Financial HARTbeat

NATO still relevant?
Aug 11th 2026

Good Morning,

NATO is funded primarily by its member countries' own defence spending, not by NATO's central budget. National military forces, equipment, personnel, and operations account for roughly 99% of NATO-related spending, while NATO's common budgets fund headquarters, command structures, and shared infrastructure.

The United States contributes the largest amount of overall military spending within NATO, representing the biggest share of allied defence expenditures. However, for NATO's common budgets, contributions are based on an agreed income formula, with the U.S. and Germany each contributing about 15% of the common-funded budget.

NATO is managed collectively, not by any single country. Strategic direction is set by the North Atlantic Council (NAC), where all member states have an equal voice and decisions are made by consensus. NATO's budgets are overseen through the NAC, the Resource Policy and Planning Board, the Budget Committee, and the Investment Committee.

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

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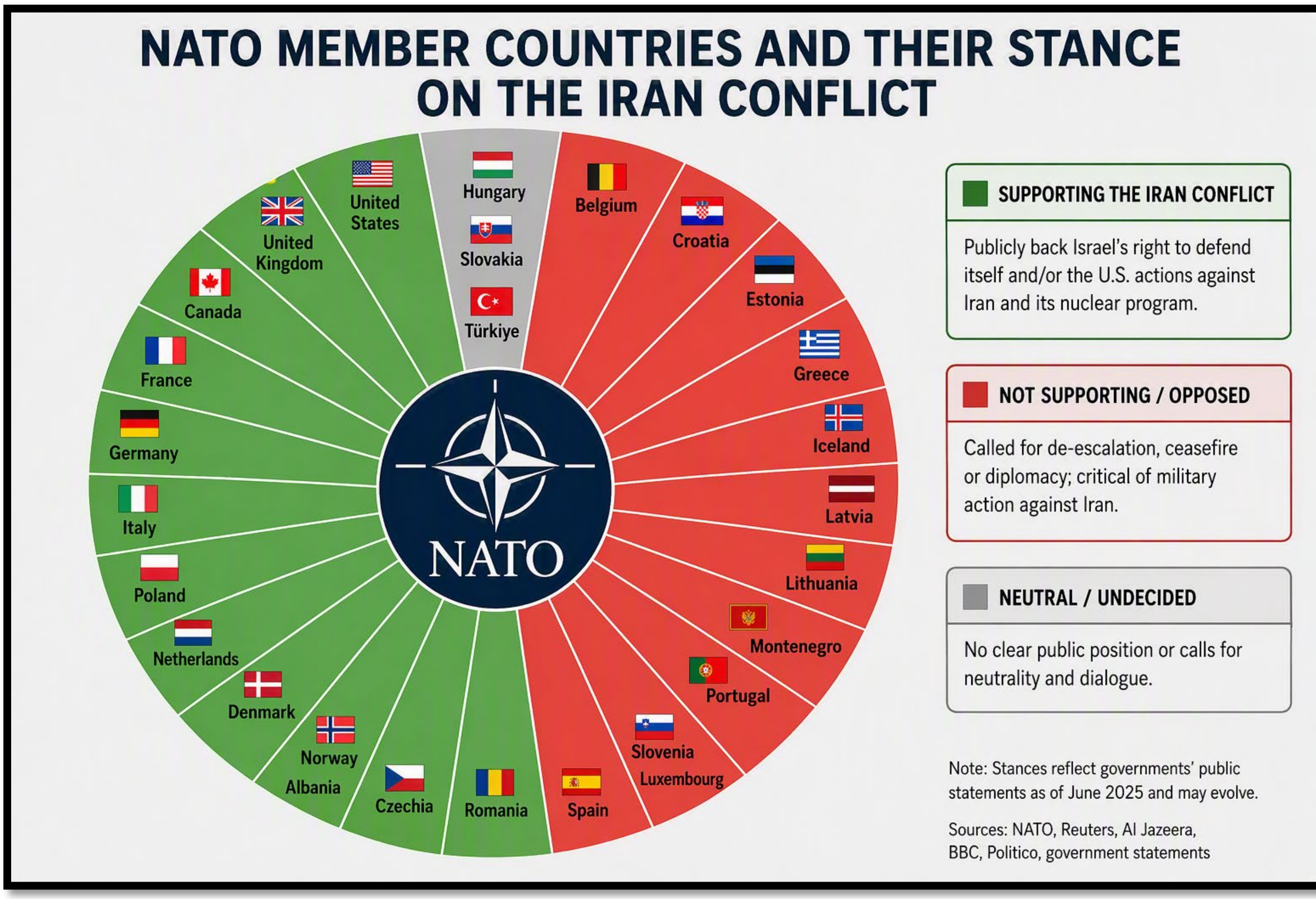
Chart of the Day: Interesting breakdown of current NATO stance…



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Top News

Oil prices pared gains today after hitting their highest for more than a week as signs of progress in talks between Oman and Iran over shipping through the Strait of Hormuz were weighed against ongoing disruption to Middle East energy flows. In a note, Barclays analysts said that crude oil and refined product net exports through the Strait of Hormuz averaged 3 million barrels per day (bpd) during the week ending August 7, down from 4.4 million bpd the previous week. Brent and WTI contracts had jumped more than 5% yesterday after U.S. President Donald Trump responded to Iran's conditions for a peace deal with his own demands that Iran pay compensation for people killed in wars, attacks and protests, which is likely to complicate efforts to reopen the Strait of Hormuz.

Meanwhile in the U.S., Federal Reserve Chair Kevin Warsh's battle to keep the central bank out of politics just got harder. Any hope that U.S. President Donald Trump would give him breathing room evaporated as the White House renewed effort to remove Fed Governor Lisa Cook over unproven mortgage fraud allegations. The move suggests two things: the administration is anxious that the Fed could raise interest rates as soon as next month, and the president realizes his appointee as chair may be unable to stop it, even if he wants to.

Futures markets see about a 75% chance of a quarter-point rate increase by the midterm elections. Regardless of soft payrolls in July, the main drivers are nearly six years of above-target inflation and elevated core price rises, alongside the Iran-related energy shock of the past six months. The outcome of the upcoming September 15-16 meeting is basically seen as a coin toss. On the economic front, U.S. small-business sentiment increased to an 11-month high in July amid a surge in the share of owners reporting plans to boost hiring, suggesting that last month's slump in nonfarm payrolls was probably temporary.

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The National Federation of Independent Business said this morning its Small Business Optimism Index rose 2.4 points to 99.8 last month, the highest level since August 2025 and surpassing its 52-year average of 98.0. The survey's uncertainty index, however, increased 2 points to 91 amid a rise in owners saying they were not sure this was a good time to expand. The survey's employment index rebounded 1.9 points to 102.1 following four straight monthly declines. The share of owners planning to create new jobs over the next three months jumped to 20%, the highest level since October 2022, but those plans could run into worker shortages, which was also identify in the survey as a major issue. In markets, U.S. stock index futures inched up on Tuesday, while futures tied to Canada's main stock index were flat.

Sovereign Debt Yields (Argus)

The benchmark U.S. 10-year Treasury bond yield is near 4.65%, up from the 4.0% earlier in the wake of changes in the inflation outlook (higher) and at the Federal Reserve (less guidance). Other sovereign long-term rates generally have held at higher levels, with UK's benchmark yield near 4.90%, and the debt of Australia, which we view as a proxy for China growth, at 4.90%. But not all have climbed to heights on concerns about rekindled inflation. For example, sovereign debt yields for Japan and Switzerland remain near their pandemic lows at sub-2.0% levels. And China has maintained its interest rate near or below 2.0% as well.

Elsewhere around the globe, tariff worries in Mexico and political uncertainty in Brazil are keeping their sovereign debt interest rates near in the 8%-12% range. Russian debt yields are close to 16%, up 200 basis points from a year ago, as the conflict with Ukraine drags on and inflation runs at a rate of 6.0%. Looking ahead, U.S. rates may be at the top of the current range, as employment trends cool off (last week's nonfarm payrolls report featured a drop in hiring in July) and oil prices drift lower (a barrel of WTI crude is now below $80, whereas it was above $100 back in May).

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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	3.33%	-1.2
CDA Prime	4.45%	0.0	CDA 10 year	3.71%	-1.1
CDA 3 month T-Bill	2.29%	0.0	CDA 20 year	3.98%	-0.8
CDA 6 month T-Bill	2.41%	0.5	CDA 30 year	4.10%	-0.8
CDA 1 Year	2.70%	0.0			
CDA 2 year	3.01%	-2.0			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.40%	-0.6
US Prime	6.75%	0.0	US 10 year	4.70%	-0.2
US 3 month T-Bill	3.74%	-0.3	US 30 year	5.25%	0.4
US 6 month T-Bill	3.95%	-1.0	5YR Sovereign CDS	38.75	
US 1 Year	4.04%	-0.6	10YR Sovereign CDS	47.98	
US 2 year	4.23%	-1.3			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	718.27	0.00%	3.16%
BMO Laddered Preferred Shares (ETF)	13.02	0.00%	5.60%

Source: LSEG

Keep looking forward! Have a great day!

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