

# Financial HARTbeat

Noise

Feb 3<sup>rd</sup> 2026



Good Morning,

Canada's service PMI shows increasing pace of downturn...

Glencore halting major Quebec smelter after environmental issues..

Anthropic's new AI tool getting a lot of attention...good for them bad for their competitors.

**Catch the playback of our Annual Outlook [Click here](#)**

**Chart of the Day: ETF flows January....I used to think this wasn't an important number...it is now..**

| Table 4 - Top Single Long ETF Inflows - Jan 2026 |                                                      |            |          |
|--------------------------------------------------|------------------------------------------------------|------------|----------|
| Ticker                                           | Name                                                 | Flow (\$M) | Flow/AUM |
| 1 XEQT                                           | iShares Core Equity ETF Portfolio                    | \$1,122    | 9.2%     |
| 2 XIU                                            | iShares S&P/TSX 60 Index ETF                         | \$823      | 4.1%     |
| 3 VEQT                                           | Vanguard All-Equity ETF Portfolio                    | \$803      | 7.8%     |
| 4 XIC                                            | iShares Core S&P/TSX Capped Composite Index ETF      | \$682      | 3.9%     |
| 5 XSTH                                           | iShares 0-5 Year TIPS Bond Index ETF CAD-Hedged      | \$571      | 110.5%   |
| 6 VFV                                            | Vanguard S&P 500 Index ETF                           | \$502      | 1.8%     |
| 7 FBAL                                           | Fidelity All-in-One Balanced ETF                     | \$494      | 8.0%     |
| 8 XGD                                            | iShares S&P/TSX Global Gold Index ETF                | \$431      | 11.4%    |
| 9 ZCN                                            | BMO S&P/TSX Capped Composite Index ETF               | \$411      | 3.1%     |
| 10 WXM                                           | CI Morningstar Canada Momentum Index ETF             | \$404      | 46.8%    |
| 11 ZSP                                           | BMO S&P 500 Index ETF                                | \$399      | 2.4%     |
| 12 XEF                                           | iShares Core MSCI EAFE IMI Index ETF                 | \$341      | 3.8%     |
| 13 ZCOM                                          | BMO Broad Commodity ETF                              | \$330      | 72.7%    |
| 14 XBB                                           | iShares Core Canadian Universe Bond Index ETF        | \$291      | 3.7%     |
| 15 ZEM                                           | BMO MSCI Emerging Markets Index ETF                  | \$289      | 14.6%    |
| 16 FEQT                                          | Fidelity All-in-One Equity ETF                       | \$286      | 8.8%     |
| 17 XTOT                                          | iShares Core S&P Total US Stock Market Index ETF     | \$280      | NA       |
| 18 FGRO                                          | Fidelity All-in-One Growth ETF                       | \$266      | 8.3%     |
| 19 VDY                                           | Vanguard FTSE Canadian High Dividend Yield Index ETF | \$264      | 4.7%     |
| 20 UMVP                                          | HAMILTON CHAMPION Utilities Index ETF                | \$235      | NA       |

Source: NBCM, Bloomberg;



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## Top News

Canadian stock index futures rose this morning as precious metals extended their gains, while oil prices climbed amid simmering tensions in the Middle East after the U.S. shot down an Iranian drone. Spot gold price gained almost 3% and silver climbed more than 8% today, while copper also rose on China's plan to expand its strategic reserve. The TSX index extended its rebound yesterday, as strength in mining shares overshadowed a tech selloff led by U.S. and European software companies, linked to Anthropic's updated AI chatbot.

Today, European and U.S. software stocks struggled to find support for a second day in volatile trade as the sector-wide selloff spread to Asia, fuelled by mounting worries that advances in artificial intelligence could upend companies' business models. Some analysts are now saying that the sell-off reflects a scramble to shield portfolios from AI disruption as the rapid advances in the technology muddy valuations and cloud business prospects beyond the standard three-to-five year forecasts of companies. Software is seen as especially vulnerable to disruption as tools such as Anthropic's "Claude" increasingly automate the routine tasks that have long underpinned the industry's pricing power. Shares of U.S. software and services firms were mixed in premarket trading after a near 13% slide over five straight sessions.

Nasdaq-listed Thomson Reuters, the parent company of Reuters News, was flat in light volume after Tuesday's record 16% slump on fears that AI could threaten its core legal division, while Salesforce, CrowdStrike, Adobe each are trading lower in premarket trading. In other markets, the London Stock Exchange Group slid as much as 6.9%, extending Tuesday's near 13% drop.

Advertising stocks, viewed as among the most exposed in media to AI also stayed under pressure. Shares in SAP, Europe's largest software company, dropped more than 3%, a week after a disappointing cloud revenue forecast wiped around \$40 billion off its market value.

On the trade front, Canada's aviation regulator said it was working with the Federal Aviation Administration over delays in approving Gulfstream jets, after U.S. President Donald Trump threatened to decertify and slap tariffs on Canadian-made aircraft.



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Meanwhile, U.S. President Donald Trump signed a spending deal into law on Tuesday, ending a partial government shutdown that had snarled the release of key labor-market data this week. The government is yet to announce when the key nonfarm payrolls and JOLTS data will be released. In their absence, traders focused this morning on the ADP' national employment print for January. It showed U.S. private payrolls increased less than expected in January amid job losses in the professional and business services as well as manufacturing sectors. Private employment rose by 22,000 jobs last month after a downwardly revised 37,000 increase in December.

## Reasonable Valuation for Stocks (Argus)

We have several ways of looking at market valuations, and most are signaling that stocks are reasonably valued, though hardly at bargain levels. Our Stock Bond Barometer is indicating that the two major portfolio asset classes are near parity as far as valuation is concerned. This model, our most comprehensive goes back to 1960. It takes into account real-time price levels, historical growth rates, and forward-looking forecasts of short-term and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading from the model is a modest premium for stocks, of 0.18 sigma, with a standard deviation of 1.07. So, stocks normally sell for a slight premium compared to bonds. The valuation level now is a 0.50 sigma premium for stocks, not a discount but within the normal range. Other valuation measures also show reasonable multiples for stocks.

The current forward P/E ratio for the S&P 500 is about 21, within the normal range of 15-24. On price/book, stocks are priced at the high end of the historical range of 5.5-1.8, given that tech stocks, with low capital bases, are the biggest component of the market. The current S&P 500 dividend yield of 1.13% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 27% compared to the long-run average of 39%. On price/sales, the current ratio of 3.3 is above the historical average of 1.8, but well below the 4.0 multiple at the peak of the dot-com bubble.

Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is 280 basis points, compared to the historical average of 400. Lastly, the ratio of the S&P 500 price to an



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ounce of gold is 1.5, not far from the midpoint of the historical range of 1-3. These valuation measures suggest to us that the stock market is not in danger of entering bubble territory at this juncture.

## 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         | 2.96% | 1.6        |
| CDA Prime                           | 4.45%     | 0.0        | CDA 10 year        | 3.45% | 0.5        |
| CDA 3 month T-Bill                  | 2.20%     | 0.0        | CDA 20 year        | 3.77% | 1.5        |
| CDA 6 month T-Bill                  | 2.25%     | 0.0        | CDA 30 year        | 3.90% | 1.5        |
| CDA 1 Year                          | 2.37%     | -0.5       |                    |       |            |
| CDA 2 year                          | 2.59%     | 1.1        |                    |       |            |
| US Key Rate                         | Last      | Change bps | US Key Rate        | Last  | Change bps |
| US FED Funds                        | 3.5-3.75% | 0.0        | US 5 year          | 3.84% | 0.3        |
| US Prime                            | 6.75%     | 0.0        | US 10 year         | 4.27% | -0.1       |
| US 3 month T-Bill                   | 3.60%     | 0.0        | US 30 year         | 4.90% | -0.9       |
| US 6 month T-Bill                   | 3.65%     | 0.0        | 5YR Sovereign CDS  | 33.24 |            |
| US 1 Year                           | 3.50%     | 0.3        | 10YR Sovereign CDS | 43.46 |            |
| US 2 year                           | 3.58%     | 1.0        |                    |       |            |
| Preferred Shares Indicators         | Last      | Daily %    | YTD                |       |            |
| S&P Preferred Share Index           | 693.70    | 0.01%      | -0.36%             |       |            |
| BMO Laddered Preferred Shares (ETF) | 12.34     | 0.08%      | 0.08%              |       |            |

Source: LSEG

Things are looking up! Have a great day!

Ben



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