

Financial HARTbeat

Inflation

May 20th 2026



Good Morning,

Inflation is something grabbing most the attention in the world these days...are we getting another 1970s style event of runaway inflation

Or are we getting transitory inflation or Covid inflation...

Or are we going to inflation in countries that need it? Could China surprise and start to see slightly higher inflation but also higher corporate margins and governments profits?

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

Chart of the Day: Inflation starting to pick up in China which could flow over to equity prices



Generated with Copolit



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Top News

Stock futures moved higher on Wednesday as chip stocks steadied ahead of Nvidia's earnings report, which investors view as a crucial test of AI demand amid concerns about elevated Treasury yields. Investors are turning their attention toward Nvidia, the world's most valuable company and the centerpiece of the global AI boom, rose in premarket trading ahead of its quarterly results, which are expected after the closing bell.

Traders have ramped up bets the U.S. Federal Reserve could raise interest rates at the turn of the year as the conflict in the Middle East pushes oil prices higher, reviving inflation worries. Investors are also awaiting the minutes from the Fed's latest meeting, scheduled to be released later in the day, for clues on policymakers' thinking, as expectations for a rate hike continue to grow. Oil prices lost about 2.5% on Wednesday after U.S. President Donald Trump again asserted that the Iran war will end "very quickly", though investors remain wary about the outcome of peace talks as disruption to Middle Eastern supply continues.

UK shares rose marginally on Wednesday after softer-than-expected April inflation offered relief to investors, though sceptics warned the reprieve would be temporary. British inflation cooled by more than expected in April but the slowdown did little to mask a tough outlook for households, with global costs from the Iran war set to hit them harder later this year.

Consumer prices rose by an annual 2.8%, down from March's annual inflation rate of 3.3%, official data showed, helped by smaller increases in household energy and other regulated utility bills than in April 2025, and by measures to lower energy bills introduced by finance minister Rachel Reeves. It marked the lowest reading since March 2025.

Economists polled by Reuters had mostly expected inflation to soften to 3.0%. European shares rose on Wednesday, aided by technology shares, but gains were capped as investors remained cautious amid war-driven inflation fears that continued to pressure bonds, while markets kept a close watch on U.S.-Iran developments.



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Japan's Nikkei share average closed at a near three-week low on Wednesday, with SoftBank Group leading the decline, as investors locked in profits on AI-related stocks that had powered the market's recent rally. Japanese factory managers' mood improved slightly in May as commodity-related industries recovered from the Iran war-induced sharp drop a month earlier, but weakness in autos and some other industries capped the rebound, the Reuters Tankan poll showed.

China and Hong Kong stocks ended lower on Wednesday, tracking broad declines across Asia on prolonged Middle East tensions and inflation concerns. Semiconductor shares rallied 4.6%, helping trim benchmark losses, with Hua Hong Semiconductor surging 19% after Yangtze Memory Technologies, the country's top flash memory chip maker, submitted its IPO tutoring registration report, marking the official start of its onshore listing process.

Oil Prices: Higher for Longer (Argus)

The price of a barrel of West Texas Intermediate, the crude oil benchmark grade, had declined steadily for the past four years as new energy sources emerged. But it soared to triple-digit territory in recent months (and has stayed there) due to the impact on supply sources from the war in Iran. Iran is not necessarily a major producer of oil (3% of the global total), but the country has responded to the U.S. attack by effectively closing off the adjacent Strait of Hormuz, through which tankers moving about 20% of the world's oil supply travel. According to the U.S. Energy Information Administration (EIA), and citing the closing, the global supply of oil is expected to decline about 5% in 2026 compared to 2025, while global demand remains essentially steady. So it is little surprise that oil is at \$100 per barrel, more than 60% above the lows for the year, and is likely to stay elevated for some time, as attacks have damaged gas fields and refineries in Saudi Arabia and Qatar.

For 2026, our oil price forecast now calls for an average of \$83 per barrel, up from our prior forecast of \$75, and our forecast trading range for 2H26 is \$75-\$120. This forecast implies a 28% jump in gas prices in 2026 compared to the average price in 2025. Looking ahead, the EIA outlook for 2027 calls for a recovery in supply and ultimately a surplus. If that's the case, oil prices likely will resume a secular



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downward trend. But that forecast is subject to change, and is highly dependent on the trajectory of the conflict in the Middle East.

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	3.31%	-4.3
CDA Prime	4.45%	0.0	CDA 10 year	3.67%	-3.6
CDA 3 month T-Bill	2.32%	0.0	CDA 20 year	3.92%	0.0
CDA 6 month T-Bill	2.43%	0.0	CDA 30 year	4.01%	-3.1
CDA 1 Year	2.72%	0.0			
CDA 2 year	2.99%	-5.0			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.30%	-2.7
US Prime	6.75%	0.0	US 10 year	4.65%	-2.2
US 3 month T-Bill	3.58%	-0.8	US 30 year	5.17%	-1.4
US 6 month T-Bill	3.73%	-1.1	5YR Sovereign CDS	39.99	
US 1 Year	3.82%	-1.4	10YR Sovereign CDS	50.22	
US 2 year	4.10%	-2.2			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			707.34	-0.02%	1.59%
BMO Laddered Preferred Shares (ETF)			12.8	-0.16%	3.81%

Source: LSEG

Things are looking up! Have a great day!

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