and sticky inflation have pushed markets to consider another rate hike, but the Fed must balance inflation control against slowing economic momentum.
The dot plot may matter more than the rate decision. Even if rates are unchanged, a hawkish forecast showing fewer future cuts or higher long-run rates could push bond yields higher.
Long bonds could see the biggest move. Treasury yields have been pressured higher recently, so any sign the Fed is nearing the end of tightening would likely be welcomed by bond investors.

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Also, catch the playback of our Annual Outlook ***Click here***

Chart of the Day: Warsh in the hot seat…what does he do?

This week, the markets are expecting the Federal Reserve to raise their policy rate…

		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%	2.50%
Next meeting	Next meeting date	October 28, 2026	September 16, 2026	October 29, 2026
	Market-implied policy rate*	2.45%	3.97%	2.61%
	Spread vs. current rate	+20 bp	+22 bp	+11 bp
	Probability of…			
	… hike	78%	89%	43%
	… hold	22%	11%	57%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	1.5	1.8	1.3
	... next 6 months	-	2.7	2.6
	... next 12 months	-	3.7	-

*Derived from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).
CIO Office (data via Refinitiv). Data as of September 11, 2026.

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Top News

Futures lower to start the week, dragged by a selloff in AI heavyweights after top U.S. executives called for a slowdown in the development of artificial-intelligence technology citing safety concerns. Global AI-related stocks fell after Anthropic CEO Dario Amodei called for a slowdown of the development of AI capabilities, with other major tech figures backing the proposal. Amodei said in an essay on Saturday that AI companies need to slow the pace of innovation for their best models due to safety risks and told CBS News on Sunday that the “toughest dilemma” about such a proposal is what would happen if China did not do the same.

Meanwhile, OpenAI CEO Sam Altman said in a Saturday interview an IPO this year would be “ill-advised.” Billions of dollars poured into AI have powered a stratospheric rise in some technology and semiconductor stocks and have been critical to strong equity market gains over the past few years.

Oil prices rose after Saudi Arabia shuttered a key pipeline that bypasses the Strait of Hormuz. West Texas Intermediate crude futures were up 3% at above $103 per barrel, while Brent crude futures gained 3% to above $108. The Federal Reserve gathers for its September policy meeting this week. Fed funds futures traders are pricing in a roughly 88% likelihood of a rate hike, according to CME’s FedWatch tool.

Canada's annual inflation growth rate held at 3% in August, same as last month, as crude prices continued to stay firm affecting gasoline costs and food prices cooled only moderately, data showed on Monday. The next month's consumer price index data could show further strengthening as benchmark Brent crude price crossed $100 per barrel this month and U.S. President Donald Trump's new 50% tariffs and Canada's retaliatory measures impact costs for the full month.

European shares fell on Monday as technology stocks slumped after leaders of top AI companies pushed for a slower pace of development, while another surge in oil prices dampened broader risk appetite. Latvia's airBaltic voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code in New York, it said on Monday, as it seeks to restructure its debt pile and survive a deepening sector-wide crisis brought on by the Iran war.

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China stocks edged lower on Monday, as weakness in AI and semiconductor stocks offset gains in defensive sectors, with investors remaining cautious ahead of key global central bank decisions. Tech shares led declines, with the start-up board ChiNext Composite index weaker by 1.1% and Shanghai's tech-focused STAR50 index down 1.6%.

Japan's Nikkei share gauge lost ground on Monday, dragged down by technology shares after leaders of major AI companies called for a slowdown in development.

Pricing Pressures Not Extinguished Yet (Argus)

As the war in Iran drags on, oil prices have again hit the triple-digit per-barrel level, up 75% year-to-date. Because higher energy prices raise costs for every manufacturer as well as on the ultimate last-mile distribution of goods and services, it can be no surprise that inflation rates have remained stubbornly high this year, refusing to trend lower toward the Federal Reserve's 2.0% target.
These numbers again held up in two important inflation reports released last week. The first report was the Producer Price Index (PPI), which measures inflation pressures at the manufacturing level. The Bureau of Labor Statistics (BLS) reported that the PPI for August had risen at a 5.4% rate on an annual basis, up from the 4.8% rate reported for the prior month, while certain processed goods costs jumped 11.5%.

The second report was the Consumer Price Index (CPI), which is the most widely quoted inflation measure in the financial press. The CPI through August rose at a 3.4% rate year over year, as energy costs surged at a 16% rate. Neither of these reports offered any hint that inflation is back on a downward trek toward the Federal Reserve's goal. While the Fed has stayed on the sidelines for the year, the bond market has reacted to the inflation data by sending rates higher. Soon, the Fed may have to take action itself.

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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	3.66%	1.5
CDA Prime	4.45%	0.0	CDA 10 year	3.95%	1.0
CDA 3 month T-Bill	2.36%	2.0	CDA 20 year	4.17%	0.0
CDA 6 month T-Bill	2.61%	1.0	CDA 30 year	4.28%	0.4
CDA 1 Year	3.07%	3.0			
CDA 2 year	3.38%	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	4.80%	0.4
US Prime	6.75%	0.0	US 10 year	4.98%	0.2
US 3 month T-Bill	3.93%	0.5	US 30 year	5.36%	0.5
US 6 month T-Bill	4.17%	1.0	5YR Sovereign CDS	36.25	
US 1 Year	4.34%	-0.3	10YR Sovereign CDS	45.49	
US 2 year	4.64%	-0.7			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			712.57	0.00%	2.35%
BMO Laddered Preferred Shares (ETF)			13.05	0.00%	5.84%

Source: LSEG

Keep looking forward! Have a great day!

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