Financial HARTbeat

Global worries
July 23rd 2026

Good Morning,

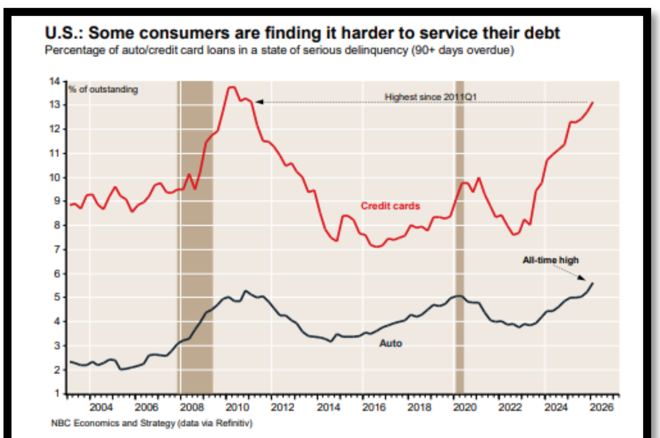
Oil Near $100 Is Re-Igniting Inflation Fears
Escalating Middle East tensions and Red Sea shipping disruptions have pushed Brent crude close to US$100/barrel, causing bond yields to rise and markets to push back expectations for rate cuts. Higher energy costs are a growing headwind for global growth and corporate margins.

Global Equities Under Pressure as Rates Reprice Higher
Rising oil prices have triggered a hawkish shift in interest-rate expectations. U.S. Treasury yields are climbing, equity futures are weaker, and investors are reassessing valuations—particularly among growth and AI-related stocks.

Global Growth Holding Up—but Becoming More Uneven
The IMF's July update shows global growth forecasts remaining relatively stable, supported by AI-driven investment and technology spending. However, energy-importing economies face slower growth and higher inflation, creating widening divergence across regions.

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

Chart of the Day: Debt servicing getting to be a challenge for Americans…



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Top News

U.S. stock index futures dip this morning as concerns over heavy AI spending resurfaced after the first batch of Big Tech earnings, while another jump in oil prices linked to the widening Middle East conflict weighs on sentiment. Second-quarter results from Alphabet and Tesla, the first of the so-called "Magnificent Seven" megacap companies to report this season, failed to impress investors.

Capital spending plans will remain in focus when other major technology companies report next week, as investors question whether the huge sums being poured into AI are translating into meaningful returns, and if profit growth can justify elevated stock valuations. Geopolitical concerns add to the pressure. After months of investor focus on the Strait of Hormuz, attention has shifted to the Red Sea, where Iranian-aligned Houthis, who control areas near the Bab el Mandeb strait, have opened a new front in the Middle East crisis.

The surge in oil prices revived inflation worries, pushing interest-rate-sensitive 2-year Treasury yields to a 17-month high as traders increased bets on a Federal Reserve rate hike as early as next week. Markets are now pricing in about a 35% chance of a 25-basis-point increase at the Fed's July meeting, up from 12% a week ago. Expectations for a similar move in September stand at 55%. In economic data, initial claims for state jobless benefits dropped by 22,000 to a seasonally adjusted 187,000 for the week ended July 18. Economists had forecast 212,000 new claims for the latest week.

Futures tracking Canada's main stock index edge lower as escalating Middle East tensions curbs risk appetite, while worries over heavy AI spending resurfaced after the first batch of U.S. Big Tech earnings. Oil prices hit their highest in over a month after Yemen's Houthis said they struck two Saudi oil tankers, adding to fears over potential disruption to global supplies. Gold prices slip with surging oil prices, fueling investor concerns that inflationary pressures could push the U.S. Federal Reserve to raise interest rates. Data showed Canadian retail sales grew by 1.0% in May from April on higher sales at gasoline stations and fuel vendors, Statistics Canada said. Sales likely increased 0.4% in June, the agency said in a flash estimate.

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European shares fall this morning as chip stocks slide and Nestle tumbles about 7% after its results, while investors digest the European Central Bank's policy decision. The European Central Bank kept borrowing costs on hold at 2.25% this morning but left room for more tightening in the coming months. Chinese stocks reversed earlier losses to close higher as sentiment recovered from the recent AI-led correction, while investors continued to rotate into defensive plays.

Japan's Nikkei share average ended higher, as chip-related stocks tracked U.S. peers higher overnight, though prospects for an early rate hike from the Bank of Japan limited gains. South Korean benchmark KOSPI ended up 4.4%, buoyed by optimism over global technology demand and a stronger than-expected economic growth driven by chip exports. Gross domestic product expanded 0.6% in the April-June period from a quarter earlier on a seasonally adjusted basis, faster than a median estimate of 0.4%.

Market Calm as Earnings Take Center Stage (Argus)

After a spike in market volatility last spring as the war in Iran kicked into high gear and oil prices jumped, the closely watched VIX Volatility Index has declined back below its historical average of 20 and appears calm as the 2Q EPS season kicks into high gear. Meanwhile, stock prices continue to crawl higher, with the S&P 500 near all-time highs. We can't say that the jump in the VIX was unexpected. Indeed, in our 2026 Market Outlook, we noted that investor complacency was high, the Fed chairman transition could be rocky, the AI innovation revolution may stall, and that stock valuations were susceptible in the event of a sell-off in the Information Technology sector. That was our Bearish Case. Our Base Case calls for another year of growth in the U.S. economy (and no recession), a modest decline in interest rates, and double-digit EPS growth.

Since the planks in our Base Case platform currently are in place, there's reason to expect that equity prices can continue to push higher. Back to the market, the current VIX reading is south of 18.0, well below historical average and consistent with a bull market. Indeed, during the long bull market in the 2010s, the VIX averaged 18 and even touched lows under 10 in 2017. We continue to think that the S&P 500 is in the mid-stage of a bull run that dates to October 2022. And while the path for equities won't be straight up, we suggest investors favor domestic growth stocks in their portfolios at the current market and economic juncture.

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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	3.26%	4.7
CDA Prime	4.45%	0.0	CDA 10 year	3.64%	4.5
CDA 3 month T-Bill	2.28%	0.0	CDA 20 year	3.91%	3.9
CDA 6 month T-Bill	2.41%	0.5	CDA 30 year	4.03%	3.4
CDA 1 Year	2.68%	2.5			
CDA 2 year	2.94%	5.1			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.44%	3.8
US Prime	6.75%	0.0	US 10 year	4.69%	3.6
US 3 month T-Bill	3.76%	1.3	US 30 year	5.18%	3.0
US 6 month T-Bill	4.03%	1.2	5YR Sovereign CDS	41.99	
US 1 Year	4.13%	2.1	10YR Sovereign CDS	51.69	
US 2 year	4.33%	3.0			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	719.82	0.03%	3.39%
BMO Laddered Preferred Shares (ETF)	13.09	0.23%	6.16%

Source: LSEG

Keep looking forward! Have a great day!

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