

Financial HARTbeat

Inflation...maybe not?
Mar 30th 2026



Good Morning,

Comments from our Chief Economist...

“In Canada at least, inflation had been well-contained prior to the recent oil price shock




Inflation expectations, while moving higher, have not fundamentally de-anchored

The pass through from higher energy prices to ‘core’ inflation is less-than-certain, perhaps unlikely”

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

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

Chart of the Day: Still showing small probability of a cut....interesting..

	 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%	2.00%
Next meeting			
Next meeting date	April 29, 2026	April 29, 2026	April 30, 2026
Market-implied policy rate*	2.18%	3.77%	2.00%
Spread vs. current rate	-7 bp	+1 bp	0 bp
Probability of...			
... hike	0%	6%	0%
... hold	72%	94%	100%
... cut	28%	0%	0%
Rate cuts			
25bps hikes (cuts) priced in...			
... next 3 months	0.3	0.1	1.3
... next 6 months	-	0.2	#VALUE!
... next 12 months	-	0.2	-

*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 are trading higher this morning, following President Donald Trump's comments on Sunday that the U.S. and Iran had been meeting "directly and indirectly", and Pakistan, acting as intermediary, said "meaningful talks" could be hosted in the coming days. Meanwhile, the risk of a wider Iran war intensified as Yemen's Iran-aligned Houthi rebels launched their first missile attack on Israel since the conflict began, marking a dangerous expansion of the war. In a Financial Times interview, President Donald Trump also reiterated that he wanted to "take the oil in Iran". Oil prices extended gains on Monday, sending energy stocks higher with Exxon Mobil and Chevron up over 1.3% each in premarket trading. Brent crude has surged 59% so far this month, its sharpest monthly rally on record and even stronger than the gains seen during the 1990 Gulf War. The rally pushed futures above \$116 a barrel on Monday, underscoring the intensity of the supply shock and heightened geopolitical tensions. The spike in oil prices has also revived inflation fears, putting central banks in a tough spot with regard to interest rates.

Money market participants are not pricing in any easing from the Federal Reserve this year, compared with two cuts before the war began, as per CME Group's FedWatch Tool. Investors will closely monitor comments from Fed Chair Jerome Powell and New York Fed President John Williams, scheduled to speak later in the day. Wall Street's main indexes ended their fifth consecutive week in the red on Friday, with the Dow, the Nasdaq and the small-cap Russell 2000, all confirming they were in correction territory after closing more than 10% below their record highs.

The benchmark S&P 500 is a little over 1% away from the mark. Brokerage firm Morgan Stanley downgraded global equities to "equal weight" from "overweight", but said fund flows to U.S. equities and bonds had overtaken the rest of the world since the conflict began, indicating it might re-emerge as a safe haven for investors.

In Canada, futures tied to Canada's resources-heavy stock index also edged higher today. Gold rose, supported by a weaker dollar and value-buying.



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In contrast to the U.S. equity market, Canada's main stock index climbed 2.1% last week, rebounding after three straight weeks of losses, but March could still be the worst month since June 2022 if broader losses hold.

Regarding the Bank of Canada, market participants now expect the central bank to deliver three rate hikes this year, compared with earlier bets that policy would remain unchanged. Elsewhere, China's factory activity likely expanded in March, snapping a two-month contraction amid strong momentum in goods exports, although supply chain shocks from the Iran war cloud the outlook.

Reducing 2026 GDP Estimate (Argus)

Previewing Friday's Jobs Report The Bureau of Labor Statistics (BLS) will report the unemployment rate on Friday, and we expect the result will remain healthy at near 4.4%. Evidence suggests layoffs remain contained, but job creation is tepid by historical standards. In his press conference following the March 18 Federal Open Market Committee (FOMC) meeting, Jerome Powell provided his perspective on the employment situation. "There are a number of indicators that suggest a degree of stability," although "a good number" of the people on the FOMC are concerned about the "very, very low level of job creation." The average payroll gain is 13,000 over the last 12 months, down from 122,000 in 2024. We estimate that non-farm payrolls increased by 47,000 in March, while the consensus is 51,000. One way we gauge payrolls is to subtract the number of monthly separations from hires in the Job Openings and Labor Turnover Survey (JOLTS) report. The 12-month average is 35,000 net hires.

The median is 50,000. The most-recent weekly ADP estimate for private payrolls is 10,000, or 40,000 on a four-week basis. The weekly reports from the Department of Labor on initial jobless claims suggest that actual layoffs are low. The four-week moving average of 210,500 claims is stable, and far below the 300,000 that would raise a warning. Hiring is less conclusive. Continuing claims, near 1.8 million, remain below a warning point of 2.5 million. But people who have lost their job are having a hard time finding a new one, and average weeks unemployed are slightly elevated at 25.7. The 12-month average is 23.5 weeks.



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Based on the advance release of the Chicago Fed Labor Market Indicators, there is a 27.4% probability that the March unemployment rate will rise to 4.5% and a 26.2% probability that it will remain at 4.4%. Their indicator of the layoffs-and-other separations rate is unchanged from February. Their estimate of the hiring rate for unemployed workers is slightly weaker.

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	3.15%	-5.7
CDA Prime	4.45%	0.0	CDA 10 year	3.52%	-5.9
CDA 3 month T-Bill	2.34%	2.0	CDA 20 year	3.79%	-4.6
CDA 6 month T-Bill	2.42%	-1.0	CDA 30 year	3.90%	-5.1
CDA 1 Year	2.70%	-4.0			
CDA 2 year	2.90%	-5.5			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.00%	-6.8
US Prime	6.75%	0.0	US 10 year	4.37%	-7.2
US 3 month T-Bill	3.61%	-1.1	US 30 year	4.92%	-5.9
US 6 month T-Bill	3.71%	-0.1	5YR Sovereign CDS	45.23	
US 1 Year	3.74%	-2.2	10YR Sovereign CDS	56.97	
US 2 year	3.86%	-5.9			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			684.75	-0.05%	-1.65%
BMO Laddered Preferred Shares (ETF)			12.31	-0.40%	-0.16%

Source: LSEG

Things are looking up! Have a great day!

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