

Financial HARTbeat

Consumer

May 22nd 2026



Good Morning,

Cost of living still feels high: Prices remain elevated even as inflation slows, so consumers don't feel relief.

Financial strain building: More households feel worse off and are increasingly stretched by debt and everyday expenses.

Uncertainty remains elevated: Job security concerns and ongoing global shocks keep confidence fragile.

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Chart of the Day: is the consumer really healthy..or just surviving?



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Top News

U.S. stock index futures tick higher this morning, as investors watched for signs of a breakthrough in discussions to end the nearly three-month long Middle East war. Iran's foreign minister met the interior minister of Pakistan to discuss proposals to end the conflict, media reports said, with Tehran and Washington still at odds over Iran's uranium stockpile and control over the Strait of Hormuz.

Treasury yields slip with the 10-year U.S. note yield easing to a one-week low of 4.5%. Later in the day, Kevin Warsh will be sworn in as Federal Reserve leader at the White House, taking over the reins from Jerome Powell, a pivotal moment for monetary policy and the American economy. A final reading of the May U.S. consumer sentiment is due later in the day. Markets will remain closed on Monday for U.S. Memorial Day.

Futures linked to Canada's main stock index are largely flat this morning, as uncertainty around a potential breakthrough in U.S.-Iran peace talks keep oil prices elevated and continue to fuel inflation concerns. Oil prices pared earlier gains as investors doubt the prospect of a breakthrough in the negotiations. Spot gold and silver fall, as inflation concerns boost expectations of a U.S. interest rate hike this year. In economic news, Canadian retail sales grew by 0.9% in March from February (see chart), on higher sales at gasoline stations and fuel vendors, Statistics Canada said. Sales likely increased 0.6% in April, the agency said in a flash estimate. Also, producer prices were up 2.0% in April from March. This followed an upwardly revised 2.8% increase in March. Raw materials prices were up 2.6% in April, and were up 31.6% on the year.

European shares rise to a more than two-week high this morning, lifted by technology stocks with investors optimistic about signs of progress in U.S.-Iran peace talks despite both sides remaining at odds over key issues. The pan-European STOXX 600 is on track to end the week with significant gains. AI optimism that has driven global indexes to record highs also helps the European tech index rising almost 2% today. Meanwhile, Puig drops almost 15% after the Spanish perfumery ended merger talks with U.S. cosmetics maker Estée Lauder. Official data showed German consumer sentiment recovered heading into June, while a separate reading confirmed that the economy grew by 0.3% in the first quarter of 2026. Figures showed UK retail sales fell by the most in nearly a year in April as consumer spending waned amid



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the Iran war and rising energy costs. Europe's economy commissioner Valdis Dombrovskis became the latest official to say the European Central Bank would need to react to rising inflation. Money markets price in at least two ECB interest rate hikes before the end of the year.

China stocks bounced today but logged a second consecutive week of declines as soaring tech shares face growing profit-taking pressure. The Hong Kong market rose as Lenovo Group's forecast-smashing results boosted sentiment. Lenovo surged 20% to its highest level in 26 years.

Japan's Nikkei share average soared to a recordhigh close as AI shares rallied on the back of gains for US peers. The Nikkei ended the day up 2.7%, despite failing to breach the all-time intraday peak of 63,799.32 from May 14. AI-focused investor SoftBank Group was by far the biggest support for the Nikkei, with an 11.9% surge. Japan's core consumer price index, which strips away the effect of volatile fresh food costs, rose 1.4% in April from a year earlier, much slower than a 1.8% rise in March and falling short of forecast for a 1.7% gain.

Consumers Powering Through (Argus)

In his final press conference as chair of the Federal Reserve, Jerome Powell provided a characteristically concise assessment of consumer spending and the economy. "The U.S. economy has just powered through shock after shock. And consumers are still spending." He added: "That's what the banks will tell you, credit card companies will tell you." Argus expects 2Q GDP to grow 2.2%, with consumer spending up 1.9%. To be sure, companies are providing varying assessments depending on the products they sell and the income of their customers. Tractor Supply CEO Hal Lawton recently said: "While [tax] refunds did come through and we captured our fair share, customers are using these dollars more cautiously. A significant portion is going towards essentials, savings, and debt reduction rather than discretionary spending, consistent with the broader environment we're seeing." Tractor Supply's customers typically live outside of big cities, and often are home, land, pet, and livestock owners. They typically have an above-average income and a belowaverage cost of living.

Home Depot CEO Ted Decker said that HD's customers are "probably amongst the healthiest of all consumers." They tend to own their home; have seen their home equity increase by 50%; and their stock



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portfolios have grown. Still, even these customers are spending cautiously, while other consumers are struggling. Kraft Heinz CEO Steve Cahillane offered the following to the Wall Street Journal: "Consumers are literally running out of money toward the end of the month." These observations across demographics are consistent with commentary the Fed reported in its April Beige Book interviews with key business and community contacts across the U.S. "Many districts continued to report signs of consumer financial strain, increased price sensitivity, and rising demand at food banks and other social service organizations, while spending among higher-income consumers was resilient."

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	3.17%	-3.3
CDA Prime	4.45%	0.0	CDA 10 year	3.52%	-3.6
CDA 3 month T-Bill	2.31%	0.0	CDA 20 year	3.77%	-3.0
CDA 6 month T-Bill	2.41%	-0.5	CDA 30 year	3.89%	-3.0
CDA 1 Year	2.66%	-0.5			
CDA 2 year	2.89%	-2.9			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.22%	-3.7
US Prime	6.75%	0.0	US 10 year	4.54%	-4.2
US 3 month T-Bill	3.59%	-1.2	US 30 year	5.07%	-4.2
US 6 month T-Bill	3.75%	0.1	5YR Sovereign CDS	39.72	
US 1 Year	3.82%	-0.9	10YR Sovereign CDS	49.65	
US 2 year	4.07%	-1.7			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	706.42	-0.04%	1.46%		
BMO Laddered Preferred Shares (ETF)	12.84	-0.31%	4.14%		

Source: LSEG

Things are looking up! Have a great day!

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