Financial HARTbeat

Day 6..
Mar 5th 2026

Good Morning,

The bombing continues and they are calling it a war…

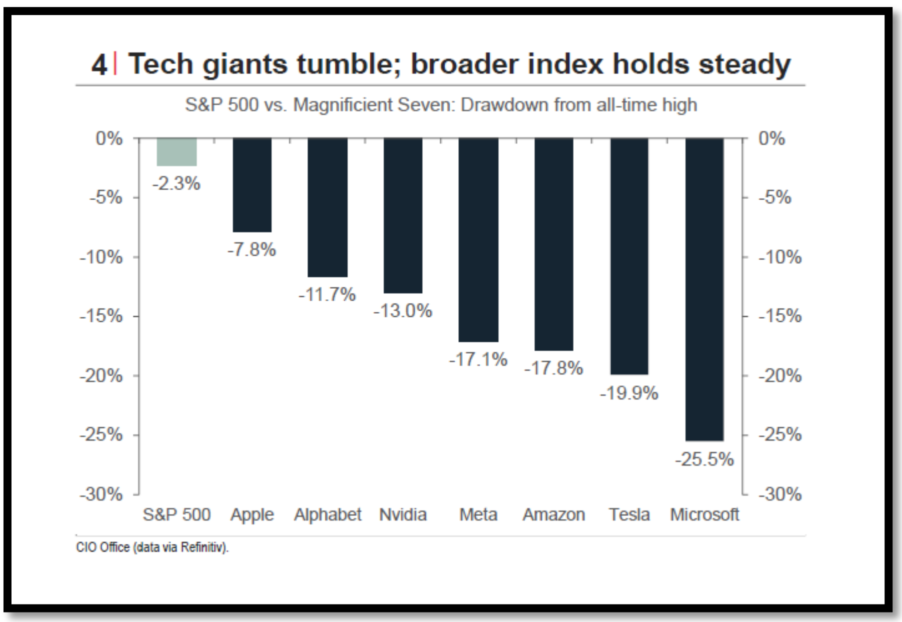
What happens to cross assets now?

Below the surface Private Credit in trouble…Blackstone marks another fund to zero….

Catch the playback of our Weekly Roundup [Click here]

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

Chart of the Day: overreaction?



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Top News

U.S. stock index futures are down this morning as the Middle East conflict enters its sixth day, stoking fears of inflationary pressures that could complicate the Federal Reserve's monetary policy decisions. Buoying sentiment are strong forecasts from Broadcom, that projected its artificial intelligence chip revenue would exceed $100 billion next year, sending shares of the chip designer up over 7% in premarket trading. Policymakers have broadly acknowledged the need to wait and gauge the impact of the Iran conflict on the economy, although investors are anticipating price pressures to delay a 25-basis-point interest rate cut by the Federal Reserve to September from July.

Fresh Fed remarks from U.S. Fed Vice Chair Michelle Bowman are due later in the day. Economic data this morning showed initial claims for state unemployment benefits were flat at a seasonally adjusted 213,000 for the week ended February 28. Economists had forecast 215,000 claims for the latest week.
A separate report from global outplacement firm Challenger, Gray & Christmas showed U.S.-based employers announced 48,307 job cuts in February, down 55% from January and 72% from a year ago.
Futures tracking Canada's main stock index are muted, even as gold and oil prices gain, with investors being cautious amid the rising Middle East conflict.

Spot gold falls with a stronger U.S. dollar and concerns around the Federal Reserve's monetary. Copper prices also fall. Oil prices extend gains (see chart) as concerns over production and supply disruption linger, with the Chinese government also instructing the largest oil refiners to suspend exports of diesel and gasoline.

In other developments, Australia and Canada said they signed new agreements on critical minerals. European shares are down, as the Middle East war continues to cast a shadow and investors sifted through a slate of earnings. Europe remains heavily reliant on imported oil and LNG, and tighter supply conditions due to the war could push energy and transport costs higher. That pressure is landing at an awkward moment for policymakers, with growth already tepid, and a renewed surge in oil risks reigniting inflation fears.

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China and Hong Kong stocks rebounded today, as anxiety over the Middle East war was countered by investors' emboldened bets in Chinese tech shares after Beijing vowed to deepen investment in innovation. But Chinese bonds and the yuan were little moved as China set its 2026 economic growth target at 4.5%-5% - lower than last year and signalled no appetite for big fiscal or monetary stimulus. China vowed to deepen investment in high-tech industries and scientific innovation, framing them as essential to bolstering national security and self-reliance amid rising geopolitical tensions and a rivalry with the U.S. China also said it would build a "childbirth-friendly society" in the next five years, pledging to address concerns over employment, education, medical care, health and income.

Japanese shares rose, as the market tried to stabilise after a three-session losing streak sparked by the Middle East war, though gains were not enough to recoup the cumulative loss. South Korea's benchmark KOSPI index closed up 9.63%, swiftly erasing most of its worst-ever daily drop from a day earlier, buoyed by hopes for progress in U.S.-Iran diplomacy.

Small-Caps and Emerging Markets (Argus)

We have three strategic asset-allocation models, targeting risk-tolerance levels: Conservative, Growth, and Aggressive. On a regular basis, we make tactical adjustments to the models, based on our outlooks for the various segments of the capital markets. Performance matters, and we monitor it closely. So far in 2026, bonds have taken a modest lead over stocks, while growth stocks have lagged. Looking ahead, from an asset-allocation standpoint, our Stock-Bond Barometer model still sees both asset classes near fair value, so portfolio weights ultimately will depend on strategic factors.
We are market-weight on large-cap stocks at this stage of the market cycle. We favor large-caps for growth exposure and financial strength, as well as exposure to the Tech sector. Small- and mid-caps offer better valuation. Our recommended exposure to small- and mid-caps is 15% of equity allocation, in line with the benchmark weighting. One of the market surprises in 2025 was the performance of global stocks, which turned in impressive results.

We expect the long-term trend favoring U.S. stocks to re-emerge ultimately, given volatile global economic, political, geopolitical, and currency conditions. That said, international stocks still offer favorable near-term valuations, and we target 20% of equity exposure to the group. In terms of growth

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and value, over the longer term, we anticipate that growth, led by the Tech sector, will top returns from value, led by Energy, Real Estate, and Materials, due to favorable secular and demographic trends. Value has taken an early lead in 2026, and likely will continue to perform well as the conflict in Iran carries on

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	2.87%	5.3
CDA Prime	4.45%	0.0	CDA 10 year	3.33%	4.0
CDA 3 month T-Bill	2.21%	0.0	CDA 20 year	3.67%	4.2
CDA 6 month T-Bill	2.27%	0.0	CDA 30 year	3.79%	4.1
CDA 1 Year	2.40%	2.5			
CDA 2 year	2.58%	4.0			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	3.73%	5.8
US Prime	6.75%	0.0	US 10 year	4.14%	5.4
US 3 month T-Bill	3.60%	-0.1	US 30 year	4.76%	4.2
US 6 month T-Bill	3.66%	0.4	5YR Sovereign CDS	36.48	
US 1 Year	3.60%	1.8	10YR Sovereign CDS	46.92	
US 2 year	3.58%	4.2			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			696.46	-0.03%	0.03%
BMO Laddered Preferred Shares (ETF)			12.45	-0.24%	0.97%

Source: LSEG

Things are looking up! Have a great day!
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