

# Financial HARTbeat

Inflation?

May 29<sup>th</sup> 2026



Good Morning,  
(3 key points we cover in yesterday's weekly round up)

**Rates may stay higher for longer, but the key driver is energy/geopolitical risk.** Rate-cut expectations have faded and some probability of hikes has crept back in, largely because oil-driven inflation risk has re-emerged around the Iran conflict and the Strait of Hormuz.

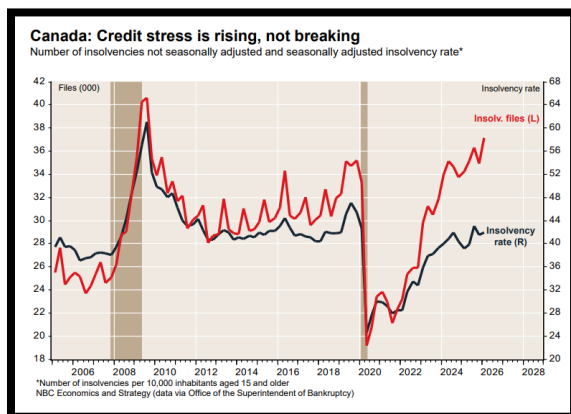
**A Strait of Hormuz resolution could quickly relieve inflation pressure.** If a deal reopens the Strait, oil could see a material correction — potentially around 20% — with knock-on relief for commodities such as fertilizer, potash and urea, which would help inflation and consumer confidence.

**Canada's economy still looks fragile beneath the surface.** Canadian bank earnings were better than feared, helped by lower-than-expected loan-loss provisions, but rising consumer insolvencies, weak job creation and broad-based labour softness suggest the Canadian consumer remains under pressure.

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

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

## Chart of the Day: Credit stress rising in Canada...



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## Top News

Futures inched higher Friday, as crude prices slipped, while traders monitor the conflict in the Middle East and the fragile ceasefire between Iran and the U.S.. Oil futures fell nearly 2% on Friday and were on track for their steepest weekly decline since early April after reports that the U.S. and Iran had reached agreement on a potential ceasefire extension. The U.S. and Iran reached an agreement on Thursday to extend a ceasefire and lift restrictions on shipping through the Strait of Hormuz, sources told Reuters, though U.S. President Donald Trump has yet to approve it and Iranian state media said it had not been finalised.

Canada's economy contracted by 0.1% on an annualized basis in the first quarter, missing analysts' expectations, as higher imports were offset by accumulated business inventories, Statistics Canada data showed on Friday. This was the second quarterly decline on an annualized basis. March GDP fell 0.1% compared to February, below analysts' expectations, while April GDP was likely to increase by 0.4%, StatsCan said in a flash estimate.

European shares rose on Friday and were on track to end May higher, as investors hoped that a proposed deal to extend the Middle East ceasefire and reopen the Strait of Hormuz could be finalised. The number of unemployed people in Germany fell unexpectedly in May, labour office figures showed on Friday, but the office warned that this was due to a one-off effect. In seasonally adjusted terms, the jobless figure fell by 12,000, while analysts and economists had predicted an increase of 10,000 in a Reuters poll. Inflation in the euro zone's four largest economies hovered above the European Central Bank's 2% target for a third straight month in May, preliminary data showed on Friday, as a rise in fuel costs triggered by the Iran war began to feed through to other prices.

Japan's Nikkei share average rose to a record high on Friday, powered by renewed optimism for a near-term peace deal in the Middle East and enthusiasm about AI shares after strong earnings from Dell Technologies. However, not all AI shares got a lift from Dell, with data centre cable makers Fujikura and Furukawa Electric dropping 4.9% and 4.1%, respectively, to be among the Nikkei's worst performers. Annual core inflation in Japan's capital stayed below the central bank's 2% target for a fourth straight month in May, data showed on Friday, as fuel and tuition subsidies offset rising raw material costs from



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the U.S.-Israeli war on Iran. Separate data showed factory output rebounded in April as brisk AI-driven demand masked weakness in other sectors hit by the Middle East conflict, suggesting the economy was weathering the pain from rising fuel costs at least for now.

Taiwan's tech-driven economy is expected to grow at its fastest pace in 16 years in 2026, the government statistics agency said on Friday, thanks to booming demand for artificial intelligence-related technologies.

## Interest -- and Assets -- are Growing in ESG (Argus)

Sustainable Impact Investing, or ESG investing, is gaining traction with the global investment community. According to the Global Sustainable Investment Association, global assets under management in Sustainable Investment strategies had grown to \$30 trillion in 2022, up from \$23 trillion in 2016, despite a pullback of more than \$8 trillion in investment in the U.S. in recent years. Europe and Japan are now the fastest-growing regions. Meanwhile, the UN Principles for Responsible Investing -- to which Argus Research is a signatory -- now represents more than 5,000 signatories, according to UNPRI.org. Indeed, the UN is targeting global asset growth in the strategy of another \$10-\$20 trillion in 2024-2027, as outlined in its recent PRI Strategy Plan. As assets have flowed in over the past 40 years, Sustainable Impact Investing has evolved. The discipline, originally known as Socially Responsible Investing, at first focused on excluding companies that conducted business in South Africa, or participated in industries such as tobacco, alcohol, and firearms. Over time, the list of industries to avoid increased to include soft drinks, fast food, and oil and gas.

Performance of these initial strategies lagged, and the approach has been modified to focus on what companies should do versus things they shouldn't do. So instead of merely identifying industries to avoid, the discipline now promotes "sustainable" business practices across all industries that can have an "impact" on global issues such as climate, hunger, poverty, disease, shelter, and workers' rights. Argus has several investment products related to this theme.



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**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	3.08%	-2.5
CDA Prime	4.45%	0.0	CDA 10 year	3.42%	-1.7
CDA 3 month T-Bill	2.30%	-1.0	CDA 20 year	3.67%	-1.3
CDA 6 month T-Bill	2.39%	0.0	CDA 30 year	3.78%	-2.2
CDA 1 Year	2.62%	-0.5			
CDA 2 year	2.82%	-3.4			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.14%	-1.6
US Prime	6.75%	0.0	US 10 year	4.44%	-1.4
US 3 month T-Bill	3.59%	-0.4	US 30 year	4.97%	-1.2
US 6 month T-Bill	3.75%	-0.3	5YR Sovereign CDS	41.72	
US 1 Year	3.79%	0.4	10YR Sovereign CDS	51.18	
US 2 year	4.01%	-1.1			
Preferred Shares Indicators	Last	Daily %	YTD		
S&P Preferred Share Index	710.09	-0.08%	1.99%		
BMO Laddered Preferred Shares (ETF)	12.84	-0.62%	4.14%		

Source: LSEG

Things are looking up! Have a great day!

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