Financial HARTbeat

Trump
July 6th, 2026

Good Morning,

It appears that President Trump can even influence FIFA outcome…reversed red card so American star can play…hmmm

Warsh..will he be influenced as well…if he is the market will certainly be surprised as noboby is pricing in cuts…

Trump on NATO…can he force their hands more…doesn't appear status quo stays..

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

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

Chart of the Day: hike…I really doubt this in July but Warsh I guess will show us if we can take him on his word or he will adjust when and if appropriate

		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%	3.75%	2.25%
Next meeting	Next meeting date	July 15, 2026	July 29, 2026	July 23, 2026
	Market-implied policy rate*	2.28%	0.039275	2.27%
	Spread vs. current rate	+3 bp	+18 bp	+2 bp
	Probability of…			
	… hike	3%	29%	6%
	… hold	97%	71%	94%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	0.0	0.6	0.2
	... next 6 months	-	1.2	0.5
	... next 12 months	-	1.5	-

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

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Top News

The S&P 500 and Nasdaq futures were trading higher this morning, building on last week's rally as chip stocks stabilized after recent weakness and investors awaited minutes from the last Federal Reserve meeting and the start of second-quarter earnings later in the week.

The Dow Jones closed at a record high on Thursday during a holiday-shortened week, putting it within reach of 53,000. The main U.S. indexes gained even as semiconductor stocks, among the market's biggest drivers this year, lost momentum.

Investors have taken comfort from recent strength in healthcare, industrials and financials, taking it as a sign that the rally may be broadening beyond the chip and AI trade. In pre-market trading, chip stocks found their footing, with memory-chip makers Western Digital, Seagate and Micron Technology rising more than 2% each, while SpaceX added about 1.5%, as Elon Musk's rocket and AI giant is set to join the tech-heavy Nasdaq 100 index on Tuesday. In another test of investor appetite for AI-linked companies, South Korean chipmaker SK Hynix is set to launch a U.S. listing today to raise about $28 billion. Second-quarter earnings season, which is starting this week will be another key test for markets. According to data compiled by LSEG, the S&P 500 index companies are expected to see their earnings grow 24.4% in the second quarter year-over-year.

U.S. Federal Reserve policy also stays in focus, with investors reassessing the interest-rate path. Rate-hike bets eased slightly last week after a cooler-than-expected jobs report. Traders now see a 24% chance of a 25-basis-point rate hike at the central bank's July 29 meeting, down from about 30% a week earlier. For September, markets are pricing in about a 44% chance of one quarter-point hike, compared with 48.3% a week ago.

Fed Governor Christopher Waller speaks in Rome later in the session, while New York Fed President John Williams is expected to provide commentary on Thursday. The Fed chair is scheduled to testify before the House Financial Services Committee next week.

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In Canada, the main stock index futures also edged up today, tracking global stock markets, as a drop in oil prices eased inflation worries and lifted investor sentiment. Oil prices fell after OPEC+ agreed to further raise output targets from August, while exports through the Strait of Hormuz continued to recover, increasing global supply prospects. Gold slipped from a two-week high as the dollar steadied after last week's declines. Prime Minister Mark Carney announced that Canada has picked Germany's TKMS to build 12 new submarines for Canada's navy.

TKMS, majority owned by German conglomerate Thyssenkrupp. TKMS is also supplying to Norway's navy under a joint modernization initiative, and the company hopes his 212CD submarines will become the new NATO standard.

Stock Market Valuation Reasonable (Argus)

We have different ways of looking at market valuations. Most are signaling that stocks are reasonably valued, but not bargains. Our asset-allocation model, the Stock/Bond Barometer, suggests that the two major portfolio asset classes are near parity for valuation. The model goes back to 1960 and takes into account the likes of 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. The output is expressed in standard deviations to the mean, or sigma. The mean reading is a modest premium for stocks of 0.18 sigma, with a standard deviation of 1.07. So stocks normally sell at a slight premium compared to bonds. The valuation level now is a 0.60 sigma premium for stocks, not a discount but within the normal range. Other measures also show reasonable multiples for stocks. The forward P/E ratio for the S&P 500 is 20, within the 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 1.03% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 24% compared to the longrun average of 39% and the all-time low of 18%. On price/sales, the current ratio of 3.5 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 now 400 basis points, in line with the

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historical average and well below the nosebleed valuation levels of 200. Lastly, the ratio of the S&P 500 price to an ounce of gold is 1.7, within the normal range of 1-3. These measures suggest to us stocks at record highs are 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	3.03%	-2.9
CDA Prime	4.45%	0.0	CDA 10 year	3.42%	-2.0
CDA 3 month T-Bill	2.28%	1.5	CDA 20 year	3.73%	0.3
CDA 6 month T-Bill	2.34%	-1.0	CDA 30 year	3.85%	-1.0
CDA 1 Year	2.53%	-2.0			
CDA 2 year	2.73%	-3.2			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.20%	-2.6
US Prime	6.75%	0.0	US 10 year	4.46%	-1.8
US 3 month T-Bill	3.69%	0.5	US 30 year	4.98%	-0.3
US 6 month T-Bill	3.94%	0.0	5YR Sovereign CDS	42.24	
US 1 Year	3.94%	-0.9	10YR Sovereign CDS	51.70	
US 2 year	4.11%	-2.3			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			708.88	-0.03%	1.82%
BMO Laddered Preferred Shares (ETF)			12.83	-0.19%	4.06%

Source: LSEG

Keep looking forward! Have a great day!
Ben

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