

Financial HARTbeat

Fourth Turning
May 7th 2026



Good Morning,

While I have reference the fourth turning for a number of years, we are now starting to live it and feel it...

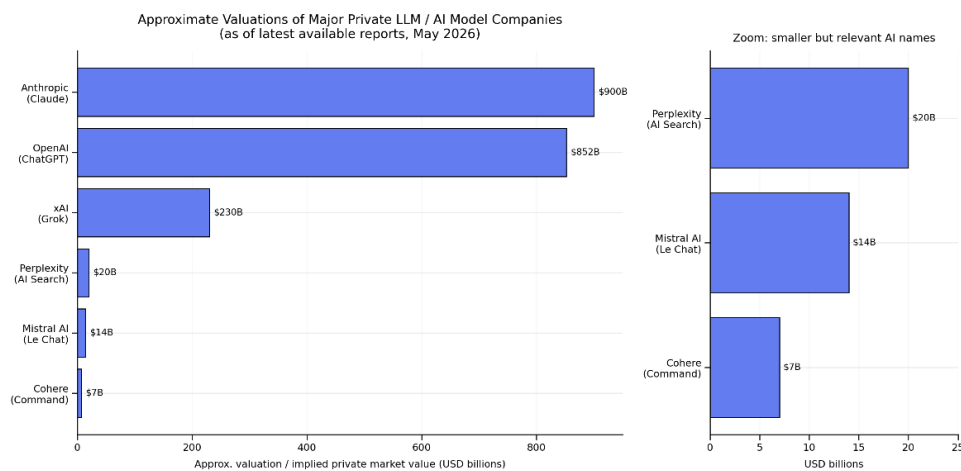
This is the time when geopolitical conflicts escalate, fiscal stress, institutional distrust, technological disruptions, demographic pressure and social/political instability...

This is the transition that we are presently in and creates a lot of uncertainty and opportunities for the great things ahead....more to come on this..

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

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

Chart of the Day: LLM AI's that are disrupting the world....



Note: These are private-company valuations or reported/indicative funding valuations, not public market caps. Anthropic figure reflects reported talks; xAI figure reflects reported potential valuation for xAI, not SpaceX/xAI combined. Google DeepMind, Meta AI/Llama, Microsoft Copilot and Amazon AI are excluded because they are not separately traded/valued standalone companies.

*Produced by Copilot



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Top News

S&P 500 and Nasdaq futures trade near all-time highs this morning as oil prices slide further on hopes of a U.S.-Iran peace deal that could potentially normalize crude supplies through the Strait of Hormuz. The United States and Iran are edging toward a limited, temporary agreement to halt their war, sources and officials said, with hope that a deal could lead to the reopening of the crucial waterway. Tehran is now expected to respond to the peace proposals.

A relentless rally in technology and AI names has also played a big role in pushing U.S. stocks to fresh highs as investors cheer a strong earnings season and upbeat economic data. In economic data this morning, initial claims for state unemployment benefits rose 10,000 to a seasonally adjusted 200,000 for the week ended May 2, the Labor Department said. Economists had forecast 205,000 claims for the latest week. Investors are awaiting the more comprehensive nonfarm payrolls report on Friday, with jobs seen increasing by 62,000 in April after rebounding 178,000 in March.

Traders continue to bet the U.S. Federal Reserve will hold interest rates steady through the end of the year due to signs of a resilient labor market and elevated energy prices. Fed presidents Neel Kashkari of Minneapolis and Beth Hammack of Cleveland as well as New York head John Williams - all voting members of the interest rate-setting committee this year - are scheduled to speak later in the day. Futures for Canada's main stock index edge higher this morning, supported by rising expectations of a near-term peace deal between the United States and Iran. Oil prices fall around 3% to below \$100 a barrel as the peace deal could bring a gradual reopening of the Strait of Hormuz. Spot gold and silver rise as concerns over inflation and prolonged high interest rates ease.

The S&P/TSX Composite Index rose to a two-week high yesterday as optimism grew over a possible end to the war in the Middle East, with gains in financials and metal mining shares offsetting declines in energy. European shares are steady this morning after a sharp rally in the previous session, as investors assessed the prospects of a U.S.-Iran peace deal and digested a slew of corporate earnings. Luxury shares gain about 2.5% after being under pressure this year.



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LVMH, Hermes and Kering are up between 2.5% and 2.9%. Spirits group Campari tumbles more than 11% after the Italian firm's first-quarter revenue was below expectations. Oil major Shell dips almost 4% after it reported first quarter profit that beat expectations, but reduced the pace of its quarterly share buyback programme.

China and Hong Kong stocks closed higher, led by AI and tech shares, as risk sentiment improved on hopes of a U.S.- Iran peace deal. China's tourism sector saw a rise in trips during the May Day holiday, though official data released the day after the five-day break did not include spending figures that usually provide a fuller picture of consumption over the period.

Japan's Nikkei share average shot to a record high and the nation's bonds rallied as financial markets reopened after holidays, catching up with optimism over strong technology earnings and signs of a potential peace deal in the Middle East. The benchmark Nikkei 225 Index jumped 5.58%, the most in more than a year. The gauge reached as high as 63,091.14, breaking through the psychological level of 63,000 for the first time. The broader Topix climbed 3%.

Valuation Measures Reasonable (Argus)

Small-Caps and Emerging Markets We have three strategic asset-allocation models, targeting three risk-tolerance levels: Conservative, Growth, and Aggressive. 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, after an impressive double-digit gain in April, stocks have taken the performance lead over bonds. 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 Information Technology (IT) sector, while small- and midcaps 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,



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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 and value, over the longer term, we anticipate that growth, led by the IT sector, will top returns from value, led by Energy, Real Estate, and Materials, due to favorable secular and demographic trends. Value has taken the lead in 2026, after lagging for the past five years, and appears well positioned with longer-term interest rates at elevated levels.

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	3.11%	-4.1
CDA Prime	4.45%	0.0	CDA 10 year	3.48%	-3.6
CDA 3 month T-Bill	2.31%	0.0	CDA 20 year	3.74%	-2.4
CDA 6 month T-Bill	2.40%	-2.5	CDA 30 year	3.86%	-3.2
CDA 1 Year	2.63%	-5.5			
CDA 2 year	2.86%	-4.4			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	3.95%	-4.9
US Prime	6.75%	0.0	US 10 year	4.32%	-3.6
US 3 month T-Bill	3.60%	-0.8	US 30 year	4.92%	-2.4
US 6 month T-Bill	3.69%	-1.4	5YR Sovereign CDS	37.96	
US 1 Year	3.70%	-2.2	10YR Sovereign CDS	48.39	
US 2 year	3.83%	-4.6			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	706.07	0.01%	1.41%		
BMO Laddered Preferred Shares (ETF)	12.79	0.08%	3.73%		

Source: LSEG

Things are looking up! Have a great day!

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