Financial HARTbeat

Global Economy
Aug 17th 2026

Good Morning,

Ongoing Middle East energy supply concerns remain a key risk

- Reports over the weekend continued to focus on disrupted flows through the Strait of Hormuz and the risk that oil exports remain below normal levels. Any further escalation could push energy prices higher and add inflation pressure globally.

China released a fresh batch of economic data

- Markets entered Monday focused on Chinese industrial production, retail sales, unemployment, and investment figures. China remains a major driver of global commodity demand and manufacturing activity.

Investors are preparing for a critical U.S. data week

- After last week's inflation data, attention has shifted to U.S. retail sales and upcoming FOMC minutes. Markets are still trying to assess the path of Federal Reserve policy and whether economic growth remains resilient.

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Chart of the Day: As expected soft inflation push off any action in North America…

		Bank of Canada	Federal Reserve	European Central Bank
Rates	President / Chair	Tiff Macklem	Kevin Warsh	Christine Lagarde
	Policy rate	Overnight rate	Fed Funds rate	Deposit facility rate
	Current policy rate	2.25%	3.75%	2.25%
Next meeting	Next meeting date	September 2, 2026	September 16, 2026	September 10, 2026
	Market-implied policy rate*	2.29%	3.83%	2.40%
	Spread vs. current rate	+4 bp	+8 bp	+15 bp
	Probability of…			
	… hike	17%	32%	62%
	… hold	83%	68%	38%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	0.4	0.5	0.9
	... next 6 months	-	1.1	1.5
	... next 12 months	-	1.5	-

*Derived from OIS (Bank of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).

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Top News

Nasdaq and S&P 500 futures gained on Monday as a strong revenue forecast from AI leader Anthropic supported technology stocks. Reuters reported on Friday that Anthropic, which is preparing for its IPO, forecast 2028 revenue of roughly $190 billion to $200 billion. Most megacap and chipmakers were marginally higher in premarket trading.

Markets will also keep a close eye on the ongoing Middle East conflict and its impact oil prices and inflation. Iran called on the U.S. to accept defeat this weekend, while President Donald Trump referred to Tehran as "very evil" and told Americans to prepare for continued high fuel prices because of the war.

On the economic front, a batch of soft inflation data along with a surprise decline in retail sales last week helped traders dial back the odds of an interest-rate hike by the U.S. central bank at its September meeting. Traders are pricing in a nearly 31% chance the Fed will raise rates by 25 basis points next month, sharply lower than the near-even chances of a hike a week ago.

In corporate news, about 453 companies in the S&P 500 have already reported earnings, with 84.8% beating analysts' estimates. In Canada, annual inflation rate accelerated to 3% in July, slightly more than expected, as renewed United States-Iran tensions drove gasoline prices, while the cost of travel tours also rose. On a monthly basis, the consumer price index rose by 0.5%. The inflation rate now sits at the ceiling of the Bank of Canada's 1% to 3% control range. Analysts polled by Reuters had projected consumer prices to rise 2.9% annually and 0.4% on a monthly basis in July. The increase in headline inflation rate had been widely anticipated because of higher energy prices, leaving the trend of underlying or core inflation as a more important signal for the BoC. Core inflation measures CPI-trim and CPI-median came at 1.9% and 2% respectively. Both the measures were at 1.9% in the prior month.

Economists are expecting that with core inflation largely hovering around 2%, the midpoint of the central bank's 1% to 3% control range, the BoC is likely to keep its key policy rate on hold for the rest of the year. As mentioned, gasoline was the major driver of the annual rise in CPI, with prices accelerating 25.7% in July against an increase of 20.5% in June. However, a slower rise in grocery prices moderated the CPI, with food purchased from stores rising by 3.1% in July after posting a 3.9% acceleration in June.

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Despite the slowdown in grocery costs, July was the 18th consecutive month that grocery price inflation outpaced the all-items CPI. Shelter costs, which include rents and mortgage interest costs, continued to be subdued with the costs rising 1.3% in July.

Pricing Pressures Cool (Argus)

Oil prices have eased from triple-digit levels earlier in the year, and the pricing pressure that had been building in the economy is starting to ease, at least for now. A barrel of the benchmark crude oil, West Texas Intermediate, is now fetching $82 at the New York Merc. That's up from $75 two weeks ago, but down from $112 in April as the war in Iran flared. The impact of these lower oil prices was evident in two important inflation reports released last week. Let's take a look at the numbers.

The first report was the Consumer Price Index (CPI), which is the most widely quoted inflation measure in the financial press. CPI rose at a 3.4% rate year over year through July. That was down from the prior month's reading of 3.5% (itself lower than the 4.2% rate posted through May), though it is still a far cry from the Federal Reserve's stated goal of 2.0%. Moving up the value chain, the Producer Price Index (PPI) report came out Thursday and has risen at a 4.7% annual rate through July, down from a 5.5% rate in June and a 6.5% rate in May. Though these latest rates are indeed lower, we think it is premature to suggest that inflation is back on a downward trek. Pricing pressures peaked back in 2022, with the CPI topping out at a rate of 9.0%. They came down consistently for years, bottoming at 2.3% last April. But the war in Iran is not over, and we think the volatility in the pricing environment will keep the Federal Reserve, led by President Trump's pick Kevin Warsh, on the sidelines in 2026. first report was the Consumer Price Index (CPI), which is the most widely quoted inflation measure in the financial press. CPI rose at a 3.4% rate year over year through July.

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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	3.32%	3.6
CDA Prime	4.45%	0.0	CDA 10 year	3.72%	4.1
CDA 3 month T-Bill	2.30%	-1.0	CDA 20 year	4.00%	4.4
CDA 6 month T-Bill	2.44%	2.4	CDA 30 year	4.14%	4.4
CDA 1 Year	2.70%	4.0			
CDA 2 year	2.99%	3.2			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.38%	1.2
US Prime	6.75%	0.0	US 10 year	4.71%	1.6
US 3 month T-Bill	3.71%	0.5	US 30 year	5.28%	1.8
US 6 month T-Bill	3.91%	0.2	5YR Sovereign CDS	37.50	
US 1 Year	3.98%	0.3	10YR Sovereign CDS	46.49	
US 2 year	4.18%	0.9			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			720.53	0.05%	3.49%
BMO Laddered Preferred Shares (ETF)			13.11	0.34%	6.33%

Source: LSEG

Keep looking forward! Have a great day!

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