

Financial HARTbeat

Canada

May 27th 2026



Good Morning,

Canada agrees to buy Swedish early warning planes rather than US model...

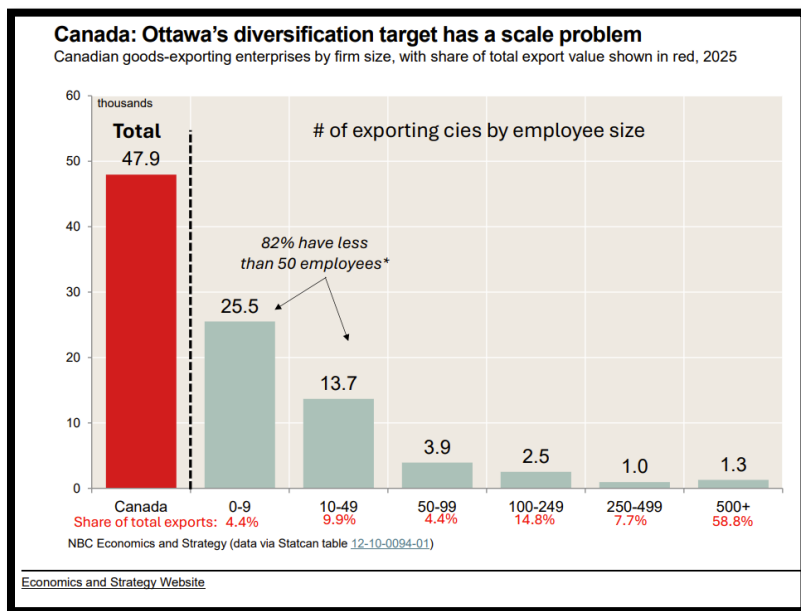
Canadian dollar softens as yields fall....maybe showing some economic softness ahead..

Banks reports strong numbers...but were priced for perfection therefore stocks not reacting very favorably this morning..

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

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

Chart of the Day: this is interesting to note and a big challenge to Carney's agenda...



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Top News

U.S. futures look to extend gains on Wednesday, helped by sustained Aldriven momentum with investors cautiously optimistic that the U.S. and Iran would reach a deal. The cease fire remains in place despite recent U.S. strikes near the Strait of Hormuz, which Iran called a "gross violation" of the ceasefire agreement. Investors have shifted to memory chip makers as their favorite way to play the AI bull market. Micron's South Korean peer SK Hynix hit a \$1 trillion market value as well overnight.

A strong earnings season and expectations of about 29% year-on-year growth in the first quarter has aided the rally on Wall Street. Goldman Sachs raised its 2026 year-end forecast for the S&P 500 to 8,000 from 7,600, citing continued strength in corporate earnings. Traders are looking forward toward the personal consumption expenditures index data on Thursday. The Federal Reserve's key inflation measure could provide fresh clues on the monetary policy path forward under new chair Kevin Warsh.

Money markets currently expect the Fed to keep rates steady for the rest of the year, with some pricing in a 25 basis point hike in December. European shares edged up on Wednesday, trading close to an all-time high hit before the U.S.-Iran war started, driven by auto and chemical stocks, while investors kept a wary eye on escalating tensions in the Middle East.

The German Council of Economic Experts cut its growth forecast for Europe's largest economy on Wednesday, citing the impact of the Middle East conflict, higher energy prices and U.S. trade policy. The economists now expect 0.5% growth this year, down from a November forecast of 0.9%, according to their spring report to the government.

UK shares edged higher on Wednesday as hopes of a resolution to the Iran war pushed down crude prices and lifted risk appetite, with upbeat updates from Pets at Home and Hollywood Bowl driving gains in the midcap index. UK's defence stocks rose ahead of the signing of new UK-Polish defence and security treaty on Wednesday, part of Prime Minister Keir Starmer's efforts to bolster ties with the rest of Europe.

Japan's Nikkei share average retreated from a record peak to end nearly flat on Wednesday, as investor caution grew about the fast-paced rally in AI-related stocks. Shares of chipmaking equipment maker



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Tokyo Electron and chip-testing equipment maker Advantest ended up 2.1% and 4.05%, respectively, making them the biggest contributors to the Nikkei. SoftBank Group slid 7.26%, weighing most on the Nikkei and marking the index's biggest percentage loss. The technology investor's shares are still up 7.62% so far this week, outpacing the Nikkei's 2.62% gain. Japanese government bond yields fell on Wednesday as the market awaited clearer signals for whether the Bank of Japan will raise interest rates as early as June, while improved appetite for debt supported the super long end.

China's industrial profits in April grew at the fastest pace since November 2023, despite financial pressures stemming from softening domestic demand and rising component costs exacerbated by the Middle East crisis.

Fed's Favorite Inflation Indicator (Argus)

The Fed's favorite inflation indicator, the PCE Price Index (PCE), will be released by the Bureau of Economic Analysis (BEA) on Thursday. The PCE differs from the better-known Consumer Price Index (CPI) as its composition changes more frequently and is quicker to reflect real-time pricing. In the last report, through March, PCE inflation reportedly increased at a 3.2% rate year over year. By comparison, the latest CPI report, through April, had overall inflation rising 3.8%. Core PCE, which excludes volatile food and energy prices, had risen at an annual rate of 3.2% in the last report. Our PCE forecasts call for slightly higher readings for April: 3.8% for the headline number and 3.3% for the core reading, driven by the fall-out from higher energy prices due to the Iran war. This trend is evident in the Producer Price Index (PPI) report: farther up the value chain, producer prices are rising at accelerated rates even approaching 20%. Expectations are changing as well: the three-year outlook for inflation is now 2.8%, versus 2.3% two months ago.

Overall, inflation in this cycle peaked in summer 2022 and, prior to the war, had been on a downward trek. We track 20 inflation measures on a monthly basis. On average, they are indicating that prices are rising at a 4.7% rate year over year, up 110 basis points compared to the monthago level. Focusing on core inflation -- which we obtain by averaging core CPI, market-based PCE ex-food & energy (from the GDP report), the five-year forward inflation expectation rate, the 10-year TIPs break-even interest rate,



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and the PCE Price Index -- our reading is 3.0%, up 50 basis points month-over-month. Given inflation trends, we do not expect the Fed to implement any rate cuts over the next several quarters.

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%	-1.1
CDA Prime	4.45%	0.0	CDA 10 year	3.44%	-1.7
CDA 3 month T-Bill	2.30%	0.0	CDA 20 year	3.68%	-3.4
CDA 6 month T-Bill	2.39%	-0.5	CDA 30 year	3.81%	-2.5
CDA 1 Year	2.62%	-1.5			
CDA 2 year	2.83%	-1.1			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.18%	-0.3
US Prime	6.75%	0.0	US 10 year	4.48%	-1.0
US 3 month T-Bill	3.59%	-0.2	US 30 year	5.01%	-1.2
US 6 month T-Bill	3.77%	0.0	5YR Sovereign CDS	41.74	
US 1 Year	3.81%	-0.3	10YR Sovereign CDS	51.21	
US 2 year	4.05%	-0.3			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			709.69	-0.03%	1.93%
BMO Laddered Preferred Shares (ETF)			12.88	-0.19%	4.46%

Source: LSEG

Things are looking up! Have a great day!

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