

Financial HARTbeat

Bubbles
May 6th 2026



Good Morning,

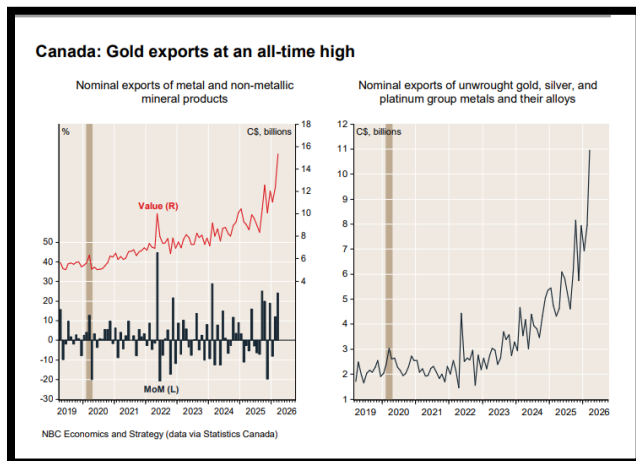
Misconception	Better framing
“High prices = bubble”	Expensive is not automatically irrational. Look at fundamentals, liquidity, sentiment, and earnings durability.
“Bubbles are easy to spot”	They are usually obvious only after the fact. Timing them is extremely difficult.
“All bubbles crash the same way”	Outcomes vary; crash, correction, sideways digestion, or fundamentals catching up.

Do we see bubbles in many things.....definitely...but WHEN it bursts is the largest question....

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

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

Chart of the Day: should this be worrying? Gold exports all time high...



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Top News

The United States and Iran seem to be closing in on an agreement to end the war in the Gulf. Different sources confirmed the information initially reported by the U.S. media outlet Axios, that the proposed 14-point, onepage memorandum currently being evaluated by Iran would formally end the war, followed by discussions to unblock shipping through the Strait of Hormuz, lift U.S. sanctions on Iran and agree curbs on Iran's nuclear program. In an early morning social media post, U.S. President Donald Trump gave no details of any specific proposal but said the war could end if "Iran agrees to give what has been agreed to". U.S. demands that were not mentioned include: curbs on Iran's missile program and an end to its support for proxy militias in the Middle East.

Even though, the sources spoke of a moratorium on future Iranian enrichment of uranium, they did not mention Iran's existing stockpile of more than 400 kg of uranium enriched to near weapons grade. Earlier, Trump announced a pause to "Project Freedom", a mission he had announced two days earlier to guide ships through the blocked strait. The mission had failed to bring about any significant resumption of traffic through the waterway, while provoking a new wave of Iranian strikes on ships in the strait and on targets in neighbouring countries.

These reports caused global oil prices to plunge, with benchmark Brent crude futures falling around 11% to around \$98 a barrel. Global equity markets gained and the U.S. dollar, which has been a safe haven during the Iran war, dropped against its major peers.

Meanwhile, yields on government bonds fell along as traders dialled down their bets on central bank rate hikes. In the U.S., shares in chipmaker Advanced Micro Devices jumped more than 15% in extended trading as the company forecast second-quarter revenue above Wall Street expectations on Tuesday, helping drive AI enthusiasm across markets.

In Canada, futures for the main stock index also gained as spot gold and silver rose about 3% and 6%, respectively, helped by a weaker dollar and inflation concerns easing somewhat. On the earnings front, Suncor Energy and Cenovus beat Wall Street estimates for first-quarter adjusted profit, driven by higher



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production and throughput volumes. Elsewhere in foreign exchange markets, the yen strengthened sharply, gaining almost 2% to 155 against the dollar as traders remained on the lookout for fresh intervention by authorities in Tokyo.

On the economic front, the ADP National Employment Report showed U.S. private-sector employment increased by 109,000 jobs in April, after a downwardly revised 61,000 gain in March. Economists polled by Reuters had forecast private employment advancing by 99,000 jobs. Government data on Tuesday showed that job openings dropped in March, though hires rebounded to more than a two-year high, confirming that the labor market remains in a "low-hire, low-fire" state.

Valuation Measures Reasonable (Argus)

We have different ways of looking at market valuations, and most are signaling that stocks are reasonably valued, though hardly bargains. Our Stock-Bond Barometer asset-allocation model is indicating that the two major portfolio asset classes are near parity on valuation. The model goes back to 1960. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading from the model is a modest premium for stocks, of 0.18 sigma, with a standard deviation of 1.07. So stocks normally sell for a slight premium valuation compared to bonds, which has been the case since inflation -- and bond yields -- jumped in 2022. The valuation level now is a 0.56 sigma premium for stocks, not a discount but easily within the normal range. Other valuation measures also show reasonable multiples for stocks. The current forward P/E ratio for the S&P 500 is approximately 22, within the normal range of 15-24. On price/book, it is no surprise that stocks are priced at the high end of the historical range of 5.5-1.8, given that tech stocks, with low capital bases, are the biggest component of the market.

The current S&P 500 dividend yield of 1.11% is below the historical average of 2.9%, but the relative reading to the 10-year Treasury bond yield is 26% compared to the long-run average of 39% and the all-time low of 18%. On price/sales, the current ratio of 3.3 is above the historical average of 1.8, but well below the 4.0 multiple at the peak of the dot-com bubble.

Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is now 360 basis points, compared to the historical average of 400 and nosebleed valuation levels of 200.



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Lastly, the ratio of the S&P 500 price to an ounce of gold is 1.6, within the normal range of 1-3. These valuation measures suggest to us that the stock market at record highs is not currently in danger of entering bubble territory.

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			Canadian Key Rate		
	Last	Change bps		Last	Change bps
CDA o/n	2.25%	0.0	CDA 5 year	3.17%	-9.8
CDA Prime	4.45%	0.0	CDA 10 year	3.52%	-9.0
CDA 3 month T-Bill	2.32%	-0.5	CDA 20 year	3.78%	-7.9
CDA 6 month T-Bill	2.43%	-2.5	CDA 30 year	3.89%	-7.8
CDA 1 Year	2.67%	-8.0			
CDA 2 year	2.92%	-11.1			
US Key Rate			US Key Rate		
	Last	Change bps		Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.00%	-7.0
US Prime	6.75%	0.0	US 10 year	4.35%	-6.2
US 3 month T-Bill	3.60%	-0.3	US 30 year	4.94%	-4.5
US 6 month T-Bill	3.70%	-1.0	5YR Sovereign CDS	38.98	
US 1 Year	3.72%	-3.5	10YR Sovereign CDS	49.44	
US 2 year	3.87%	-6.4			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			704.76	0.05%	1.22%
BMO Laddered Preferred Shares (ETF)			12.78	0.39%	3.65%

Source: LSEG

Things are looking up! Have a great day!

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