

# Financial HARTbeat

JayPow out...  
May 14<sup>th</sup> 2026



Good Morning,

## Led unprecedented crisis response (COVID-19)

Slashed rates to near zero and launched massive stimulus programs to stabilize markets—helping prevent a financial collapse and support a rapid economic recovery.

## Tackled the highest inflation in 40+ years

After inflation surged post-pandemic, he engineered one of the fastest and most aggressive rate-hiking cycles since the early 1980s to bring price pressures back under control.

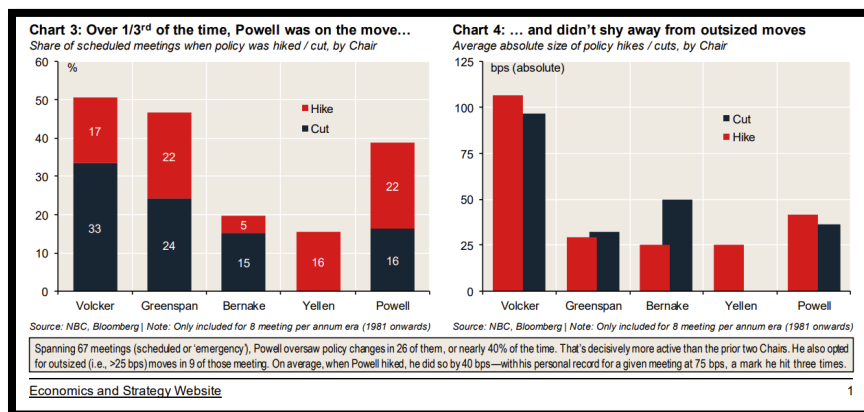
## Maintained strong labor market while navigating volatility

Despite major shocks (pandemic, inflation, geopolitical shifts), the U.S. economy saw relatively low unemployment and a quicker recovery than peers, while Powell emphasized Fed independence under political pressure.

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

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

## Chart of the Day: Jay Powell wasn't afraid of action and willing to cut and or raise...



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## Top News

Futures tracking the S&P 500 and the Nasdaq rise to record highs this morning as Nvidia's shares jumped, while investors watch developments around the high-stakes U.S.-China summit and examine latest economic data. Nvidia rises about 2% in premarket trading, giving the chipmaker a market valuation of \$5.9 trillion, after Reuters reported citing sources that the U.S. has cleared about 10 Chinese firms to buy its second-most powerful AI chip, the H200.

Chinese President Xi Jinping told President Donald Trump at the start of a two-day summit that trade talks were making progress, but warned that tensions over Taiwan could put relations on a dangerous path and even risk conflict. Trump's visit also comes against the backdrop of the war with Iran, with the president expected to seek Beijing's help in ending the costly conflict that has sent global energy prices surging. This week's stronger consumer prices and producer prices readings have reinforced expectations that the Federal Reserve will keep monetary policy restrictive for longer. Traders are now pricing in more than a 28% chance of a quarter-point rate hike by the end of the year.

Data this morning showed U.S. retail sales increased further in April, but some of the rise in receipts was likely due to higher inflation as the war with Iran boosted prices of energy products and other commodities. Retail sales rose 0.5% last month after a downwardly revised 1.6% jump in March. Economists had forecast retail sales, which are mostly goods and are not adjusted for inflation, gaining 0.5% after a previously reported 1.7% increase in March.

Another report showed Initial claims for state unemployment benefits rose 12,000 to a seasonally adjusted 211,000 for the week ended May 9. Economists had forecast 205,000 claims for the latest week.

Futures for Canada's main stock index also rise, with gold prices steady and oil flat amid investors awaiting developments on the Middle East front and a high stakes U.S.-China summit. Canadian home sales posted a modest increase in April from March after a slow start to the month, and prices edged lower, data from the Canadian Real Estate Association showed. Another report showed Canadian wholesale trade grew by 1.9% in March from February. Analysts had forecast wholesale trade to be up



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1.4% in March from February. European shares rise, as artificial intelligence-driven optimism offset lingering concerns about a deadlock in U.S.-Iran peace talks, while a high stakes U.S.-China summit is also on investors' radar. Britain's economy expanded unexpectedly in March by 0.3%, official data showed. Economists had forecast a 0.2% month-on-month contraction in gross domestic product during March. For the first quarter as a whole, the economy grew by 0.6%, matching expectations.

European Central Bank's chief economist Philip Lane became the latest member of the bank to say interest rate hikes might be required to deal with inflation. Money markets currently price in more than two ECB rate increases this year, with the first one expected in June.

In Asia, the high-stakes summit between U.S. President Donald Trump and China's Xi Jinping provided few surprises. China's blue-chip stocks eased about 0.8% after hitting their highest level since late 2021. Japan's Nikkei share average hit a record high before falling into negative territory as concerns about inflation and rising interest rates overwhelmed enthusiasm over technology stocks.

## Global Economic Outlook (Argus)

Profit Margins Widening Earnings season is winding down and the overall growth rate is set to land in the mid-teens range, above our forecast for 10%-12% growth. Earnings typically do beat expectations, but let's take a closer look. An impressive 84% of companies beat the EPS consensus, ahead of the average 67%. Notable contributions have come from IT (rising 53%), Communication Services (55%), and Consumer Discretionary (23%). The only negative sectors were Energy (with a 2% decline) and Healthcare, (off 3%). There are three drivers to EPS growth: higher sales, a wider operating margin, and a lower share count. A decline in shares, the result of share buybacks, is the lowest-quality driver of growth. Higher sales, as customers demand and pay for more products and services, is the highest quality, especially when sales are driven by an increase in volume. (First-quarter revenue growth has been about 11%, or approximately 900 basis points above long-term U.S. GDP growth, which is extraordinarily healthy.) Margin management is in the middle. Consistently wider margins, quarter after quarter, are often a sign of a good management team that should be able to grow revenues faster than costs. That's a bit of a tall order in periods of rising inflation, which raises the prices of Cost of Goods Sold, and of high interest rates, which result in higher financing costs.



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What's more, there's a cap to margins as they don't rise indefinitely. (That is one of those statistics for which the concept "reversion to the mean" is relevant.) In 1Q, the S&P 500 operating margin widened by approximately 160 basis points year over year to 13.4%, which means there's still room for margin expansion to all-time highs of 14%. And those highs likely will be rising in the quarters ahead as the profitable IT sector increasingly dominates the market and earnings. This trend fits into our outlook calling for a modest widening for the S&P 500 operating margin in 2026, and for EPS growth in the mid-teens range for the year.

## 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	3.19%	-4.3
CDA Prime	4.45%	0.0	CDA 10 year	3.53%	-3.9
CDA 3 month T-Bill	2.30%	-1.0	CDA 20 year	3.81%	0.0
CDA 6 month T-Bill	2.39%	-0.5	CDA 30 year	3.89%	-3.4
CDA 1 Year	2.64%	-3.5			
CDA 2 year	2.92%	-3.5			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.09%	-4.3
US Prime	6.75%	0.0	US 10 year	4.44%	-3.8
US 3 month T-Bill	3.60%	-0.6	US 30 year	5.01%	-3.6
US 6 month T-Bill	3.72%	-1.0	5YR Sovereign CDS	39.73	
US 1 Year	3.77%	-1.9	10YR Sovereign CDS	49.93	
US 2 year	3.96%	-3.4			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			709.21	0.04%	1.86%
BMO Laddered Preferred Shares (ETF)			12.85	0.27%	4.22%

Source: LSEG

Things are looking up! Have a great day!

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