

Financial HARTbeat

Now what?

June 22nd 2026



Good Morning,

Open, closed, open, closed...straight of Hormoz




Oil doesn't know what to do, gold doesn't know what to do, stock/bonds don't know what to do..

Market completely unsure of how to price all of the global risks..

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

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

Chart of the Day: there was not 1 thing I saw in Warsh statement that would suggest this market reaction...however, this is what the market has said from his comments..

	 Bank of Canada	 Federal Reserve	 European Central Bank
Rates			
President / Chair	Tiff Macklem	Jerome Powell	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*	2.23%	3.84%	2.24%
Spread vs. current rate	-2 bp	+9 bp	-1 bp
Next meeting			
Probability of...			
... hike	0%	37%	0%
... hold	93%	63%	96%
... cut	7%	0%	4%
Rate cuts			
25bps hikes (cuts) priced in...			
... next 3 months	0.1	0.6	0.5
... next 6 months	-	1.4	1.2
... next 12 months	-	1.8	-

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



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Top News

U.S. stock index futures were relatively unchanged this morning, as investors gauged progress in the latest round of U.S.-Iran negotiations. Mediators announced that U.S. and Iranian officials made "encouraging progress" at the first round of talks in Switzerland that ended early on Monday, although tension persisted over Lebanon and the Strait of Hormuz.

Hopes of a peace deal helped the three key indexes end with significant weekly gains on Thursday, as technology shares continued to drive markets higher. Shares of memory chipmakers moved higher in premarket trading, with Micron Technology, SanDisk and Intel gaining about 4% each. The next test for the rally will be Micron's quarterly results on Wednesday. Shares of the memory chipmaker have risen almost 300% for the year.

A key focus this week will be Thursday's PCE data, the Federal Reserve's preferred gauge of core inflation. A hotter-than-expected reading is likely to reinforce expectations of a hawkish Federal Reserve after Chair Kevin Warsh underscored the need to curb inflation at last week's meeting. According to LSEG data, markets currently expect a 25-basis-point rate hike from the Fed in September. Yields on 2-year notes, which reflect near-term rate expectations, hit their highest level since early 2025 at 4.23%.

In Canada, annual inflation rate in May accelerated more than expected to 3.2%, a 29-month high, as the impact of higher crude oil prices due to the Iran conflict continued to filter through gasoline costs. Analysts polled by Reuters had estimated the annual inflation rate to touch 3% in May, up from 2.8% in April. The prices, however, are already showing a major reversal in June after an interim peace deal was signed between the United States and Iran last week, which, analysts have said, could help ease the headline number in June. Statistics Canada said excluding the impact of gasoline prices, the consumer price index still posted a higher increase of 2.2% in May from 2% in April led by elevated cost of food, recreation and alcoholic beverages. Gasoline prices in May rose by 33.2% on a year-over-year basis. This led to an increase in the cost of transportation, which accounts for almost 18.5% of the CPI basket, posting a 9% annual increase last month. The closely tracked measure of core inflation stayed unchanged in May. CPI-median, the centermost component of the CPI basket, was at 2.1%, while CPI-trim, which excludes the most extreme price changes, was at 2%.



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The inflation number is not likely to alter Bank of Canada's assessment of underlying inflation as it said earlier this month that it was seeing limited evidence higher energy prices were fueling broad-based inflation.

Elsewhere, UK Prime Minister Keir Starmer announced this morning that he was quitting, paving the way for what is expected to be an orderly transfer of power to frontrunner Andy Burnham, who could become Britain's seventh leader in 10 years as early as next month.

Housing at the Halfway Point (Argus)

We had high hopes for housing at the beginning of 2026, and still do at midyear. Mortgage rates were on a steady decline to 6% until the war with Iran sent 30-year borrowing costs higher by 50 basis points at the start of the spring selling season. While residential fixed investment, the category that includes homebuilding in the Gross Domestic Product (GDP) report, has been soft, the Homebuilders Exchange Traded Fund (XHB) is up 8.2% on a year-to-date basis. That's not bad for an "out of favor" sector compared with the record-breaking S&P 500, which has booked a 10.1% gain for the year through Friday. The stock market is always looking forward.

On a fundamental basis, we believe there is a shortage of affordable housing, new homes are historically cheap relative to existing homes, and we believe big builders have the operating efficiency and financial strength to take market share from small local builders. Toll Brothers, which is the leading builder of luxury homes, trades at 12.2-times our FY26 earnings estimate and 11-times our FY27 estimate after returning 15% this year and 43% over the last 12 months. Builders got a boost at the beginning of June when bargain-conscious Berkshire Hathaway announced an agreement to purchase Taylor Morrison Homes. Residential investment, which also includes home improvement spending, represented just 3.7% of GDP at the end of 1Q. That is well below the average of 4.6% since the beginning of 1947. We expect residential investment to gain share and approach 5% of GDP over the next several years. Residential investment is on track to grow in 2Q based on the Federal Reserve Bank of Atlanta's GDP Nowcast. We expect 1.3 million housing starts in 2026, which is about the same as last year, and 1.4 million in 2027.



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On June 30, the S&P Cotality Case-Shiller National Home Price Index will be updated and we expect an annual increase of 1.0% for April. The Zillow Home Value Index rose by an annual 0.6% in April and 0.7% in May. compared with the record-breaking S&P 500, which has booked a 10.1% gain for the year through Friday. The stock market is always looking forward. On a fundamental basis, we believe there is a shortage of affordable housing, new homes are historically cheap relative to existing homes, and we believe big builders have the operating efficiency and financial strength to take market share from small local builders. Toll Brothers, which is the leading builder of luxury homes, trades at 12.2-times our FY26 earnings estimate and 11-times our FY27 estimate after returning 15% this year and 43% over the last 12 months. Builders got a boost at the beginning of June when bargain-conscious Berkshire Hathaway announced an agreement to purchase Taylor Morrison Homes. Residential investment, which also includes home improvement spending, represented just 3.7% of GDP at the end of 1Q. That is well below the average of 4.6% since the beginning of 1947. We expect residential investment to gain share and approach 5% of GDP over the next several years. Residential investment is on track to grow in 2Q based on the Federal Reserve Bank of Atlanta's GDP Nowcast. We expect 1.3 million housing starts in 2026, which is about the same as last year, and 1.4 million in 2027. On June 30, the S&P Cotality Case-Shiller National Home Price Index will be updated, and we expect an annual increase of 1.0% for April. The Zillow Home Value Index rose by an annual 0.6% in April and 0.7% in May.



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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	3.06%	1.4
CDA Prime	4.45%	0.0	CDA 10 year	3.41%	1.3
CDA 3 month T-Bill	2.27%	-0.5	CDA 20 year	3.70%	1.0
CDA 6 month T-Bill	2.36%	-1.9	CDA 30 year	3.82%	1.0
CDA 1 Year	2.57%	0.2			
CDA 2 year	2.79%	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	4.28%	5.0
US Prime	6.75%	0.0	US 10 year	4.49%	4.2
US 3 month T-Bill	3.68%	0.5	US 30 year	4.93%	3.0
US 6 month T-Bill	3.92%	2.1	5YR Sovereign CDS	42.24	
US 1 Year	4.02%	4.3	10YR Sovereign CDS	51.72	
US 2 year	4.22%	4.3			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	705.79	0.02%	1.37%		
BMO Laddered Preferred Shares (ETF)	12.82	0.12%	3.97%		

Source: LSEG

Keep looking forward! Have a great day!

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