Financial HARTbeat

Oil tax
Sept 21st 2026

Good Morning,

Higher Oil prices is a tax on the consumer…

Higher Oil prices slows the economy…(with exception of Alberta)

Should central banks tighten (increase rates) into a Oil shock?   Historically that has caused economic contraction…but we are headed that way and think ahead and prepare for what this means for risk assets..

Catch the playback of our Weekly Roundup [Click here]

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

Chart of the Day: What's ahead..

		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%	4.00%	2.50%
Next meeting	Next meeting date	October 28, 2026	October 28, 2026	October 29, 2026
	Market-implied policy rate*	2.45%	4.14%	2.58%
	Spread vs. current rate	+20 bp	+14 bp	+8 bp
	Probability of…			
	… hike	78%	55%	33%
	… hold	22%	45%	67%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in…			
	… next 3 months	1.4	1.1	1.4
	… next 6 months	-	2.1	2.6
	… 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

Canadian stocks futures edged higher this morning after oil prices dropped more than 2% on hopes for diplomatic progress between the US and Iran, while investors awaited remarks from the Bank of Canada governor. Oil prices declined to their lowest in 11 days, following the announcement that Iranian President Masoud Pezeshkian is expected to attend the United Nations General Assembly in New York this week, and US President Donald Trump has said he would be open to meeting him.

Bank of Canada Governor Tiff Macklem is scheduled to speak later in the day, and investors will be looking for clues on the central bank's future policy path. According to data compiled by LSEG, traders have priced in a 60% probability that the Bank of Canada will raise interest rates at its meeting next month.

Separately, Canadian PM Carney and French President Macron pledged closer ties to grapple with rising geopolitical tensions, climate change and the erosion of democratic values during their meeting on Sunday.

In the U.S., stock futures were also trading higher today, driven by gains in AI shares as Treasury yields dropped and oil slid. Doomsday calls from bosses at top AI companies a week ago had sparked a rout, but those concerns seemed to dissipate today as investors focused on indications spending on developing the technology was still expanding. Chip companies such as Intel rose more than 5%. Marvell, Meta and Dell added more than 2% each. Accenture also gained and was up more than 6% after partnering with Anthropic to invest $2 billion in AI evaluation. Despite today's enthusiasm, investors are still wary of the interest-rate outlook after a recent pickup in inflation prompted the US Federal Reserve to raise rates for the first time in three years.

Markets see a 53% chance of another rate hike next month. Commentaries from at least 10 central bank policymakers are due this week. Chicago Fed President Austan Goolsbee said there was "no ambiguity" about the need for higher interest rates, with inflation pressures now moving beyond tariffs and energy prices to strong demand.

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A diplomatic breakthrough between the United States and Denmark over the weekend regarding the status of Greenland also aided sentiment and will likely allay trade tensions between the countries.

Investors are also looking at the China-US summit on Thursday in hope it could potentially extend the trade truce between the two superpowers and likely touch on topics such as the Iran war as well as regulation on AI advancement. Regarding AI, Treasury Secretary Scott Bessent and Chinese Vice Premier He Lifeng concluded talks on Sunday during which the US Treasury secretary proposed a new mechanism for AI safety notifications. MS NOW, CNN and Politico said on Monday they were suing the Trump Administration to protect their First Amendment rights after President Donald Trump's announcement that he would ban the news outlets from the White House's building grounds.

Pumping the Brakes on AI (Argus) (BH-can't stop a runaway train..)

The AI trade, which has been the sturdiest part of the market since ChatGPT was launched in November 2022, has been shaken by reports that AI development needs "guardrails" or the very fate of humanity could be at risk. Jacob Coxon, an AI researcher at Anthropic, publicly resigned recently citing concerns that industry-leading companies are racing toward AI super-intelligence without creating adequate safety measures. What is noteworthy about this particular resignation is that Anthropic CEO Dario Amodei and OpenAI CEO Sam Altman essentially agreed with Coxon.

In a subsequent essay, endorsed by industry leaders, CEO Amodei urged caution and said we must "slow the pace at which we improve the capabilities of AI models." Leading researchers are concerned about development of AI super-intelligence, wherein AI agents are "smarter" than we are and can be increasingly independent. Does this mean the AI trade is finished? We do not think so. We believe this kind of high-end research should be conducted with guardrails and that guardrails are in fact overdue. In our view, the market has conflated the science at the very frontier of AI development with everyday applications of agentic AI that are now being deployed rapidly.

At the enterprise level, companies are deploying trained models and using inference to implement agentic AI to bring more efficiency and cognition to repeatable processes, create tailored and bespoke customer experiences, and create more natural human-to-bot interactions, among other things. While

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noting that scientists must slow their pace, CEO Amodei noted that AI progress "will still seem fast." Nvidia CEO Jensen Huang, the "godfather" of AI, recommended a middle path, saying America must strive to win the global AI race while calling for independent scientists to evaluate the safety of new AI models. Argus believes the AI revolution is still in its early stages and that efforts to monitor the safety of advanced AI models are both necessary and productive.

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%	2.8
CDA Prime	4.45%	0.0	CDA 10 year	3.84%	2.1
CDA 3 month T-Bill	2.35%	0.0	CDA 20 year	4.07%	0.9
CDA 6 month T-Bill	2.59%	0.5	CDA 30 year	4.17%	0.4
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	4.40%	2.0	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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