Financial HARTbeat

Rates
Sept 17th 2026

Good Morning,

Well, FOMC delivered their rate increase….while at the same time saying inflation is in the band…but inherently you would think rates would go up (prices down), However that is exactly the opposite of what has happened so far…rates down everywhere it the world…

Bank of England decided to hold on any increases at today's meeting….even with inflation showing a 4% handle on it…

So what happens now…do we get follow through of just short covering today?

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

Chart of the Day: Our view unchanged with all the noise…

Financial Forecast**

	Current 9/03/26	Q3 2026	Q4 2026	Q1 2027	Q2 2027	2025	2026	2027
Overnight rate	2.25	2.25	2.25	2.50	2.75	2.25	2.25	2.75
Prime rate	4.45	4.45	4.45	4.70	4.95	4.45	4.45	4.95
3 month T-Bills	2.30	2.30	2.40	2.70	2.80	2.20	2.40	2.80
Treasury yield curve								
2-Year	3.11	3.05	2.95	3.05	3.15	2.59	2.95	3.10
5-Year	3.42	3.35	3.25	3.35	3.30	2.98	3.25	3.25
10-Year	3.80	3.75	3.70	3.65	3.65	3.44	3.70	3.65
30-Year	4.18	4.20	4.25	4.25	4.20	3.86	4.25	4.10
CAD per USD	1.38	1.40	1.37	1.35	1.33	1.37	1.37	1.31
Oil price (WTI), U.S.$	93	85	85	84	83	57	85	80

*** end of period*

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Top News

US futures climb on Thursday as retreating oil prices bolstered confidence, with the Federal Reserve's first interest-rate hike under Chair Kevin Warsh reassuring investors of the central bank's resolve to combat inflation. Yesterday the Fed raised the overnight federal funds rate by a quarter percentage point, bringing the target range to between 3.75% and 4%. Policymakers also signaled another hike could come this year, with Fed Chairman Kevin Warsh saying that inflation remains too high. The uncertainty over how high interest rates could ultimately rise is likely to keep stocks and bonds volatile in the weeks ahead. Traders see a near 58% chance of another increase when central bankers meet next in October, compared with nearly 44% a day ago, according to CME's FedWatch.

The number of Americans filing claims for unemployment benefits unexpectedly fell last week,but the decline likely overstates the health of the labor market. Initial claims for state unemployment benefits dropped 10,000 to a seasonally adjusted 196,000 for the week ended September 12, the Labor Department said on Thursday. Economists polled by Reuters had forecast 208,000 claims for the latest week. The surprise drop likely reflected volatility around last week's Labor Day holiday. Claims are difficult to adjust for seasonal fluctuations around moving public holidays.

Japan's Nikkei share average rose on Thursday as investors snapped up beaten-down gaming and pharmaceutical stocks, while sentiment was supported by lower crude oil prices. Short-dated Japanese government bond (JGB) yields rose to their highest since April 1995 on Thursday, buoyed by expectations for the Bank of Japan to raise interest rates on Friday after the Federal Reserve tightened policy overnight.

China and Hong Kong stock benchmarks declined on Thursday, with rate-sensitive sectors, including gold, non-ferrous metals and properties, slipping after the U.S. raised interest rates for the first time in three years. The Hong Kong Monetary Authority (HKMA) raised its base interest rate charged via the overnight discount window by 25 basis points to 4.25% on Thursday, tracking a hike by the US Federal Reserve.

The Bank of England predicted British inflation will top 4% early next year as it held interest rates unchanged on Thursday, and Governor Andrew Bailey warned explicitly that prolonged conflict in the

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Middle East may require tighter policy. Alongside an unexpected decision to pause all the BoE's active sales of gilts for the next six months, the Monetary Policy Committee again voted 6-3 to keep interest rates at 3.75%. Three members voted for a rise to 4%, in line with economists' median forecast in a Reuters poll.

A New Fed Cycle Has Begun (Argus)

After years of pressure on former Federal Reserve Chairman Jerome Powell to lower rates, the conventional wisdom was that the new Fed chair might be quick to bring interest costs down. Yet the Fed's first interest-rate move under Kevin Warsh was a hike, announced yesterday. Yes, conditions have changed since the beginning of the year. There is now a war in Iran, disrupting supply chains and economies throughout the Middle East and sending oil prices up almost 75% year to date. And those higher energy prices are trickling through just about every part of the economy. The bond market has been pushing for higher rates for months, as the 2-year Treasury climbed from 3.5% early in the year to 4.65% recently.

What's next for the fed funds rate? Looking at the record over the past 30 years, there has not been a rate-hike cycle with just one change. During that time, the Fed has raised rates during five different periods, in 1994, 1999, 2004, 2016, and 2023. Those five rate cycles averaged 27 months in length, or a little longer than two years. Rates have risen during these up-cycles on average 325 basis points. Will this time be different? We think that's likely. For one thing, rates are starting at a higher level than in previous cycles. In fact, in the previous two up-cycles, the fed funds rate started at zero. For another, we think that percolating inflationary pressures can cool off once the war in Iran is over and oil prices fall back to perhaps the $60-$70 level. Our outlook now calls for one more hike to the fed funds rate this year, and then for the central bank to move to the sideline in 2027 and watch to see if inflation starts to head lower.

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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	3.57%	-9.2
CDA Prime	4.45%	0.0	CDA 10 year	3.85%	-9.1
CDA 3 month T-Bill	2.36%	1.0	CDA 20 year	4.09%	-7.6
CDA 6 month T-Bill	2.58%	-2.8	CDA 30 year	4.19%	-7.6
CDA 1 Year	3.00%	-3.5			
CDA 2 year	3.29%	-8.7			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4.00%	25.0	US 5 year	4.80%	-5.0
US Prime	7.00%	25.0	US 10 year	4.95%	-4.9
US 3 month T-Bill	3.97%	-0.8	US 30 year	5.31%	-4.0
US 6 month T-Bill	4.24%	-0.1	5YR Sovereign CDS	35.24	
US 1 Year	4.41%	-1.4	10YR Sovereign CDS	44.21	
US 2 year	4.69%	-4.2			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			706.89	-0.07%	1.53%
BMO Laddered Preferred Shares (ETF)			12.95	-0.50%	5.03%

Source: LSEG

Keep looking forward! Have a great day!

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