

Financial HARTbeat

Canada vs USA
Sept 28th 2026



Good Morning,

What initially appeared to be a temporary strategic standoff along our borders is increasingly evolving into a deeper economic and political divide, with both sides becoming more entrenched in their respective positions.

Canada is now showing signs of building broad domestic support for a more coordinated economic response, focusing on trade diversification, investment resilience, and measures designed to reduce vulnerability to U.S. policy shifts.

The United States, by contrast, appears increasingly focused on advancing its broader global economic agenda, with less strategic emphasis being placed on the Canada-U.S. relationship than many had originally anticipated

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

Chart of the Day: I don't know on what planet we hike but maybe similar to USA ...we hike so we can cut next year?

	 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 date	October 28, 2026	October 28, 2026	October 29, 2026
Market-implied policy rate*	2.45%	4.16%	2.57%
Spread vs. current rate	+20 bp	+16 bp	+7 bp
Next meeting			
Probability of...			
... hike	78%	65%	29%
... hold	22%	35%	71%
... cut	0%	0%	0%
Rate cuts			
25bps hikes (cuts) priced in...			
... next 3 months	1.3	1.2	1.1
... next 6 months	-	2.2	2.5
... next 12 months	-	3.5	-

*Derived from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).



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Top News

U.S. stock index futures declined this morning after President Donald Trump rejected an Iranian proposal to end the conflict, leading to a spike in crude prices that rekindled inflation concerns and drove Treasury yields higher. Iran announced a peace proposal at last week's United Nations General Assembly in New York, saying it had been relayed to the United States through Qatari mediators. However, Trump announced this weekend that he had rejected the offer but said that he expected US negotiators to continue talks this week. In the meantime, crude prices jumped 4% to around \$108-a-barrel.

US-listed shares of precious metal miners were among top decliners as elevated yields weighed on prices of the non yielding assets. Investors got some relief on the trade front following the conclusion of the Sino-US summit last week where the trade partners agreed to cut tariffs imposed on \$60 billion worth of goods imported from each other. The countries also agreed to a two-month extension of their trade truce through to January 10. The jointly issued list of products set for tariff cuts include a broad range of US agricultural goods, from corn and wheat to meat and dairy, but top import item soybeans were excluded from a tariff-reduction list.

While the proposal identifies the covered products, it does not specify when the tariff cuts will take effect. More than 90% of the covered products will be exempt from all additional tariffs imposed on each other and will instead be subject to most-favoured-nation tariff rates, the commerce ministry said in a statement.

US soybeans, however, still face an additional tariff of 10%, which traders have warned is too high for private crushers to absorb, even as Chinese state buyers have stepped up purchases. Keeping soybeans on a separate track gives Beijing leverage in its dealings with Washington, especially ahead of the US midterm elections.

Chinese state-run agricultural companies have bought more than 12 million metric tons of US soybeans, nearly half the 25 million the White House has said Beijing committed to buying annually through 2028.



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Meanwhile, investors also continue to cope with the growing scrutiny and uncertainty surrounding AI, following several recent incidents of hacking by some AI agents, including one where OpenAI's models accessed publicly available information from US government websites.

With no economic data to be released today, investors will particularly focus on comments from policymakers Michelle Bowman, Lisa Cook and Thomas Barkin, all scheduled to speak today to see if they reiterate the hawkish shift in policy at the central bank since the last official meeting. In Canada, futures tracking the main stock index also fell today as market participants have their eyes on Canadian GDP data, due tomorrow, that could offer cues on economic momentum in the country.

Market Calm as Earnings Season Approaches (Argus)

Unemployment: How Low Can It Go? Internal Use Only | September 28, 2026 On Friday, the Bureau of Labor Statistics (BLS) will report the September unemployment rate. Our forecast is for a downtick to 4.0%, while the consensus is for the rate to be unchanged at 4.1%. The reason for our optimism is evidence of strong 3Q GDP growth. The Federal Reserve Bank of Atlanta's GDPNow is projecting 5% growth for the third quarter, up from 1.5% in 2Q. A "nowcast" is an enhanced tally of the indicators that have been released to date. Growth in real final sales to private domestic purchasers is projected to be up an annualized 4.8% in 3Q. This is a useful measure of economic output because it excludes the recently noisy trade balance, inventories, and government categories and focuses on the pillars of consumer spending and gross private fixed investment. Growth that is well above potential GDP could lead to job gains and lower unemployment. Potential GDP is the structural growth rate for the economy. It is currently about 2.2%. An additional indicator for lower unemployment is that both our 115,000 estimate for nonfarm payroll growth and consensus call of 90,000 are above a reasonable estimate of "breakeven."

The Atlanta Fed's Jobs Calculator estimates that it would take job gains of 72,900 per month to hold the unemployment rate at 4.1%. Empirically that looks reasonable. Unemployment has been steady at 4.2% in June, 4.1% in July, and 4.1% in August. Despite some month-to-month volatility, the three-month average for nonfarm payroll gains of 71,000 is consistent with the "breakeven" estimate. The Weekly ADP estimate for private payrolls points to a little-changed unemployment rate. The ADP estimate of 20,000 new jobs a week over the last four weeks creates a pace of about 80,000 a month -- which is close to



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breakeven. Can unemployment remain at 4.1% or lower without stoking inflation? We think it can. Our estimate for growth in average hourly earnings is 3.1%. Subtracting productivity growth of about 2% provides a 1.1% approximation of unit labor costs, and that is well below the Fed's 2% inflation target.

Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: Key Interest Rates (Canada & U.S.)

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Canadian Key Rate			Canadian Key Rate		
Last	Change bps		Last	Change bps	
CDA o/n	2.25%	0.0	CDA 5 year	3.67%	3.5
CDA Prime	4.45%	0.0	CDA 10 year	3.96%	3.6
CDA 3 month T-Bill	2.40%	0.0	CDA 20 year	4.16%	2.4
CDA 6 month T-Bill	2.60%	2.0	CDA 30 year	4.25%	2.7
CDA 1 Year	3.02%	3.0			
CDA 2 year	3.37%	3.0			
US Key Rate			US Key Rate		
Last	Change bps		Last	Change bps	
US FED Funds	3.75-4.00%	0.0	US 5 year	5.04%	3.8
US Prime	7.00%	0.0	US 10 year	5.21%	3.0
US 3 month T-Bill	4.09%	1.0	US 30 year	5.52%	1.9
US 6 month T-Bill	4.38%	1.8	5YR Sovereign CDS	38.50	
US 1 Year	4.53%	4.5	10YR Sovereign CDS	47.73	
US 2 year	4.91%	4.2			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			701.99	0.00%	0.83%
BMO Laddered Preferred Shares (ETF)			12.91	0.04%	4.70%

Source: LSEG

Keep looking forward! Have a great day!

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