

Financial HARTbeat

Independence...
Mar 26th 2026



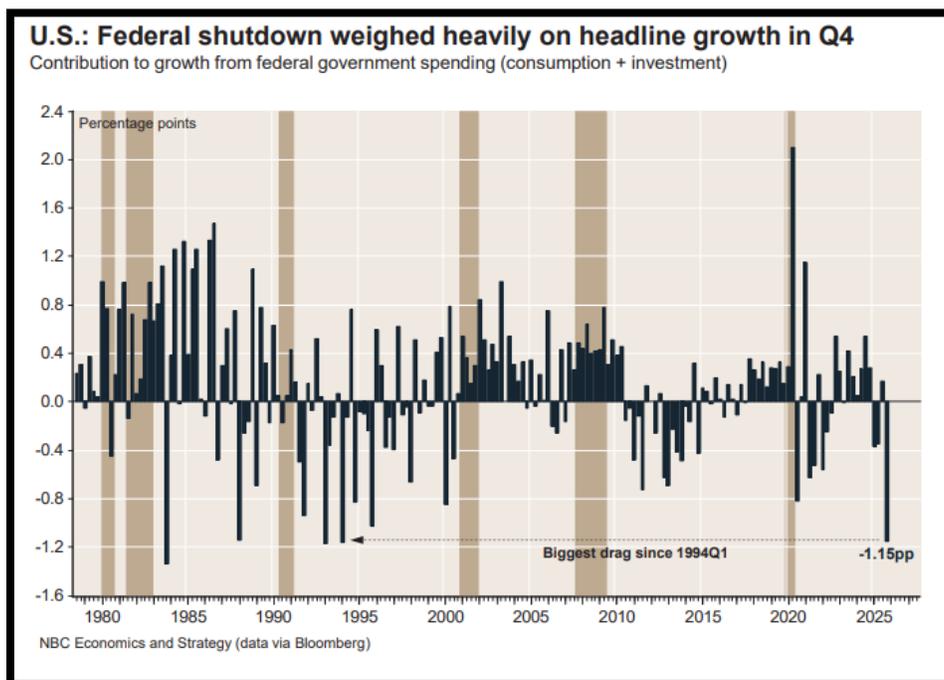
Good Morning,

Central Bank independence being called into question...it's a fair question and something to pay attention too as we have conflicting data sets and hopeful outcomes from political leadership the world over...

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

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

Chart of the Day: Government Shutdown drags US GDP..



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Top News

U.S. stock index futures are down this morning, following gains in the previous session, as investors remain cautious over developments in the Middle East while weighing the prospects of a de-escalation. U.S. President Donald Trump said Iran was desperate to make a deal to end the fighting, contradicting the Iranian foreign minister who said Tehran was reviewing a U.S. proposal but had no intention of holding talks to wind down the conflict.

President Donald Trump will hit Iran harder if Tehran fails to accept that the country has been "defeated militarily," White House press secretary Karoline Leavitt said. The oil price spike stemming from the conflict has revive inflation concerns, putting central banks in a tough spot with regards to interest rates. Money market participants are no longer pricing in any easing from the U.S. Federal Reserve this year, after previously expecting about two rate cuts before the Iran conflict erupted.

On the data front, initial claims for state unemployment benefits increased 5,000 to a seasonally adjusted 210,000 for the week ended March 21, the Labor Department said. Economists had forecast 210,000 claims for the latest week. Futures linked to Canada's main stock index edge lower this morning, as investors remain wary amid conflicting signals from the U.S. and Iran on the Middle East war. Crude oil climbs more than 3% on concerns that prolonged fighting in the Middle East could further disrupt energy supplies.

Meanwhile, gold is lower on expectations that the U.S. Federal Reserve could hike rates this year as higher oil prices threaten to spike inflationary pressures. Traders expect the Bank of Canada to keep rates unchanged at its April meeting, with markets now pricing in nearly three hikes by year-end, LSEG data shows. European shares fall this morning as investors grapple with the prospect of an imminent rate hike by the European Central Bank and dim hopes for a quick end to the Middle East conflict.

Policymaker Joachim Nagel told Reuters that the ECB has "an option" to raise interest rates at its April meeting, a day after President Christine Lagarde said that the central bank was prepared to act at any meeting to keep inflation at its 2% target. Short-term European bond yields, a reflection of interest rate



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expectations, rose and pressure equities, while interest rate futures reflect a more than 65% chance of a rate hike in April.

Industrials and banks, cyclical sectors that are vulnerable to economic downturns, are down about 1% each and are the biggest drags on the benchmark. Elevated crude prices pressure airlines, with Air France and Lufthansa down more than 1% each. Swedish fashion retailer H&M slips more than 5% as quarterly sales missed expectations, while Next adds more than 5% after slightly raising its annual profit guidance.

China and Hong Kong stocks dropped, as investors weighed the prospects of a de-escalation in the Middle East conflict. Meanwhile, Trump plans to meet Chinese President Xi Jinping in May, a closely watched trip postponed due to the ongoing Iran war. Trump has sought support from the world's major oil consumers, including China, to help reopen the Strait of Hormuz.

Japan's Nikkei share average reversed early gains to end lower, as growing uncertainty over the Middle East conflict prompted investors to sell stocks. Japan's economy remains highly exposed to spikes in crude oil prices due to its heavy reliance on imported energy. The closure of the Strait of Hormuz heavily weighs on Japan, which gets around 90% of its oil shipments via the passage.

Stocks Can Survive a Pullback (Argus)

Investors already have endured a pullback in the stock market this year. These things happen. But they don't necessarily signal that a bull market is on its last legs or that a bear market is imminent. A pullback occurs when stock prices drop 5% from their highs. That happened two weeks ago, when, in response to the war in Iran and the spike in oil prices, the S&P 500 fell 5% below its all-time high of 7,002, ultimately closing slightly below the 6,500 level. Historically, pullbacks occur on average three times per year, or 15 times per traditional 5-year market cycle. Corrections -- when stocks drop 10% -- are less frequent; they happen about once per year, with the most recent occurring during the build-up to President Trump's ultimately watered-down tariff plan in the spring of 2025.

Stocks have always recovered from pullbacks and corrections, as well as from bear markets. The average time to rebuild after a pullback has been one month. For a correction, it may take four months. Those



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recoveries are more dependent on the fundamentals in the market at the time. As we review the current market fundamentals, the economy is growing, interest rates had been falling before the oil scare, and corporate profits are increasing at a healthy pace. It is impossible to know when the Iran war will come to an end. But post hostilities, we expect oil prices to drop significantly and interest rates to head lower. Overall, we remain optimistic that stocks can post gains in 2026, though our base case outlook calls for single-digit returns, not the 15%-25% returns investors have enjoyed for the past three years.

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	3.19%	6.0
CDA Prime	4.45%	0.0	CDA 10 year	3.55%	6.2
CDA 3 month T-Bill	2.31%	0.0	CDA 20 year	3.83%	4.9
CDA 6 month T-Bill	2.44%	1.5	CDA 30 year	3.94%	3.8
CDA 1 Year	2.75%	5.0			
CDA 2 year	2.95%	5.2			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.04%	6.0
US Prime	6.75%	0.0	US 10 year	4.38%	5.6
US 3 month T-Bill	3.63%	0.2	US 30 year	4.94%	4.2
US 6 month T-Bill	3.74%	2.1	5YR Sovereign CDS	42.47	
US 1 Year	3.81%	4.3	10YR Sovereign CDS	53.66	
US 2 year	3.94%	5.8			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			689.96	0.01%	-0.90%
BMO Laddered Preferred Shares (ETF)			12.41	0.12%	0.65%

Source: LSEG

Things are looking up! Have a great day!

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