Financial HARTbeat

Market structure
May 8th 2026

Good Morning,

Heavy call buying can create short-term market support: when investors buy calls, market makers often hedge by buying the underlying index, ETF, or futures.

That buying can become self-reinforcing: if the market rises, those calls become more sensitive to further gains, which can require market makers to buy even more to stay hedged.

But the support can fade or reverse quickly: if call buying slows, options expire, or the market turns down, market makers may reduce hedges, which can add to volatility rather than prevent it.

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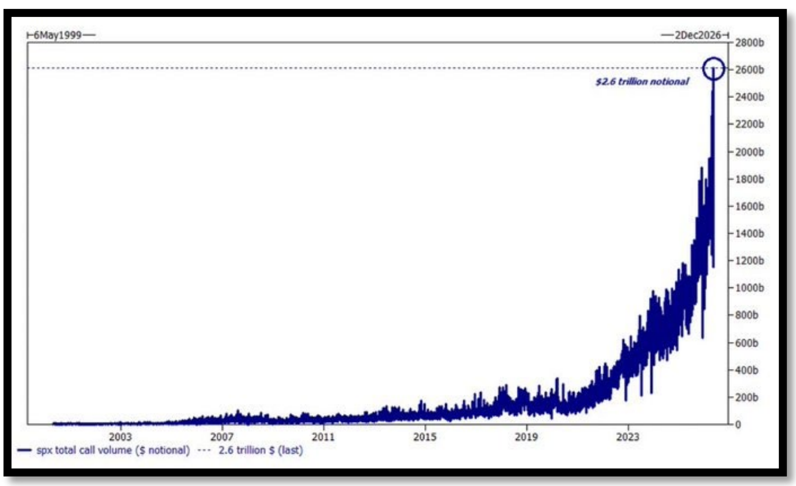
Also, catch the playback of our Annual Outlook [Click here]

Chart of the Day: most call options every bought on S&P500…



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Top News

U.S. stock index futures rise, as a recovery in chipmakers helped offset worries about renewed U.S.-Iran tensions, while investors analyse the crucial employment report. Chip stocks gain, with Microchip Technology rising more than 3% in premarket trading after forecasting first-quarter revenue above estimates, driven by strong demand for its chips used in the industrial and automotive sectors. Qualcomm leaps nearly 5%, while Nvidia is up about 1%. The gains helped overshadow concerns in global markets as U.S. and Iranian forces clashed in the Gulf, denting hopes of a swift resolution to the Middle East conflict and a gradual reopening of the Strait of Hormuz, a key transit route for oil and liquefied natural gas.

Nonfarm payrolls increased by 115,000 jobs last month after an upwardly revised 185,000 advance in March. Economists had forecast payrolls rising by 62,000 jobs after a previously reported 178,000 rebound in March. The unemployment rate held steady at 4.3%. Money market futures imply traders expect the U.S. Federal Reserve to hold interest rates steady in the 3.50% to 3.75% range until the end of the year. Futures for Canada's main stock index tick higher this morning after U.S. President Donald Trump said a ceasefire was still holding, despite U.S.-Iran clashes and renewed attacks on the UAE. Spot gold and silver are up about 0.7% and 2.7% respectively as inflation fears eased.

Oil prices rise, with Brent crude back above $100 a barrel after renewed fighting near the Strait of Hormuz raised supply concerns, signaling skepticism among some investors. Canada's unemployment rate rose to a six-month high in April to 6.9% (see chart) as the economy lost a net of 17,700 jobs in March, Statistics Canada data showed this morning, indicating a continued weakness in the labor market. European shares fall this morning, in broad-based losses, as an escalation in the U.S.-Iran conflict lifts oil prices and dampens hopes that a diplomatic solution could be close. European equities have remained sensitive to geopolitical headlines, with the region's energy dependence weighing on markets and raising concerns over the impact on inflation and growth. Also weighing on sentiment is Trump's threat that the European Union would face 'much higher' tariffs if trade deal commitments were not implemented by July 4.

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European Central Bank's Isabel Schnabel warned of the rising risk of high inflation due to the Iran war and said rates would need to rise if the energy shock broadens. Markets currently price in three or more rate hikes from the ECB over the next 12 months.

Chinese stocks recorded a fifth consecutive weekly gain, despite renewed U.S.-Iran hostilities threatening a fragile ceasefire, while investors await the meeting between Beijing and Washington next week for cues on economic policies. For the week, both the Shanghai Composite index rose 1.65% and CSI300 index rose 1.34%.

In Hong Kong, the benchmark Hang Seng Index gained 2.39% for the week. The market attention will also shift to a string of domestic data, including trade on Saturday, inflation on Monday, and credit lending data later next week.

Japan's Nikkei share average retreated today from a record high set in the last session, as SoftBank Group declined and renewed U.S.-Iran hostilities weighed on investor sentiment. The Nikkei edged down 0.19% to 62,713.65. It jumped 5.6% on Thursday to close at a record high. The index rose 5.4% in the holiday-shortened week.

Payrolls Top Consensus (Argus)

The Bureau of Labor Statistics (BLS) released the Employment Situation for April. The U.S. added 115,000 non-farm jobs, helped by strength in the stalwart Healthcare sector. There were also notable increases in retail trade and in transportation and warehousing. Our forecast was for an increase of 125,000 new jobs in April, while the consensus was 62,000. The results reduced the three-month average to 48,000 from 68,000 before the report, as strong payrolls in January rolled out of the calculation. March's payrolls were revised higher by 7,000 to 185,000 and February was reduced by 23,000 to a loss of 156,000. The unemployment rate was unchanged at 4.3%, which matched our estimate and consensus. Average hourly earnings increased $0.06 month to month and are 3.6% higher year over year. The average workweek rose by 0.1 hour to 34.3 hours. Employment showed little change in mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; financial activities; professional and business services; leisure and hospitality; and other services. Employment declined in information;

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telecommunications; motion picture and sound recording; and in computing infrastructure providers, data processing, web hosting, and related services. Specifically, information employment is down by 11.0% since its peak in November 2022.

The manufacturing sector lost 2,000 jobs. Federal government employment fell by 9,000 in April and has declined by 348,000, or 11.8%, since its peak in October 2024. Stock futures rose slightly after the report. The yield on the 10-year Treasury declined by one basis point to 4.37%. The yield on the 2-year Treasury, which is closely tied to expectations for monetary policy, was flat at 3.90%. Based on futures trading, there is a 90% probability that the fed funds rate will end the year at or above the current 3.5%-3.75% target range, which is little changed from before the call.

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%	-6.3
CDA Prime	4.45%	0.0	CDA 10 year	3.47%	-5.5
CDA 3 month T-Bill	2.30%	-1.0	CDA 20 year	3.73%	-4.4
CDA 6 month T-Bill	2.40%	-1.5	CDA 30 year	3.85%	-5.3
CDA 1 Year	2.61%	-5.5			
CDA 2 year	2.85%	-8.1			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.01%	-3.1
US Prime	6.75%	0.0	US 10 year	4.37%	-2.6
US 3 month T-Bill	3.61%	-0.1	US 30 year	4.96%	-1.1
US 6 month T-Bill	3.70%	-0.4	5YR Sovereign CDS	38.24	
US 1 Year	3.74%	-1.7	10YR Sovereign CDS	48.70	
US 2 year	3.89%	-3.0			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			705.11	0.02%	1.27%
BMO Laddered Preferred Shares (ETF)			12.81	0.16%	3.89%

Source: LSEG

Things are looking up! Have a great day!
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