

Financial HARTbeat

US Growth Slowing
Feb 20th 2026



Good Morning,

US Growth slowed more than expected....one of those data points for me that says bad news is good news for rates markets..

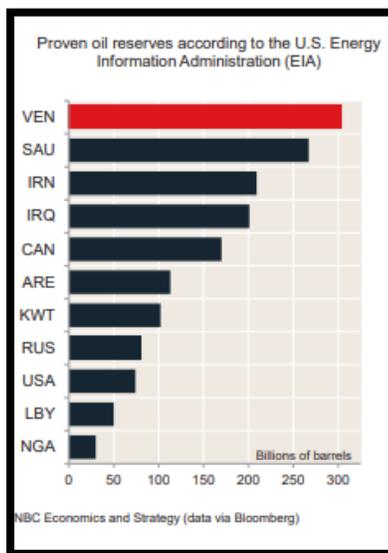
Yields are trying to decide what to do with the economic data...

Inflation doesn't not what to do....

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Chart of the Day: Why is Venezuela so important?



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Top News

U.S. stock futures fell on Friday following the release of crucial economic data and ahead of a potential key ruling from the Supreme Court on President Donald Trump's tariffs. Traders received a downbeat view as economic growth cooled near the end of 2025, according to data released Friday that could push the Federal Reserve into lowering interest rates. Gross domestic produce rose at an annualized rate of just 1.4%, according to Commerce Department numbers adjusted for seasonality and inflation.

Economists surveyed by Dow Jones had been looking for a 2.5% gain. Separately, Personal Consumption Expenditure index, the Federal Reserve's preferred inflation gauge, rose 0.4% in December, on a month-over-month basis, compared to economists' estimate of a 0.3% rise. Core PCE, which excludes the volatile food and energy components, rose 0.4% on a month-over-month basis, versus economists' forecast for a 0.3% rise. Friday may also bring a highly anticipated Supreme Court decision, as many on Wall Street expect a ruling on the legality of Trump's tariffs under the International Emergency Economic Powers Act. European shares rose on Friday and were on track for weekly gains, buoyed by a broadly improving corporate earnings outlook and easing AI-disruption worries, while simmering geopolitical tensions kept a lid on enthusiasm. Euro zone business activity accelerated faster than forecast this month as manufacturing swung back to growth for the first time since October, though the dominant services sector marginally underperformed expectations, a survey showed. The HCOB Flash Eurozone Composite PMI, compiled by S&P Global and released on Friday, rose to 51.9 in February from 51.3 in January.

Britain's FTSE indexes gained on Friday and were set to end the week higher, led by defence stocks, while expectations for a March rate cut from the Bank of England and easing AI-disruption worries globally also aided sentiment. British retail sales volumes rose in January at the fastest annual pace in nearly four years, according to official data that suggested consumers are becoming more happy to spend after a weak end for the economy in 2025.

Japan's Nikkei share average fell on Friday as heightened U.S.-Iran tensions and a sell-off in U.S. private-equity shares dented sentiment. Japan's annual core consumer inflation hit a two-year low to match the



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central bank's 2% target in January, data showed on Friday, suggesting weakening price pressure that could complicate its decision on how soon to raise interest rates. Hong Kong shares fell on Friday as the local market reopened after the three-day Lunar New Year break, with technology stocks leading the slide. Hong Kong's seasonally adjusted unemployment rate rose to 3.9% in the November to January period, up from 3.8% in the previous three-month period, the government said on Friday, with increases mainly in the insurance, construction and financing sector

Lower Unemployment (Argus)

Shutdown Slows 4Q GDP According to the advance estimate released today by the Bureau of Economic Analysis, U.S. Gross Domestic Product (GDP) rose in the fourth quarter at an annualized rate of 1.4%. That's below the 3.0% consensus and a deceleration from 4.4% growth in the third quarter. The BEA said that the full effects of the government shutdown cannot be quantified, but the reduction in federal services subtracted about 1 percentage point from GDP. Our estimate was for a 4Q increase of 3.1%. For the year, GDP increased 2.2%, down from 2.8% in 2024. Real final sales to private domestic purchasers, which focuses on core consumer spending and business investment, was up 2.4% versus 2.9% in 3Q. Spending by consumers rose 2.4% in 4Q, a slowdown from the 3.5% increase in 3Q. Within goods, non-durables were up 0.4%. Durables were down 0.9%, after a 1.6% increase in 3Q. There was a drag from motor vehicles and parts. The huge services category was up a solid 3.4% following an increase of 3.6% in 3Q. The category added about 1.6 points of growth, with a solid contribution from healthcare. Private investment grew 3.8%. Both residential and non-residential construction were weak. Spending on artificial intelligence continued to be an important driver of growth. Intellectual property products grew 7.4%. Imports decreased 1.3%. Net exports of goods and service (the trade balance), raised 3Q GDP by 0.08 percentage points. Government consumption and investment declined 5.1%. The federal government was down 16.6%, with national defense off 10.8%.

Non-defense was down 24.1%, State and local government was up 2.4%. The report also contains data on inflation, which remained elevated. The PCE Price Index increased 2.9% in the fourth quarter. Excluding food and energy, the index increased 2.7%. After the report, futures on the S&P 500 were down slightly. The yield on the 10-year Treasury note was up two basis points to 4.08%. Based on futures



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trading, the probability that the Fed will cut the funds target to 3.25% to 3.50% at the conclusion of its meeting on March 18 was unchanged at 6% after this morning's release.

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	2.74%	-1.6
CDA Prime	4.45%	0.0	CDA 10 year	3.21%	-2.8
CDA 3 month T-Bill	2.20%	0.8	CDA 20 year	3.57%	-1.9
CDA 6 month T-Bill	2.22%	-1.0	CDA 30 year	3.69%	-1.9
CDA 1 Year	2.31%	0.5			
CDA 2 year	2.43%	-1.9			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	3.63%	-1.9
US Prime	6.75%	0.0	US 10 year	4.06%	-1.7
US 3 month T-Bill	3.60%	-0.4	US 30 year	4.69%	-1.3
US 6 month T-Bill	3.62%	-0.4	5YR Sovereign CDS	34.74	
US 1 Year	3.49%	-0.6	10YR Sovereign CDS	44.95	
US 2 year	3.46%	-1.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			696.77	0.00%	0.08%
BMO Laddered Preferred Shares (ETF)			12.45	0.00%	0.97%

Source: LSEG

Things are looking up! Have a great day!

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