Financial HARTbeat

China
Aug 25th 2026

Good Morning,

Stimulating Domestic Demand – Beijing continues to prioritize consumer spending and household confidence through targeted fiscal support, consumer incentives, and policies aimed at creating a more balanced, consumption-driven economy.

Targeted Stimulus, Not a Bazooka – China is relying on infrastructure investment, special government bond issuance, and selective monetary easing rather than broad-based stimulus. Policymakers are focused on supporting growth while avoiding the excesses that contributed to past property and debt challenges.

Technology, AI & Quantum Driving the Next Growth Cycle – Capital is increasingly being directed toward AI, advanced manufacturing, computing infrastructure, and other strategic technologies. While official GDP figures capture only part of this transformation, many investors believe the accelerating development of emerging technologies, including quantum computing and AI-related investments, may not yet be fully reflected in traditional growth metrics.

Catch the playback of our Weekly Roundup Click here

Also, catch the playback of our Annual Outlook Click here

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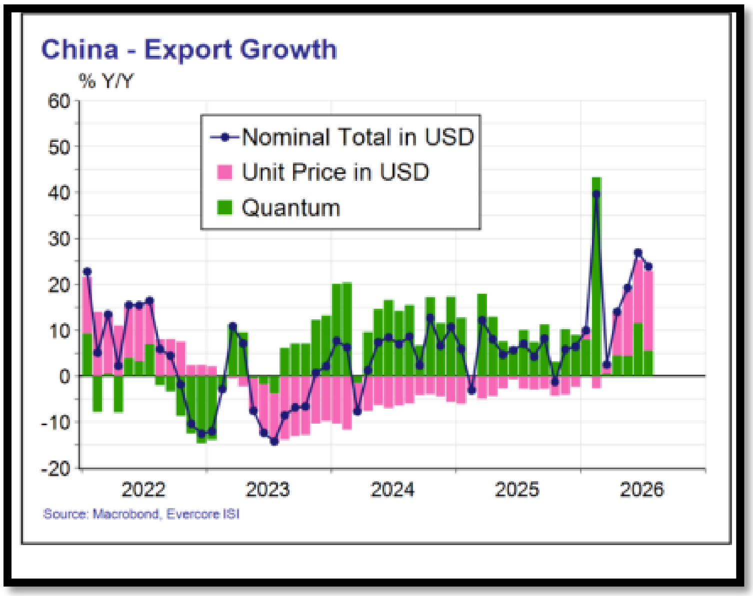
Chart of the Day: Growing in USD terms…Quantum an interesting piece to watch as may not fully value how strong the growth actually is..



Top News

U.S. stock index futures recovered this morning, as technology stocks bounced back ahead of AI heavyweight Nvidia's results. The chip giant is expected to show that AI-driven demand remains robust. Any signs of slowing growth could reignite concerns over stretched valuations and how far the AI-fueled rally can extend. Markets have grown increasingly wary of cyclical spending in the sector and the methods hyperscalers are using to fund their AI buildouts. In the meantime, markets largely shrugged off the latest U.S. economic threats against Iran.

Treasury Secretary Scott Bessent announced yesterday that countries continuing to trade with Tehran could be forced out of the dollar-based finance system. However, Bessent framed the economic plan as

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a means to bring Iran to the negotiating table and for the U.S. to gain an upper hand, rather than a real escalation.

For the time being, shipping data showed that just two tankers transited the key energy chokepoint of the Strait of Hormuz on Monday, for the lowest daily tally of commodity vessels since early May, with both entering the Gulf. The figure was also well below the 10-day average of 14. A report released by Reuters this morning showed that almost half the world's oil comes from countries affected by conflict in 2026, underscoring that current disruptions have eclipsed previous energy crises.

The conflicts in the Gulf and Ukraine have also cut global refining capacity by about a tenth. U.S. diesel prices have climbed to record levels despite refiners running at peak capacity, while higher fuel prices have become a key driver of inflation, contributing to higher borrowing costs and helping to push U.S. debt to a record $40 trillion. To help cushion the supply shock, the IEA has released record volumes from emergency stockpiles, but those releases are now largely complete and global inventories continue to decline.

In Canada, futures tracking the main stock index edged higher today, as investors weighed positive quarterly bank earnings and trade tensions with the U.S. BMO Financial reported a rise in third-quarter profit, driven by strong performance in its capital markets business, while Bank of Nova Scotia also posted a rise in third-quarter profit, helped by higher interest income. The results add to a broader rally in bank stocks, which have outperformed the TSX benchmark index this year. The financial sector hit its highest level in eight years earlier this month.

Focus is also on U.S.-Canada trade tensions after President Donald Trump on Monday threatened to raise U.S. tariffs on all cars, trucks and automotive parts from Canada to 50% starting January 1, 202, escalating a trade fight after negotiations collapsed over the week-end

Fed's Favorite Inflation Indicator Due (Argus)

The Federal Reserve's favorite inflation indicator, the PCE Price Index, will be released by the Bureau of Economic Analysis (BEA) on Wednesday. The PCE differs from the better-known Consumer Price Index

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(CPI) because its composition is changed more frequently and it is thus quicker to reflect the impact of real-time pricing fluctuations. In the most recent report, through June, PCE inflation reportedly increased at a 3.4% rate year over year. The latest CPI report, through July, also had overall inflation rising 3.4%. Core PCE, which removes volatile food and energy prices from the index, had risen at an annual rate of 2.5% in the latest publication. Our PCE forecasts call for slightly lower readings for the PCE indices for July: 3.6% for the headline number and 3.3% for the core reading.

We track 20 inflation measures on a monthly basis. On average, they are indicating that prices are rising at a 3.9% rate year over year, down 40 basis points compared to the month-ago level. Focusing on core inflation -- which we obtain by averaging Core CPI, market-based PCE Ex-Food & Energy (from the GDP report), the five-year forward inflation expectation rate, the 10-year TIPs Break-even Interest Rate and the PCE Price Index -- our reading is 2.8%, down 20 basis points month over month. Given that inflation is still not back to the Fed's 2% target, we do not expect the Federal Reserve to implement any rate cuts over the next several quarters.

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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	3.24%	-4.1
CDA Prime	4.45%	0.0	CDA 10 year	3.65%	-3.5
CDA 3 month T-Bill	2.29%	-0.1	CDA 20 year	3.93%	-3.5
CDA 6 month T-Bill	2.39%	-0.5	CDA 30 year	4.08%	-3.2
CDA 1 Year	2.67%	-1.5			
CDA 2 year	2.92%	-3.4			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.37%	-3.4
US Prime	6.75%	0.0	US 10 year	4.66%	-4.0
US 3 month T-Bill	3.71%	-0.5	US 30 year	5.20%	-3.6
US 6 month T-Bill	3.92%	-0.5	5YR Sovereign CDS	38.24	
US 1 Year	4.02%	-0.9	10YR Sovereign CDS	47.46	
US 2 year	4.22%	-1.9			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			715.23	-0.06%	2.73%
BMO Laddered Preferred Shares (ETF)			13.02	-0.42%	5.60%

Source: LSEG

Keep looking forward! Have a great day!

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