

# Financial HARTbeat

What now?  
May 13<sup>th</sup> 2026



Good Morning,

Canada CPI was a little higher than expected...May 19<sup>th</sup> next key date to see real impacts of global conflicts..

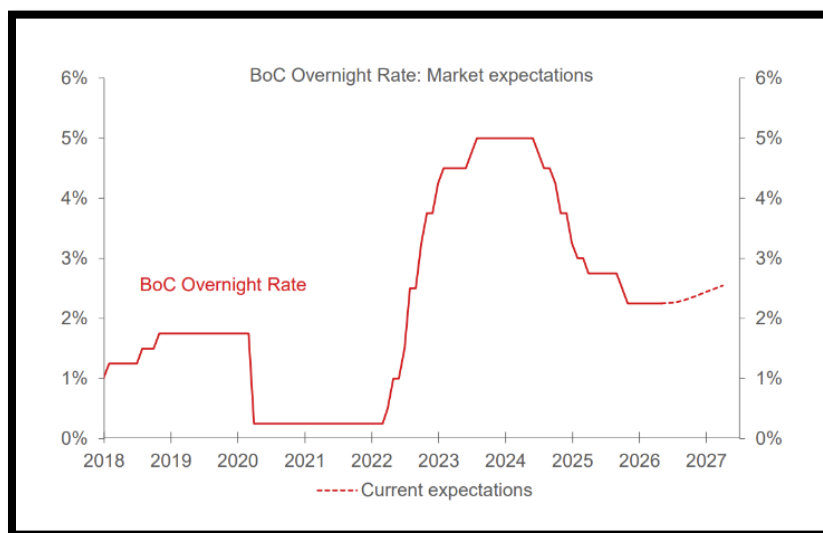
CPI raise temporary or broader impact?

Canadian insolvencies at a 2009 high and will this play a larger role for BOCs decisions or inflation?

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

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

## Chart of the Day:



CIO Office (data via Refinitiv) Data as of May 8 2026



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## Top News

S&P 500 futures turned negative this morning after data showed producer prices rose more than expected in April, while the Nasdaq futures maintained its positive reading, showing that investors remain wary that a prolonged conflict in Iran could keep energy prices elevated, adding to inflationary pressures and complicating the U.S. Federal Reserve's policy decisions.

Markets have largely priced out a Fed rate cut this year, while the probability of at least a 25-basis-point hike at the December meeting has climbed to more than 28%, from below 22% earlier in the week. Markets are also bracing for a potentially more hawkish central bank under Kevin Warsh, whom the Senate confirmed to the board yesterday and could move to be approved as chair as soon as today. Jerome Powell's term ends on Friday.

Also, in focus today, the high-stakes summit of U.S. President Donald Trump and Chinese President Xi Jinping in China. Trump said ahead of the meeting in Beijing that he did not expect to ask Chinese President Xi Jinping to help resolve the conflict with Tehran. He also said he would press Xi to "open up" China to U.S. businesses and added Nvidia CEO Jensen Huang to a delegation of corporate leaders traveling with him. The world's two largest economies are also considering extending a truce on Chinese rare earth export curbs.

Meanwhile in markets, the chip-stock selloff that weighed on markets yesterday appeared to stabilize today, with memory-chip makers leading the recovery. Micron Technology jumped more than 4% in premarket trading, dragging Western Digital, Seagate and SanDisk higher as well.

Morgan Stanley raised its 2026 year-end target for the S&P 500 Index to 8,000 from 7,800 previously, citing resilient corporate earnings. The brokerage said durable profits and positive operating leverage, helped in part by AI adoption, supported its more constructive view on U.S. equities. On the economic front, as mentioned U.S. producer prices increased more than expected in April, posting their biggest gain since early 2022, the latest indication that inflation was accelerating amid the war with Iran. The Producer Price Index for final demand surged 1.4% last month after an upwardly revised 0.7% advance



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in March. Economists polled by Reuters had forecast the PPI gaining 0.5% after a previously reported 0.5% increase in March.

Producer prices have risen strongly this year, partly driven by higher energy costs, as the U.S.-Israeli war with Iran disrupted shipping in the Strait of Hormuz. In the 12 months through April, the PPI jumped 6.0%. That was the largest increase since December 2022 and followed a 4.0% rise in March. Part of the surge in the year-on-year PPI rate reflected last year's low readings dropping out of the calculation. The rise in inflation is becoming pervasive, posing a challenge for the Federal Reserve. The BLS reported yesterday that the Consumer Price Index rose further in April, with the annual inflation rate posting its largest gain in three years.

## Global Economic Outlook (Argus)

Global economic growth is expected to dip in 2026 due to the Middle East conflict, but then pick up slightly in 2027, according to the latest World Economic Outlook from the International Monetary Fund. By the numbers, the world economy is expected to expand at a 3.1% rate in 2026, down from the 3.4% rate in 2025 and from the prior, pre-war forecast for 3.3% growth. For 2027, global growth is forecast at 3.2%. How does this compare to historical rates? Current rates are lower than the long-term historical global growth rate of 3.8%, due to the impact in recent years of tariffs and trade wars, onshoring, inflation, and higher interest rates. But that's not to say that there aren't growth opportunities for investors around the world. For advanced economies, growth is forecast at 1.8% in 2026. This forecast has been steady in recent months, as tariffs have not had the expected bite. Among the advanced regions, the U.S. economy is expected to grow the fastest this year, at a 2.3% rate, while Europe's forecast is for 1.1% growth and Japan is estimated at 0.7%.

For emerging economies, forecasts call for 3.9% growth in 2026. The clear leaders are expected to be India and China, with average growth for the next two years of 6.5% and 4.2%, respectively. These nations have different drivers: population growth in India, which points toward commodity and industrial-based infrastructure-related products; and productivity growth in China, which suggests spending on healthcare, technology, and financial services as GDP/capita grows. Recent financial market activity reflects the bullish outlook for emerging market economic growth. The Emerging Market Index ETF EEM



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is up more than 50% over the past year, outpacing the S&P 500 for one of the few times in the past decade.

## 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	3.25%	0.0
CDA Prime	4.45%	0.0	CDA 10 year	3.59%	-0.3
CDA 3 month T-Bill	2.31%	-0.5	CDA 20 year	3.83%	-0.6
CDA 6 month T-Bill	2.40%	3.2	CDA 30 year	3.96%	0.6
CDA 1 Year	2.67%	-1.0			
CDA 2 year	2.97%	-0.3			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.12%	-0.2
US Prime	6.75%	0.0	US 10 year	4.47%	-0.4
US 3 month T-Bill	3.61%	0.0	US 30 year	5.03%	0.1
US 6 month T-Bill	3.73%	-0.6	5YR Sovereign CDS	40.00	
US 1 Year	3.80%	-0.3	10YR Sovereign CDS	49.98	
US 2 year	3.99%	-0.6			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	707.20	-0.03%	1.57%		
BMO Laddered Preferred Shares (ETF)	12.81	-0.23%	3.89%		

Source: LSEG

Things are looking up! Have a great day!

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