Financial HARTbeat

World to watch
July 21st 2026

Good Morning,

AI Trade Rebound Lifts Global Equities
Global markets are bouncing back after last week's semiconductor selloff, with tech shares leading gains in the U.S., Japan, and China. Investors are buying the dip ahead of major earnings reports from AI-linked companies, keeping the AI investment theme firmly in control of market leadership.

Oil Above $90 Keeps Inflation Risks Alive
Geopolitical tensions involving Iran and shipping routes near the Strait of Hormuz are keeping oil prices elevated above $90/barrel. Higher energy costs are raising concerns that inflation could remain sticky globally, potentially keeping central banks cautious on rate cuts.

Global Growth Holding Up—But Diverging
The IMF's latest outlook projects global growth of roughly 3.0% in 2026, supported by AI-driven investment and resilient corporate earnings. However, the world economy is increasingly split between technology beneficiaries and energy-importing nations feeling the pressure from geopolitical conflict and higher commodity prices

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

Chart of the Day: Central banks on hold…

		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	September 2, 2026	July 29, 2026	July 23, 2026
	Market-implied policy rate*	2.30%	3.82%	2.27%
	Spread vs. current rate	+5 bp	+7 bp	+2 bp
	Probability of…			
	… hike	21%	16%	8%
	… hold	79%	85%	92%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	0.3	0.7	0.6
	... next 6 months	-	1.2	1.5
	... next 12 months	-	1.6	-

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

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Top News

Adding another layer of uncertainty in global trade, President Donald Trump unveiled 50% tariffs on a wide range of imports from Canada in response to what the U.S. administration called its discriminatory treatment of American made cars, alcohol and dairy goods, threatening a new front in a global trade war. In slapping import taxes on goods ranging from wine to cement and ice hockey gear, Trump invoked Section 338 of the Tariff Act of 1930, which permits a president to impose punitive tariffs of up to 50% against trading partners deemed to have discriminated against U.S. goods.

That marked the law's first known usage in nearly a century of existence. The new tariffs, set to take effect in 30 days, would also apply to dairy products, swimming pools, furniture, fishing rods, seeds, clothing and wigs, among other items. The Financial Times reported that Trump is expected to impose fresh tariffs on dozens of countries as soon as this week, with his 10% global tariff poised to expire on Friday.

In the meantime, in the U.S. – Iran war, U.S. forces bombed Iran's south and west after President Donald Trump said Tehran would pay dearly for the deaths of American soldiers, while Iran targeted U.S. sites in Bahrain, Kuwait and Jordan. The exchanges came a day after Yemen's Iran-aligned Houthis said they would impose a naval blockade on Saudi Arabia, opening a potential new front in the war and raising the threat to global energy supplies and trade beyond the Gulf.
In markets, U.S. stock index futures rose this morning, as semiconductor shares traded higher. Recent volatility in chip stocks, which later spread to broader markets, pushed Wall Street's main indexes to three straight sessions of losses despite an upbeat start to the second-quarter earnings season and cooler inflation numbers.

Futures linked to Canada's main stock index also edged higher today as reports of mediation efforts in the Middle East conflict lifted sentiment, while investors assessed the fresh U.S. tariffs on Canadian imports. Gold prices climbed more than 1% as investors assessed diplomatic efforts aimed at easing the Middle East conflict, which could temper oil-driven inflation risks and influence the U.S. Federal Reserve's

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interest rate path. Oil prices retreated from one-month highs, with Brent crude futures trading around $89.5 per barrel, while West Texas Intermediate Crude traded around $84 a barrel.

Data released on Monday showed Canada's annual inflation rate eased to 2.8% in June from a 29-month high of 3.2% in May, largely due to a sharp decline in gasoline prices. Traders now largely expect the Bank of Canada to keep interest rates unchanged this year, as per LSEG data. The next policy meeting is due in September.

In a separate development, Britain's new government is expected to invite Canada to join the delayed Global Combat Air Programme (GCAP) fighter-jet project, as European allies seek to reduce dependence on U.S. defence equipment and technology.

Financially Healthy, Wealthy, and Wise (Argus)

Recent reports from big banks and the Federal Reserve show that consumers' finances are healthy and workers are adapting to economic changes. Bank of America's CEO Brian Moynihan described the economy as "healthy" and consumers as "resilient." BofA said that combined spending on its credit and debit cards was up 9% on a year-over-year basis in 2Q. Coincidently, spending during Amazon's Prime day was up also up about 9% according to Adobe Analytics. Those are encouraging indicators for back-to-school spending. In Wells Fargo's earnings release, CEO Charlie Scharf said "Consumers and businesses remain very strong. Consumer spending is higher, charge-offs and delinquencies are lower, and savings and investments are growing across consumer segments." Argus saw a confirmation of constructive borrowing conditions in the minutes of the June 16-17 FOMC meeting. "Credit continued to be generally available to most businesses, households, and municipalities. Bank lending continued to expand, and issuance of corporate bonds remained solid, partly driven by the financing needs of AI-related investments." In the Monetary Policy Report that the Fed sent to Capitol Hill in advance of Chairman Warsh's testimony, the Fed said "Broadly, household balance sheets and finances appear healthy. Aggregate wealth is high, and debt remains at moderate levels. Net worth is elevated relative to its 2019 level and has risen in recent years for households across the income distribution."

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Inflation and a changing job market are weighing on many households, but the Fed's Summary of Current Economic Conditions, known as the Beige Book, showed that some employers and students are adapting. The Cleveland Fed said that community college contacts expect enrollments to grow in fall 2026, with strong demand for short-term credentials, skilled trades, and apprenticeships in IT, healthcare, and advanced manufacturing.

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	3.15%	-2.4
CDA Prime	4.45%	0.0	CDA 10 year	3.55%	-1.7
CDA 3 month T-Bill	2.27%	0.0	CDA 20 year	3.84%	-0.9
CDA 6 month T-Bill	2.40%	1.0	CDA 30 year	3.97%	-0.7
CDA 1 Year	2.61%	-2.0			
CDA 2 year	2.81%	-3.0			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.32%	-0.7
US Prime	6.75%	0.0	US 10 year	4.60%	0.0
US 3 month T-Bill	3.73%	-0.7	US 30 year	5.12%	0.2
US 6 month T-Bill	3.96%	-1.1	5YR Sovereign CDS	41.99	
US 1 Year	4.03%	-0.3	10YR Sovereign CDS	51.71	
US 2 year	4.21%	-0.7			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			720.13	0.02%	3.43%
BMO Laddered Preferred Shares (ETF)			13.05	0.15%	5.84%

Source: LSEG

Keep looking forward! Have a great day!
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