Financial HARTbeat

BOJ
Sept 18th 2026

Good Morning,

BOJ raised interest rates by 0.25% to 1.25%, the highest level since 1995. The central bank said it is concerned inflation could rise above its 2% target and wants to continue normalizing policy.

Higher Japanese rates can pull money back into Japan. As Japanese yields become more attractive, investors may reduce overseas bond and equity holdings, creating potential pressure on global stocks and bonds, especially if capital is repatriated.

The move is supportive for the yen and could tighten global liquidity. Markets are watching for a stronger yen and reduced use of the "yen carry trade" (borrowing cheaply in yen to buy higher-yielding assets), which can increase volatility across equities, commodities, and credit markets.

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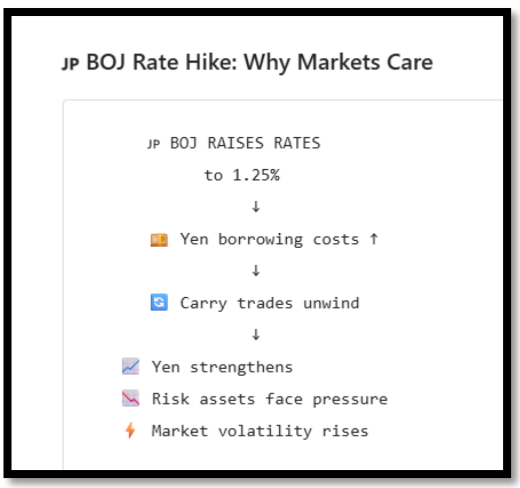
Also, catch the playback of our Annual Outlook [Click here]

Chart of the Day: BOJ on the rise…



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Ben Hart
Senior Wealth Advisor & Portfolio Manager
› 613-760-3788
› ben.hart@nbc.ca

National Bank Financial - Wealth Management
50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2

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Top News

Futures were pointing to lower open on Friday, a day after the major averages rose following Wednesday's first Federal Reserve interest rate hike in three years. Stocks posted a comeback yesterday, one day after the Fed's decision to raise rates by a quarter percentage point, while suggesting of at least one more rate increase this year that drove major market averages lower Wednesday. Treasury yields increased, weighing on equity futures.

The 10-year yield, which climbed above 5% to hit its highest level since July 2007 this week, rose more than 3 basis points to 4.98%. Investors are reassessed their outlook for AI demand this week after top industry executives urged a slowdown in the development of the technology. There is little clarity on what such a slowdown would look like. Earnings season still a month away, therefore commentary from top industry executives at a string of conferences this week gave markets an early read on corporate health and helped shape sentiment.

Oil prices fell on Friday, extending losses for a third straight session as easing concerns over Saudi supply disruptions outweighed anxiety about a widening of conflict across the Middle East. The declines have helped ease concerns surrounding price pressures, as the Middle East supply shock remains one of the biggest worries on the inflation front.

Europe's STOXX 600 slipped on Friday, led by losses in telecom stocks, but remained on track for modest weekly gains in a week marked by a retreat in oil prices and interest rate decisions by several central banks. Telecommunication stocks were down, with Airtel Africa falling 8.7% to become the STOXX's top decliner after Bloomberg News reported that its unit Airtel Money is considering downsizing its London IPO.

China stocks rebounded on Friday with the blue-chip CSI300 Index logging its best day in a month, while Hong Kong shares also gained as traders expect trade tensions to ease after next week's meeting between the U.S. and Chinese presidents.

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Senior Wealth Advisor & Portfolio Manager
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Ottawa, ON K1P 6L2

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The Bank of Japan raised interest rates to a 31-year high on Friday, with its governor signalling the central bank has entered a new phase focused on preventing inflation from overshooting its target, opening the door to further rate hikes. But the hawkish message failed to rally the yen. Instead, the currency weakened as investors seized on dissent from two policymakers who argued the BOJ should remain patient in raising borrowing costs. Japan's core consumer inflation held steady near the central bank's 2% target in August, data showed on Friday, highlighting mounting price pressures that solidify the case for a near-term interest rate hike.

A New Fed Cycle Has Begun (Argus)

Trade Tensions with Canada Heat Up Internal Use Only | September 18, 2026 Trade tensions continue to dominate Canadian/U.S. news flow, this after the U.S. imposed 50% tariffs on a variety on Canadian products in August, purportedly due to concerns that Canada discriminated against key U.S. exports (namely autos, alcoholic beverages, and dairy products), as well as ongoing disputes over border security. Canada retaliated with counter-tariffs in early September, applying rates of 15%-50% on some C$28 billion of U.S. imports, including steel/aluminum, dairy, appliances, pulp and paper, plastics, and electronics. The measures not only raise cross-border costs between the countries, but also supply-chain and inflation risks.

Canada's response has been noteworthy, and we think implies a long-term stance toward counter measures (for example, announcing a C$7.5 billion support package for affected Canadian workers and businesses to ride through the next few years of potentially slower exports). Canada hosted an Investment Summit in mid-September and is targeting C$1 trillion of new investment over the next five years, with a focus on energy and large-scale infrastructure projects. It also is eyeing trade expansion with the European Union. With about 70% of its total exports going to the U.S., Canada's desire to diversify its export partners makes sense for the longer term. Meanwhile, in the near term, high oil prices have been a boon to the Canadian economy, which is the sixth-largest energy producer in the world. We continue to favor select companies in the Canadian market for country diversification and growth opportunities.

Ben Hart
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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	3.56%	3.0
CDA Prime	4.45%	0.0	CDA 10 year	3.85%	2.2
CDA 3 month T-Bill	2.35%	0.0	CDA 20 year	4.07%	1.0
CDA 6 month T-Bill	2.59%	0.5	CDA 30 year	4.17%	0.5
CDA 1 Year	3.00%	2.0			
CDA 2 year	3.29%	2.7			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4.00%	0.0	US 5 year	4.83%	3.3
US Prime	7.00%	0.0	US 10 year	4.97%	2.7
US 3 month T-Bill	3.98%	0.1	US 30 year	5.31%	1.0
US 6 month T-Bill	4.25%	0.4	5YR Sovereign CDS	35.25	
US 1 Year	4.39%	1.8	10YR Sovereign CDS	44.21	
US 2 year	4.72%	3.0			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	707.25	0.03%	1.58%
BMO Laddered Preferred Shares (ETF)	12.98	0.23%	5.27%

Source: LSEG

Keep looking forward! Have a great day!

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