Financial HARTbeat

China
July 9th, 2026

Good Morning,

Compelling valuation vs. growth: China trades at a steep discount to global markets (~10x P/E vs. ~19x) while still offering mid-teens earnings growth potential—creating an attractive entry point for long-term investors. *Risk:* discount may persist if policy or geopolitics deteriorate.

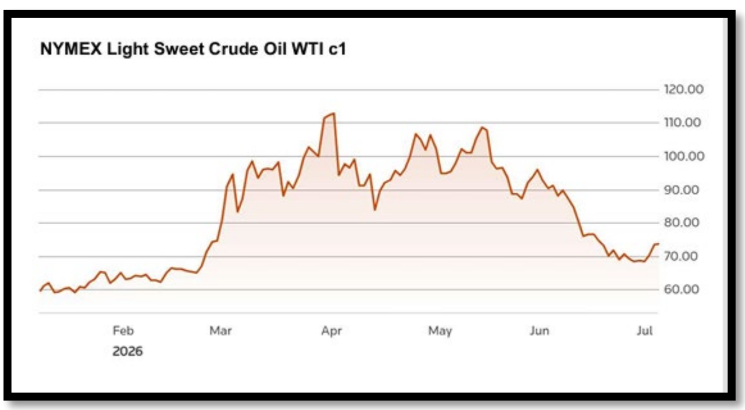
True diversification benefit: Low correlation to U.S. and developed markets, combined with a different sector mix (less tech concentration), can improve portfolio diversification and reduce concentration risk. *Risk:* correlations can spike in global risk-off environments.

Policy + structural tailwinds: Ongoing fiscal/monetary support alongside long-term themes (consumption, tech, green energy) provide a foundation for gradual growth stabilization and market rerating. *Risk:* execution risk remains around debt, property, and policy follow-through.

Catch the playback of our Weekly Roundup [Click here]

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

Chart of the Day: Oil market much more balanced and current risk again not getting priced into this market



NB Capital Markets/Top News

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

HART INVESTMENT GROUP

Regulated by CIRO
Canadian Investment Regulatory Organization

CIPF Canadian Investor Protection Fund MEMBER

Top News

U.S. stock index futures edge higher this morning as global markets and oil prices steadied after fresh U.S. strikes on Iran reignited geopolitical anxiety and threatened to stall efforts to end the four-month conflict. The U.S. military said it launched new strikes on Iran to keep the Strait of Hormuz open to shipping.

Iran responded with attacks on Kuwait and Bahrain, deepening a confrontation that risks derailing already fragile ceasefire efforts. The escalation came hours after President Donald Trump said he believed an interim ceasefire with Iran was "over." Under new Chair Kevin Warsh, the Federal Reserve kept interest rates unchanged in its June meeting, but minutes released yesterday showed a few policymakers saw a case for raising borrowing costs before ultimately agreeing to hold steady. New York Fed President John Williams is scheduled to speak later in the day.

In economic news this morning, initial claims for state unemployment benefits slipped 2,000 to a seasonally adjusted 215,000 for the week ended July 4. Economists had forecast 218,000 claims for the latest week. Futures tracking Canada's blue-chip stocks index are mostly flat this morning as investors avoid large bets against the backdrop of escalating tensions in the Middle East. Oil prices are steady after jumping in the previous session (see chart).

Gold gains ground on an easing U.S. dollar and as traders flock to the precious metal, seen as a safe haven during times of uncertainty. Key economic data this week include the Canadian jobs report, which is expected tomorrow and could offer clues into the Bank of Canada's monetary policy path. Traders are pricing in that the central bank will keep interest rates steady for the rest of the year. Its next policy decision is scheduled for July 15.

European shares rise in choppy trading this morning, led by a rebound in technology stocks, while investors mulled the outlook for the conflict in the Middle East. Chip stocks had taken a breather after logging their strongest quarterly performance since 2001 in June. Spanish stocks outperform the region, up over 1%, rebounding from yesterday's three-week low after Trump said Spain was "very generous" following his order to halt trade with the country over its NATO contribution. Meanwhile, healthcare 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

the worst performing sector, down 1.5%, led by a 9% drop in AstraZeneca after the drugmaker's nerve disease drug Wainua, failed to meet the main goal of reducing cardiovascular deaths and recurring heart problems in a late-stage trial.

China stocks posted their biggest one-day gain in three months today, as chip shares sharply rebounded from a recent selloff. Semiconductor shares closed 8.8% up, after memory-chip maker Changxin Memory Technologies (CXMT) said it would start book-building on July 15 for its planned Shanghai IPO. China's producer price index (PPI) rose 4.1% year-on-year, the highest rate since July 2022, matching the forecast and up for the fourth straight month.

Japan's Nikkei share average rebounded after a three-day losing streak, as AI-related shares tracked gains in the U.S. technology sector, although higher oil prices following renewed U.S.-Iran hostilities kept investor optimism in check.

Global Stocks Still Offer Value (Argus)

As worldwide markets are challenged amid a backdrop of higher interest rates and ongoing conflict in the Middle East and Ukraine, one thing has not changed. U.S. stocks are more expensive than global stocks. And that's the case even with the market-leading returns from global stocks in 2025-2026. Consider P/E ratios. The trailing P/E ratio on the S&P 500 is 27, above the global average of 19 and well above the 12-13 average P/Es for emerging markets stocks in China and Latin America. A review of yields tells a similar story. The current dividend yield for the S&P 500 is 1.0%, versus the global average of 2.3% and European and Latin American yields of 3%-4%. Taking a step back, reasons that investors generally are willing to pay a higher price for North American securities include the transparency of the U.S. financial system as well as the liquidity of U.S. markets. What is more, global returns can be volatile across individual countries, given currency, security, political, and geopolitical risks.

Indeed, U.S. stocks (ETF SPY) have outperformed EAFE (ETF EFA) over the past five years. The tide turned a bit in 2025, as investors responded to the uncertainty over U.S. trade policy and as global central banks lowered rates. Last year, foreign stocks were up 28% while U.S. stocks rose 16%.

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

Meanwhile, the outperformance of emerging markets over domestic markets has continued in 2026. Given expectations for improving economic growth in Europe and Japan in the months ahead, we think that diversified investors should have 20%-25% of their equity allocations in international stocks to take advantage of the value -- and we have been adding global stocks to our Universe of Coverage.

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	3.17%	-1.4
CDA Prime	4.45%	0.0	CDA 10 year	3.56%	-0.8
CDA 3 month T-Bill	2.26%	0.0	CDA 20 year	3.83%	-0.2
CDA 6 month T-Bill	2.34%	0.0	CDA 30 year	3.96%	-0.2
CDA 1 Year	2.58%	-0.5			
CDA 2 year	2.84%	-2.1			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.31%	-0.2
US Prime	6.75%	0.0	US 10 year	4.58%	1.0
US 3 month T-Bill	3.72%	-1.0	US 30 year	5.08%	2.1
US 6 month T-Bill	3.95%	-1.1	5YR Sovereign CDS	42.25	
US 1 Year	4.06%	-0.6	10YR Sovereign CDS	51.75	
US 2 year	4.19%	-1.0			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			709.76	0.04%	1.94%
BMO Laddered Preferred Shares (ETF)			12.9	0.31%	4.62%

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

HART INVESTMENT GROUP

Regulated by CIRO
Canadian Investment Regulatory Organization

CIPF Canadian Investor Protection Fund MEMBER