Financial HARTbeat

Economy
Aug 14th 2026

Good Morning,

US retail sales fall..

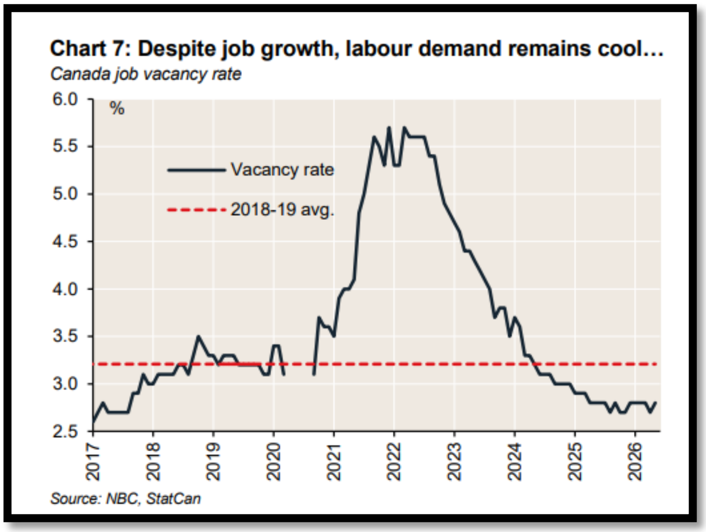
Cooler inflation in the US likely keeps rates on hold when maybe they need to cut and not raise..

Oil prices sideways, yet one area of the world that transports Oil and many other chemicals is effectively close…

Catch the playback of our Weekly Roundup ***Click here***

Also, catch the playback of our Annual Outlook ***Click here***

Chart of the Day: Canada Jobs…



Ben Hart
Senior Wealth Advisor & Portfolio Manager
› 613-760-3788
› ben.hart@nbc.ca

National Bank Financial - Wealth Management
50 O'Connor Street Suite 1602
Ottawa, ON K1P 6L2

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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Top News

U.S. stock index futures are subdued this morning, a day after the S&P 500 closed at a record high, as rising crude prices after the latest developments in the Middle East keep investors cautious. Cooling rate hike expectations and resilient corporate earnings have put the S&P 500 and the Nasdaq on track for a third straight week of gains, their longest winning streak since early April.

Expectations for a September rate hike have eased this week after a benign consumer inflation reading helped allay concerns about price pressures. Still, rising tensions in the Middle East tempered sentiment and sent oil futures higher this morning. The U.S. said it could maintain a naval blockade of Iran indefinitely and increase economic pressure on Tehran as ceasefire talks stalled.

Chicago Fed President Austan Goolsbee said late on Thursday the latest U.S. inflation data has been "a little better," and that he was hopeful inflation could continue to improve as the effects of tariffs and higher oil prices from the Iran war recede. Comments from Atlanta Fed interim President Cheryl Venable will also be closely watched later in the day. Data this morning showed retail sales in the US fell 0.6% mom in July 2026, missing expectations of a 0.1% gain and following a 0.2% rise in June. It marked the first decline since October 2025 (see chart).

Futures tracking Canada's main stock index tick lower this morning, as investors weigh stalled efforts to end the U.S.-Iran war, alongside corporate earnings. Crude oil futures are slightly higher while gold prices are steady, over $4,350 per ounce. A Canadian government source directly familiar with trade negotiations with the U.S. said talks were progressing well and that Washington also wanted an agreement before a new U.S. tariff deadline on August 19.

In economic data, Canadian factory sales grew by 0.1% in June from May, Statistics Canada said. Excluding motor vehicles and parts, manufacturing sales were down 0.2%. Analysts forecast manufacturing sales to decrease 0.1% in June from May.

European shares are flat and on track to snap a four week winning run, as rising crude prices and renewed geopolitical tensions offset support from a resilient earnings season. Technology shares add more than

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1% after Reuters reported that private equity firm Silver Lake is in talks to acquire Workday. Defence stocks lead sectoral gains, up about 1.2%. Investors also assessed euro zone data showing the economy grew 0.4% in the second quarter from the previous three months, in line with the Reuters poll, while employment rose 0.1%, also matching expectations.

China stocks ended flat, while Hong Kong stocks declined, pressured by weakening liquidity ahead of robot maker Unitree's high-profile Shanghai IPO and investors remained cautious amid mid-year earning reports season. South Korean KOSPI rose for the fifth consecutive session and ended the week up 11.5%, the first weekly gain in eighth weeks and the biggest since early May.

Japan's Nikkei share gauge climbed today, extending its weekly advance, after softer U.S. producer prices eased pressure for a near-term Federal Reserve interest rate hike and supported risk appetite.

Resilient Economy (Argus)

After almost six months of high gasoline prices, unemployment remains low at just 4.1%, and stock prices remain elevated, supported by record corporate earnings and healthy profit margins. Argus expects S&P 500 earnings per share (EPS) to increase nearly 25% in 2026 and a further 15% in 2027. These gains are expected to be driven by operating margins widening to approximately 19% this year, well above the 13.9% level seen in pre-pandemic 2019.

We expect U.S. Gross Domestic Product (GDP) to continue growing, rising by 2.1% in 2026 and 2.2% in 2027. While these forecasts are slightly below our previous estimates of 2.3% and 2.4%, respectively, the revision does not reflect weaker demand. Instead, we have increased our estimate for imports, reflecting substantial purchases of equipment needed to support the ongoing build-out of artificial intelligence infrastructure.

As a reminder, GDP measures the value of goods and services produced within the United States, and imports are subtracted from GDP calculations. By our estimates, imports of computers, computer accessories, telecommunications equipment, and semiconductors increased more than 70% during the first half of the year, surpassing $430 billion. We expect strong AI-related investment to continue through

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the second half of 2026 and into 2027, with imports playing a slightly larger role than we had previously anticipated.

Economic activity outside the trade figures remains resilient. In the second quarter, real final sales to private domestic purchasers, a measure focused on core consumer spending and business investment, increased by a strong 3.9%, compared with a 1.7% gain in the first quarter. We project growth in this measure of 3.2% in 2026 and 2.6% in 2027.

Consumer spending has moderated from growth rates of nearly 3% in 2023 and 2024 to approximately 2% in 2025. Through the first five months of this year, spending was running at an annualized rate of just 1.3%, according to the Federal Reserve's Monetary Policy Report to Congress.

The Federal Reserve attributes much of this slowdown to a moderation in real disposable income growth. Factors cited include lower net immigration, easing wage growth, and the impact of tariffs and elevated gasoline prices on consumer prices.

Despite the recent slowdown, we expect employed consumers to continue spending at a modest pace. As inflation eases further and purchasing power improves, consumer spending could reaccelerate, providing additional support for economic growth.

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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	3.23%	-0.7
CDA Prime	4.45%	0.0	CDA 10 year	3.63%	0.0
CDA 3 month T-Bill	2.31%	1.0	CDA 20 year	3.91%	-5.5
CDA 6 month T-Bill	2.41%	0.0	CDA 30 year	4.05%	0.5
CDA 1 Year	2.67%	0.0			
CDA 2 year	2.91%	-1.4			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.30%	-0.9
US Prime	6.75%	0.0	US 10 year	4.65%	0.6
US 3 month T-Bill	3.71%	-0.6	US 30 year	5.24%	2.4
US 6 month T-Bill	3.89%	-1.2	5YR Sovereign CDS	37.49	
US 1 Year	3.94%	-2.3	10YR Sovereign CDS	46.45	
US 2 year	4.12%	-1.9			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			719.69	0.03%	3.37%
BMO Laddered Preferred Shares (ETF)			13.06	0.19%	5.92%

Source: LSEG

Keep looking forward! Have a great day!

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