Financial HARTbeat

FOMC Day
Sept 16th 2026

Good Morning,

Warsh is on deck today…

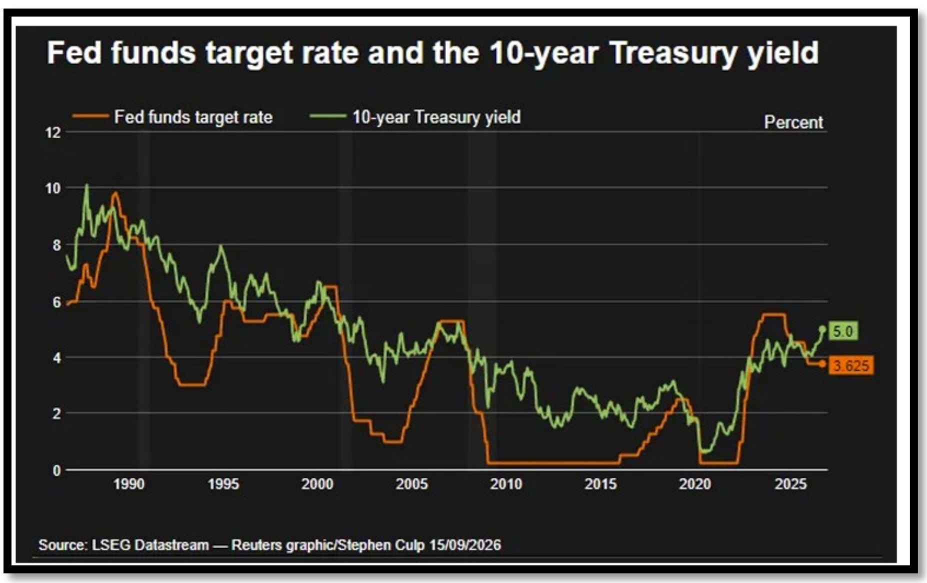
Hopefully a little less smug and starting to see that words have impacts…

Will he be a data dependent fed chair or take the pressure from the market..

Catch the playback of our Weekly Roundup [Click here]

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

Chart of the Day: Could yields stop rising once they raise interest rates?? (odd but very likely)



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Top News

U.S. futures edged higher on Wednesday ahead of a pivotal interest rate decision from the Federal Reserve that could mark the beginning of a new hiking cycle over the next few months. The rate move, scheduled to be announced at 2 p.m., will be crucial to investor sentiment at a time when elevated Treasury yields, inflation and the escalating Middle East conflict have kept risk appetite in check.

Investors are also expected to focus on Fed Chair Kevin Warsh's post-decision remarks for clues on the inflation outlook and the likely path of rates. Futures markets were pricing in a quarter-point hike for Wednesday with 92.7% odds, according to the CME FedWatch tool. Odds of an additional quarter-point hike were 41% for the Fed's October meeting and 27% for the Fed's December meeting. The current target rate range is 3.5% to 3.75%.

U.S. retail sales rebounded more than expected in August as households stepped up purchases of motor vehicles and stocked up for the new school year, reinforcing the economy's resilience even as consumers grow more anxious about high inflation. Retail sales jumped 1.2% last month after a revised 0.5% drop in July, which was the first decline in nine months, the Commerce Department's Census Bureau said on Wednesday. Economists polled by Reuters had forecast retail sales, which are mostly goods and are not adjusted for inflation, rebounding 0.8% after a previously reported 0.6% drop in July. Estimates ranged from as low as a 0.2% gain to as high as a 1.1% increase.

Oil prices fell on Wednesday as reports that Saudi Arabia was offering additional crude cargoes via Oman eased concerns about the scale of Middle East supply disruptions, while European diesel prices hovered near a record high. London shares inched higher on Wednesday as oil retreated, while traders awaited the key U.S. Federal Reserve decision on interest rate hikes due later this day.

British inflation accelerated to a five-month high of 3.1% in August, but measures excluding surging energy prices held stable, official figures showed on Wednesday, a day before the Bank of England is expected to keep interest rates on hold.

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Japan's Nikkei share gauge rose for the first time in four sessions on Wednesday, driven by energy producers on elevated oil prices. Japan posted its largest increase in imports in nearly four years in August as higher oil prices lifted energy costs, while exports rose for a 12th month on resilient semiconductor-related demand, government data showed on Wednesday. Total imports by value grew 28% from a year earlier in August, the largest increase since November 2022, Ministry of Finance data showed, as elevated crude oil prices boosted energy imports despite the yen's spike after a rare joint yen-buying intervention with the United States.

Mainland China and Hong Kong stocks ended higher on Wednesday, led by tech shares, but gains were capped as investors held back from large bets ahead of the U.S. Federal Reserve's policy decision later in the day.

The U.S. Economy: A Good Mystery (Argus)

"If you too like a good mystery, then you like the U.S. economy." Those were the words of Tom Barkin, the president of the Federal Reserve Bank of Richmond in a speech last month. Mr. Barkin, who will be a voting member on the rotating Federal Open Market Committee (FOMC) in 2027, shared his "deductions" on four mysteries in the U.S. economy, which are: remarkable resilience despite a slew of challenges; strong investment; the steady labor market; and stubborn inflation. These happen to be themes in our forecast for GDP to grow 2.2% (up from 2.1%) in 2026 and 2.2% again in 2027. We expect consumer spending to grow about 2% in both years, which is a solid performance considering inflation, modest wage growth, and rising interest rates. We are making a small reduction to our already cautious outlook for housing.

We expect strong investment in Artificial Intelligence to continue, even with rising borrowing costs. Why? Companies anticipate returns on these investments that are substantially higher than their cost of capital. One thing we find mysterious is that new car sales have been strong amid high prices and rising rates. This could be because new car buyers tend to be from the affluent part of the K-shaped economy. A number of banks are experiencing weak demand for housing-related loans, and are generating business by offering attractive rates on car loans to buyers with strong credit. As for Mr. Barkin's sleuthing, he sees 4.1% unemployment and a record 59 months below 4.5% as a key to the economy's resilience. He notes

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strong earnings as a clue to strong business investment, and the delicate balance of slow labor demand and slow labor supply growth as clues to the steady labor market. As for inflation, the mystery, Barkin said, is not whether the Fed will get it back to 2%, but how. This afternoon, we'll get the whodunit. Do the FOMC members think the current level of interest rates is restrictive enough to bring inflation down to its target, or will they hike rates?

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	3.62%	-3.5
CDA Prime	4.45%	0.0	CDA 10 year	3.92%	-3.4
CDA 3 month T-Bill	2.35%	0.7	CDA 20 year	4.15%	-3.0
CDA 6 month T-Bill	2.60%	-1.0	CDA 30 year	4.26%	-2.8
CDA 1 Year	3.01%	-2.0			
CDA 2 year	3.32%	-3.9			
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%	-2.3
US Prime	6.75%	0.0	US 10 year	4.98%	-1.7
US 3 month T-Bill	3.96%	-0.5	US 30 year	5.35%	-1.3
US 6 month T-Bill	4.20%	-0.8	5YR Sovereign CDS	35.24	
US 1 Year	4.34%	-3.6	10YR Sovereign CDS	44.21	
US 2 year	4.64%	-2.7			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			709.17	-0.02%	1.86%
BMO Laddered Preferred Shares (ETF)			13.02	-0.15%	5.60%

Source: LSEG

Keep looking forward! Have a great day!

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