

Financial HARTbeat

Recession
June 2nd 2026



Good Morning,

Iran vs USA continues to be in a stalemate, but moving in a positive direction...

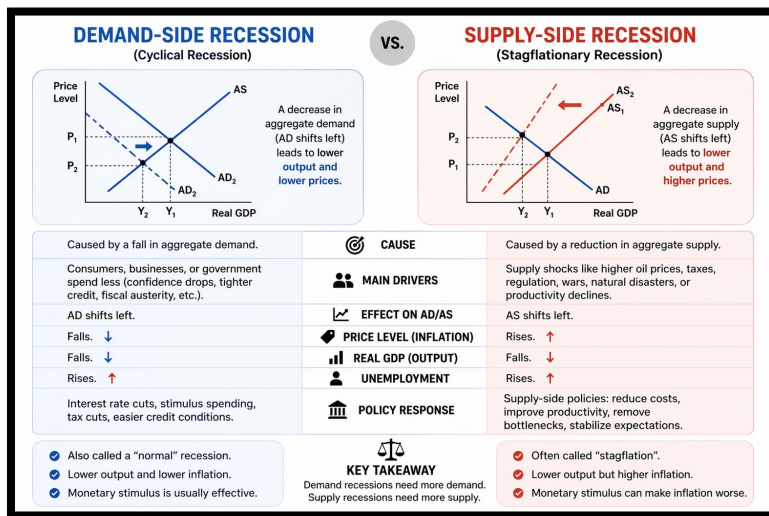
Google issues more equity to raise money for AI investment...

Canada seeks USMCA (NAFTA) 16 year renewal ...

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

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

Chart of the Day: No change on rates unless something dramatically changes..



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Top News

Futures edged lower after hitting a series of record highs, while blowout results from Hewlett Packard Enterprise and a funding commitment from Alphabet underscored investor confidence in the AI buildout. Both the S&P 500 and the Nasdaq logged their eighth straight session of gains on Monday and closed at record levels, with Nvidia rising more than 6% after it unveiled a new processor to bring AI to personal computers.

Marvell Technology also rallied more than 21% after Nvidia CEO Jensen Huang said the semiconductor company could become the next trillion-dollar company. Stronger-than-expected first-quarter results and enthusiasm around AI have powered the U.S. stock rally. Oil prices fell more than 1% on Tuesday, paring the previous session's sharp gains, as Iran reviewed a proposed agreement with the United States to halt the war between the two countries, Iran's Mehr News reported.

U.S. President Donald Trump said on Monday that negotiations with Iran were continuing and there would be a deal to extend the ceasefire and reopen the Strait of Hormuz over the next week. Investors will be keeping an eye out for comments from Cleveland Fed President Beth Hammack, a voting member of the Fed's rate-setting committee, later in the day for cues on the rate outlook. Money market pricing shows traders have all but priced out rate cuts for 2026 and see growing odds of an eventual hike in the face of mounting inflationary pressures. European shares rose on Tuesday as a strong forecast from chipmaker STMicroelectronics lifted technology stocks.

Euro zone inflation accelerated further last month, driven by energy and services, bolstering the already strong case for a small European Central Bank interest rate hike later this month, Eurostat data showed on Tuesday. Consumer prices in the 21 nations sharing the euro accelerated to 3.2% in May from 3.0% a month earlier, well above the ECB's 2% target but in line with a Reuters poll. The increase was driven by a 10.9% rise in energy costs and an unexpectedly large pickup in services inflation to 3.5% from 3.0%. Japan's Nikkei share average retreated on Tuesday from a record high hit in the previous session, with broader geopolitical uncertainties weighing on risk appetite. The index recovered some of its early losses as highflying memory-chip maker Kioxia reversed course to jump nearly 7% ahead of a scheduled investor meeting later in the day.



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Tech shares rose across mainland China and Hong Kong markets on Tuesday, led by gains in Tencent and Meituan, while investors cautiously evaluated Middle East peace talks. China's yuan inched firmer to hit a more than three-year high against the dollar on Tuesday, but gains were capped. South Korea's consumer inflation quickened in May to a more than two-year high, exceeding market expectations on high oil prices triggered by the Middle East conflict, supporting the case for monetary tightening as early as next month.

Previewing Friday's Jobs Report (Argus)

June 2, 2026: On Friday, the Bureau of Labor Statistics (BLS) will report the May unemployment rate, which we think remained healthy, near 4.3%. Evidence suggests layoffs are contained. Hiring appears to have picked up in recent weeks, but we believe that "low hire, low fire" remains a fair summary of the employment situation. We estimate that non-farm payrolls increased by 125,000 in May, while the consensus is 85,000. The weekly ADP report for private payrolls has been averaging about 35,000 a week, or 140,000 on a four-week basis. Non-farm payrolls may come in slightly below private payrolls as a result of job reductions by the federal government.

The Labor Department's weekly reports on initial jobless claims suggest that actual layoffs are low. The four-week moving average of 209,000 claims is little changed from 208,000 a month prior, and far below the 300,000 that would create a warning. Hiring is less conclusive. Continuing claims, near 1.8 million, remain below a warning point of 2.5 million. The Labor Market Differential is the percentage of consumers in the Conference Board's consumer confidence survey who said jobs were "plentiful" minus the percentage who said jobs were "hard to get." The spread in May was soft at 6.9%, but not extreme. Based on the advance release of the Chicago Fed Labor Market Indicators, there is a 28% probability that the May unemployment rate will remain at 4.3%, a 23.8% probability it will rise to 4.4%, and an 18.1% probability it will fall to 4.2%. The indicator of the "layoffs and other separations" rate is little changed from April 2026 and May 2025.

The estimate of the hiring rate for unemployed workers improved from April and nearly matches the prior-year level. One concern is year-over-year average hourly earnings, which we expect to be up 3.5%



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in May, below the 3.8% PCE inflation rate in April and our expectation for 4% inflation in May. Wages growing slower than inflation and the savings rate falling to 2.6% in April show that gas inflation is weighing on consumers.

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	3.07%	-1.0
CDA Prime	4.45%	0.0	CDA 10 year	3.41%	-1.4
CDA 3 month T-Bill	2.31%	0.0	CDA 20 year	3.67%	-1.1
CDA 6 month T-Bill	2.38%	0.0	CDA 30 year	3.79%	-1.1
CDA 1 Year	2.59%	-2.0			
CDA 2 year	2.80%	-1.4			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.14%	-4.7
US Prime	6.75%	0.0	US 10 year	4.43%	-4.9
US 3 month T-Bill	3.63%	-0.3	US 30 year	4.95%	-4.3
US 6 month T-Bill	3.76%	-1.6	5YR Sovereign CDS	41.74	
US 1 Year	3.80%	-1.9	10YR Sovereign CDS	51.21	
US 2 year	4.02%	-3.5			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			709.36	-0.01%	1.88%
BMO Laddered Preferred Shares (ETF)			12.82	-0.04%	3.97%

Source: LSEG

Things are looking up! Have a great day!

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