

# Financial HARTbeat

NATO

July 2, 2026



Good Morning,

If USA leaves NATO...

**Political leadership would remain with NATO's Secretary General**, currently Mark Rutte of the Netherlands, and decisions would still require agreement among member countries.

**Germany, the United Kingdom, France, Poland, and other major European members would be expected to assume a much larger leadership role.** Recent analysis points to Germany, Poland, and several Eastern European countries as the biggest drivers of the European rearmament effort.

**France and the U.K. would become even more important because they are NATO's major European nuclear powers.** A key challenge would be replacing U.S. intelligence, logistics, airlift, missile defense, and nuclear deterrence capabilities.

*Catch the playback of our Weekly Roundup [Click here](#)*

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



**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

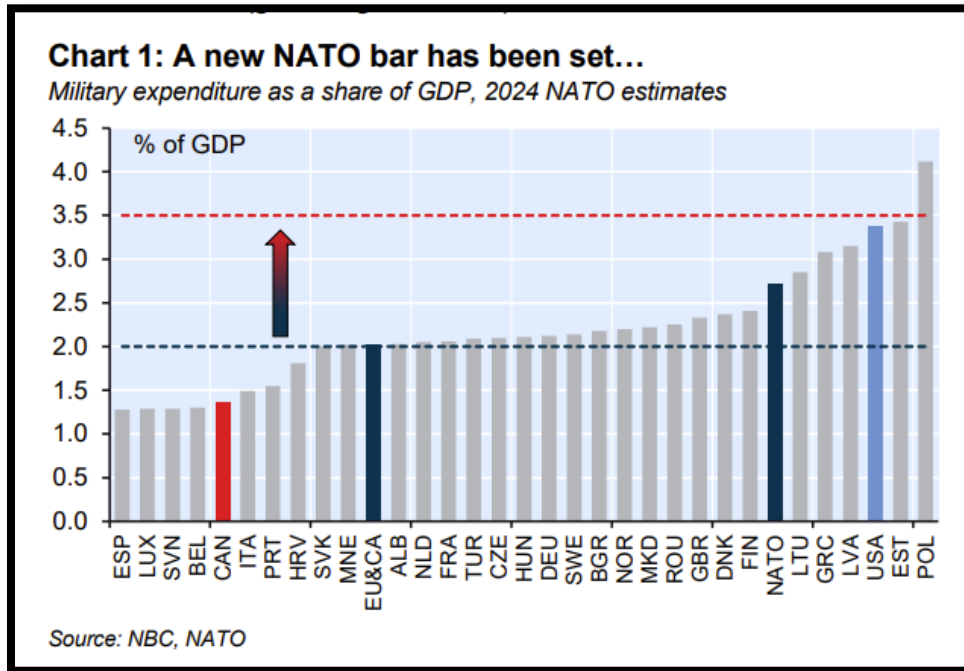


National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



Chart of the Day: Oldy but a goody...will this spending continue to ramp to these new targets...



## Top News

US stock futures extend gains after June non-farm payrolls data, while a lack of progress in negotiations to end the Middle East war weighs on sentiment. Nonfarm payrolls increased by 57,000 jobs last month after a downwardly revised 129,000 rise in May, the Labor Department's Bureau of Labor Statistics said in its closely watched employment report this morning. Economists had forecast payrolls advancing 110,000 after a previously reported 172,000 increase in May.

The jobless rate fell last month to 4.2% from 4.3% in May. Markets had a choppy session yesterday, with the main indexes settling lower, as Federal Reserve Chair Kevin Warsh said inflation risks had eased but



**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



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.

# Financial HARTbeat



committed to sticking firmly to the U.S. central bank's 2% inflation target, vowing to "disappoint" anyone who expected a loose monetary policy. Traders expect at least one rate hike by the Fed this year, according to data compiled by LSEG. The Philadelphia SE Semiconductor index eased 6.3% on Wednesday, right after registering its best ever quarterly performance on record with a near 88% gain. Additionally, the U.S. and Iran concluded a round of indirect talks on Wednesday with no sign they had made headway toward lasting peace, adding another layer of uncertainty.

Canadian stock index futures inch up, as gold prices gain ground on easing inflation fears. Crude oil prices fall more than 1% near \$70 a barrel. Spot gold and silver are up about 1% as inflation concerns ease with slipping oil prices. On the trade front, the U.S. denied an extension of the U.S.-Mexico-Canada Agreement for 16 years without changes. The decision keeps the agreement in place for another 10 years with annual reviews before it expires, unless the three countries agree to renew it with changes.

European shares edge higher this morning as gains in defensives countered a slide in AI-related stocks. The STOXX 600 technology index falls about 2%, as AI-linked stocks retreat after sharp losses in Asia and on Wall Street overnight. Data yesterday showed euro zone inflation rose less than expected in June, while European Central Bank President Christine Lagarde said risks to inflation and economic growth were now more balanced than a few weeks ago as oil prices fell. However, traders continue to expect the ECB to lift interest rates by at least another 25 basis points before the year ends.

Chinese stocks fell to a three-week low today, dragged down by a sharp selloff in chipmakers. Hong Kong shares rebounded on a recovery in internet heavyweights. Looking ahead, investors are waiting to see whether China announces policy support for an uneven economic recovery at this month's Politburo meeting. South Korean shares fell nearly 8% and posted their lowest close in more than three weeks, dragged down by a global selloff in chipmakers as Meta Platforms' plan to sell computing power raised questions over excess AI capacity.

Japanese government bonds tumbled on renewed fiscal concerns, while AI-related heavyweights dragged down the Nikkei share average after an overnight tech selloff on Wall Street. The yen rose sharply against the U.S. dollar, with traders alert to the prospect of intervention to prop up the stubbornly weak currency.



**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



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



## Investors Beware, 3Q is Here (Argus)

Stocks fended off fears of war, high oil prices, inflation, and tech bubbles to post a modest gain in 1H26. That said, the markets are now entering the poorest performing quarter of the year. By our calculations, 3Q performance has been underwhelming compared to 1Q, 2Q, and 4Q returns. Indeed, we analyzed data collected on S&P 500 performance from 1980-2026. The strongest quarter has been the fourth, which has generated average gains of 4.7%. First- and second-quarter returns have averaged 2.0% and 3.0%, respectively. On the other hand, 3Q is barely positive, with an average return of 0.5%. Now not every 3Q is a disaster. In fact, the "win percentage" for the quarter is 63%, which means that markets deliver positive returns in the quarter almost two-thirds of the time. But the actual quarters that are negative can really hurt: -12% in 1981, -15% in 1990, -15% in 2000, -18% in 2001, -14% in 2008 and -14% in 2011. Last year, stocks popped 7.5% in 3Q. Some of the events that occurred in these quarters are random: the September 11 attacks in 2001; the Lehman bankruptcy in 2008; and the S&P U.S. Treasury downgrade in 2011. But 3Q is also when companies better know if they are going to meet their estimates for the year. As such, they may signal if they are poised to fall short.

Further, this year features mid-term elections in November, which can add political intrigue and volatility into the mix. One bit of good news, though, is that about three-quarters of the times during our test period, stocks posted gains in the first half. And during those years, the market has tacked on additional gains by year-end almost 80% of the time. 3.0%, respectively. On the other hand, 3Q is barely positive, with an average return of 0.5%. Now not every 3Q is a disaster. In fact, the "win percentage" for the quarter is 63%, which means that markets deliver positive returns in the quarter almost two-thirds of the time. But the actual quarters that are negative can really hurt: -12% in 1981, -15% in 1990, -15% in 2000, -18% in 2001, -14% in 2008 and -14% in 2011.

Last year, stocks popped 7.5% in 3Q. Some of the events that occurred in these quarters are random: the September 11 attacks in 2001; the Lehman bankruptcy in 2008; and the S&P U.S. Treasury downgrade in 2011. But 3Q is also when companies better know if they are going to meet their estimates for the year. As such, they may signal if they are poised to fall short. Further, this year features mid-term elections in November, which can add political intrigue and volatility into the mix. One bit of good news, though, is



**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



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.



that about three-quarters of the times during our test period, stocks posted gains in the first half. And during those years, the market has tacked on additional gains by year-end almost 80% of the time.

## 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	3.09%	7.2
CDA Prime	4.45%	0.0	CDA 10 year	3.46%	7.7
CDA 3 month T-Bill	2.28%	0.0	CDA 20 year	3.73%	7.8
CDA 6 month T-Bill	2.36%	1.0	CDA 30 year	3.86%	8.0
CDA 1 Year	2.55%	-1.3			
CDA 2 year	2.80%	5.3			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.25%	2.1
US Prime	6.75%	0.0	US 10 year	4.50%	2.2
US 3 month T-Bill	3.71%	-0.7	US 30 year	4.99%	2.2
US 6 month T-Bill	3.96%	-0.2	5YR Sovereign CDS	42.23	
US 1 Year	3.99%	0.1	10YR Sovereign CDS	51.69	
US 2 year	4.18%	1.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			706.38	0.03%	1.46%
BMO Laddered Preferred Shares (ETF)			12.84	0.23%	4.14%

Source: LSEG

Keep looking forward! Have a great day!

Ben



### 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



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). • The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.