Financial HARTbeat

Oil
Aug 12th 2026

Good Morning,

Oil prices spiked out of the initial conflict in Iran…

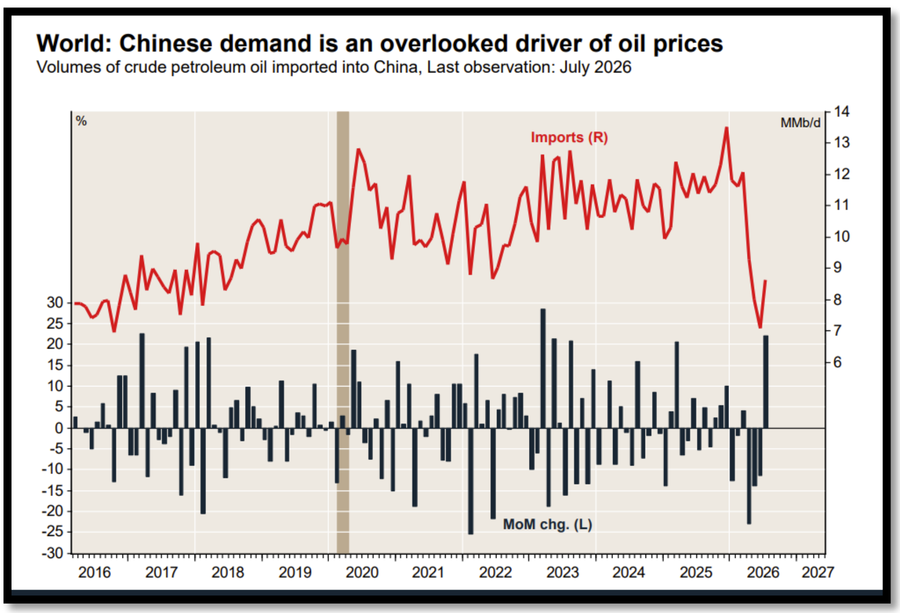
This stagnated and has been relatively sideways since..

A key overlooked reason appears to be China's immediate drop in imports of roughly 5.5M barrels a day as it drew on reserves…what happens next is an important measure for inflation..

Catch the playback of our Weekly Roundup [Click here]

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

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



NBC Economics and Strategy (data via Bloomberg)

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Top News

This week's much anticipated economic data, showed U.S. consumer prices increased slightly in July, potentially weakening the argument for an interest rate increase from the Federal Reserve next month. The Consumer Price Index edged up 0.1% last month after dropping 0.4% in June, which was the first decline in six years. In the 12 months through July, the CPI advanced 3.4% after rising 3.5% in June.

Excluding the volatile food and energy components, the CPI gained 0.2% last month after being unchanged in June. The so-called core CPI increased 2.5% in the 12 months through July after climbing 2.6% in June. Economists polled by Reuters had forecast the CPI rebounding 0.1% and core inflation rising 0.2% over the month. The CPI report followed news last week of surprise job losses last month. Prior to the CPI report, the CME's FedWatch tool showed financial markets saw a roughly 46% chance of a rate hike at the Fed's September 15-16 policy meeting. Policymakers will still get August's CPI and employment reports before that meeting.

Economists expect the pace of consumer price increases to pick up in August, reflecting the recent increase in oil prices. Job growth is also expected to rebound as seasonal distortions fade. The United States' position as a net oil exporter and the drawing down of petroleum inventories had cushioned the hit on the economy from the oil price shock sparked by the Middle East conflict, but some economists said that could not persist indefinitely. They also added that the U.S. and other nations would at some point need to replenish petroleum inventories, which would keep oil prices elevated.

Regarding the Middle East conflict, the U.S. and Yemen's Iran-aligned Houthis reported separate attacks on shipping as prospects for ending the Iran war appeared to dim, with Tehran saying the Strait of Hormuz would remain closed unless Washington accepts its conditions. Amid renewed pessimism about a quick end to the conflict, oil prices continued to trade higher.

Brent crude futures climbed almost 1.5% to settle just below $89 per barrel and U.S. crude rose above $83.7 per barrel.

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In markets, Wall Street main index futures gained following the release of the CPI report and futures tracking Canada's main stock index also edged higher. In corporate news, Constellation Software posted a rise in second-quarter net income, while gold royalty firm Franco-Nevada missed quarterly earnings estimates. Air Canada restored its annual core profit target, but at a lower level from its previously suspended outlook.

On the political front Canada's minister in charge of U.S. trade relations, Dominic LeBlanc, met with U.S. trade officials on Tuesday, marking his third meeting in as many weeks to try to avert looming tariffs on August 19.

Profit Margins Widening (Argus)

Second-quarter earnings season is winding down. The overall pro-forma growth rate is set to land in the high-twenties range, above our forecast for 20%-22% growth. Yes, earnings typically beat expectations. But an impressive 86% of companies have beaten the EPS consensus, ahead of the average 75%. AI is driving technology earnings growth, but it is not all Mag 7. The best AI-driven growth has been coming not from hyperscalers, but from companies whose hardware (semiconductors, memory & data storage, and networking) supports the transition from generative AI to agentic AI. While AI captures headlines, an equally important story is across-the-board earnings strength. There are three drivers to EPS growth: higher sales, a wider operating margin, and a lower share count. A decline in shares out, the result of share buybacks, is the lowest-quality driver. Higher sales, as customers demand and pay for more products and services, is the highest quality, especially when sales are driven by increased volume.

Margin management is in the middle. Consistently wider margins often are a sign of good management, which should be able to grow revenues faster than costs. That's a tall order in periods of rising inflation, which raises the prices of Cost of Goods Sold, and of high interest rates, which result in higher financing costs. What's more, there's a cap to margins; they don't rise indefinitely. In 2Q, the S&P 500 operating margin widened by about 160 basis points year over year to 13.4%, which means there's still room for margin expansion to all-time highs of 14%. And those highs likely will be rising in the quarters ahead as the profitable IT sector increasingly dominates the market and earnings. This fits into our outlook calling

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for a modest widening for the S&P 500 operating margin in 2026, and for EPS growth in the mid-teens range for the year.

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%	-2.1
CDA Prime	4.45%	0.0	CDA 10 year	3.68%	-2.4
CDA 3 month T-Bill	2.31%	0.2	CDA 20 year	3.96%	-2.0
CDA 6 month T-Bill	2.41%	0.5	CDA 30 year	4.08%	-2.2
CDA 1 Year	2.69%	-1.0			
CDA 2 year	3.00%	-2.4			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.36%	-2.3
US Prime	6.75%	0.0	US 10 year	4.66%	-2.2
US 3 month T-Bill	3.73%	-1.0	US 30 year	5.22%	-1.7
US 6 month T-Bill	3.95%	-0.8	5YR Sovereign CDS	37.74	
US 1 Year	4.01%	-1.4	10YR Sovereign CDS	46.69	
US 2 year	4.20%	-1.9			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	717.90	0.01%	3.11%
BMO Laddered Preferred Shares (ETF)	13.03	0.12%	5.68%

Source: LSEG

Keep looking forward! Have a great day!

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