Financial HARTbeat

Canada/USA
Aug 24th 2026

Good Morning,

Trade talks collapsed at the last minute: Canada and the U.S. failed to finalize a new trade agreement, with both sides blaming the other for changing terms during the final negotiations.

New 50% U.S. tariffs are now in effect: The U.S. imposed 50% tariffs on roughly US$20 billion of Canadian exports, targeting products such as alcohol, dairy, furniture, paper products, and other goods. Canada has pledged a "dollar-for-dollar" response.

Economic impact is concentrated in key Canadian industries: Steel, aluminum, autos, forestry, dairy, and manufacturing remain the main pressure points. Internal economic commentary suggests Ontario and Quebec face some of the highest tariff exposure, while markets are watching for renewed negotiations before Canada's planned retaliation takes effect in early September.

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

Chart of the Day: Looks no change in Canada next week..

		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*	2.27%	3.85%	2.43%
	Spread vs. current rate	+2 bp	+10 bp	+18 bp
	Probability of...			
	... hike	8%	40%	72%
	... hold	92%	60%	28%
	... cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	0.3	0.6	1.0
	... next 6 months	-	1.2	1.7
	... next 12 months	-	1.8	-

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

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Top News

Canada-U.S. talks aimed at averting a new round of tariffs threatened by the White House last July broke down, and the U.S. will now impose 50% tariffs on roughly 5% of imports from Canada that had previously qualified for duty-free treatment under CUSMA. As a result, the average tariff rate applied to Canadian goods would nearly double to about 6%, leaving Canada only slightly better positioned than the average U.S. trading partner. While the average tariff rate on Canadian exports would rise to just above 6%, that figure is held down by the large share of duty-free resource exports.

For manufacturing alone, the average rate would jump to roughly 10% and the disparities across manufacturing sub-sectors are even more pronounced. The shock would also be distributed unevenly across provinces, reflecting differences in their industrial structures. Quebec and Ontario continue to face the highest average tariff rates, at roughly 11% and 9%, respectively. Relative to July levels, however, the proportional increase is larger in British Columbia, Nova Scotia and Manitoba. At the other end of the spectrum, Alberta and Newfoundland and Labrador are the least affected.

The failure of the latest Canada-U.S. trade talks is clearly disappointing, but we take some comfort from the fact that Canadian retaliation is not expected before early September. That leaves a window for the latest U.S. tariffs to be reduced or lifted before Ottawa responds.

Futures tracking Canada's main stock index were trading slightly higher this morning despite lower oil prices, as investors took profits ahead of the expected announcement of new U.S. sanctions on Iran, while gold prices hit a three-month high against a subdued U.S. dollar. In the U.S., Wall Street futures slipped today as concerns over the U.S. pledge of an "economic D Day" against Iran kept investors on edge. U.S. Treasury Secretary Scott Bessent, who is set to hold a press conference at 2 p.m. EDT, has threatened to roll out "the greatest financial offensive ever" against Iran, while President Donald Trump also threatened to impose sanctions on Iran's trading partners.

Concerns over surging energy prices and ballooning government debt pushed U.S. Treasury yields higher last week, with the 30 year yield touching a 19-year peak before the Treasury announced support

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measures. The turbulence has sharpened focus on Federal Reserve Chair Kevin Warsh's speech at the Jackson Hole symposium later this week, where investors will parse his remarks for clues on policymakers' reading of the Treasury's rescue efforts and the latest economic data. Meanwhile, according to LSEG data, traders are fully pricing in one 25-basis-point interest rate hike by the end of 2026.

What's Up With Bitcoin? (Argus)

What's Up With Bitcoin? To be honest, not much. The leading measure of the $2.6 trillion cryptocurrency market is down 11% year to date and is about 30% below all-time highs. But Bitcoin did jump almost 20% in the past week, due in part to the developments in the much-bigger U.S. Treasury market. Indeed Bitcoin has benefited from the U.S. Treasury's announcement last week that it will be increasing its purchases of longer-term securities in an attempt to slow down the recent rapid rise in bond yields. That plan, launched by Treasury Secretary Bessent, worked for a day -- but then was overwhelmed by fixed-income investors who are still focused on the risks of higher inflation, further geopolitical developments, incoming supply from AI firms, and the soaring federal debt (now more than $40 trillion). Why does Bitcoin benefit? Bitcoin can benefit from higher debt levels and a weaker dollar because a softer dollar usually goes along with easier financial conditions, a better risk appetite, and strong demand for alternative stores of value.

Despite the recent rally, we think investors should be cautious. Bitcoin, and Bitcoin ETFs, come with high levels of volatility. While there are years in which Bitcoin prices have more than doubled, there are also years in which prices have fallen by two-thirds. Should you invest in Bitcoin ETFs? While we expect the volatility of the underlying security to decline over time as the market matures and regulation increases, it remains speculative for now.

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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	3.28%	-8.4
CDA Prime	4.45%	0.0	CDA 10 year	3.69%	-7.5
CDA 3 month T-Bill	2.30%	-0.1	CDA 20 year	4.03%	0.5
CDA 6 month T-Bill	2.40%	-2.5	CDA 30 year	4.12%	-5.7
CDA 1 Year	2.69%	-6.5			
CDA 2 year	2.96%	-8.6			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.41%	-1.4
US Prime	6.75%	0.0	US 10 year	4.71%	-3.0
US 3 month T-Bill	3.73%	1.2	US 30 year	5.24%	-3.9
US 6 month T-Bill	3.93%	0.7	5YR Sovereign CDS	38.24	
US 1 Year	4.03%	1.0	10YR Sovereign CDS	47.45	
US 2 year	4.24%	0.4			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			716.50	0.02%	2.91%
BMO Laddered Preferred Shares (ETF)			13.08	0.11%	6.08%

Source: LSEG

Keep looking forward! Have a great day!

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