Financial HARTbeat

Auto Tariffs
Aug 27th 2026

Good Morning,

Canada takes the bigger direct hit.
Canadian assembly plants and parts suppliers are more export-dependent on the U.S. market, making Ontario's auto sector especially vulnerable to prolonged tariffs.

The U.S. doesn't "win" cleanly.
North American auto manufacturing is deeply integrated, with parts crossing the border multiple times. Tariffs raise costs for U.S. automakers, squeeze margins, and likely push vehicle prices higher for consumers.

Neither industry is likely killed, but both become less competitive.
The biggest risk is not collapse. It is that Canada, the U.S., and Mexico collectively lose competitiveness versus global rivals while supply chains become less efficient and more expensive.

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

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

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

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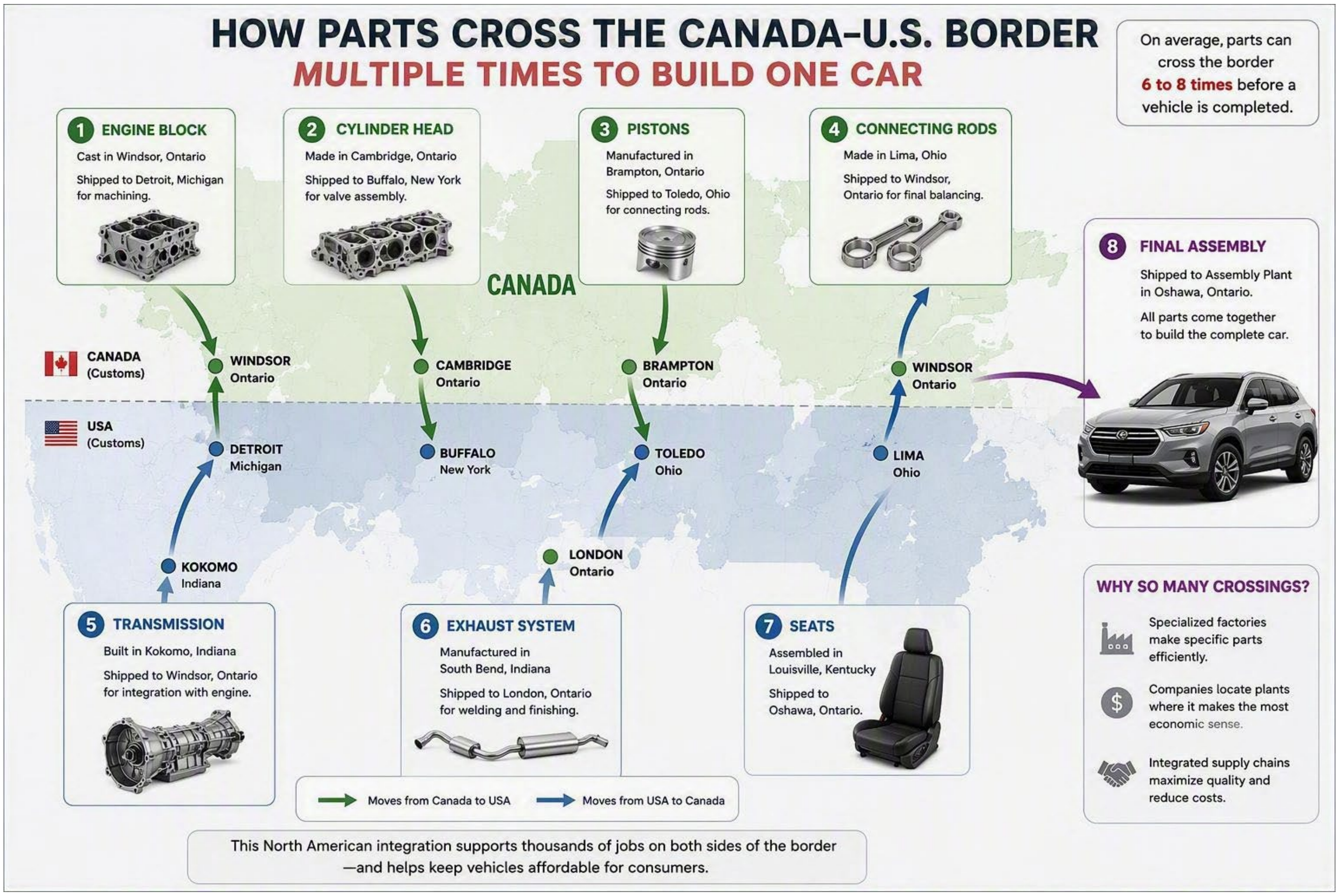
Chart of the Day: Why this matters…



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NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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Top News

Futures tied to the tech-heavy Nasdaq index outpace peers this morning after Nvidia's blockbuster forecast renewed investor confidence in the AI trade and boosted technology stocks. Nvidia shares rise more than 7% in premarket trading, after the chip giant's robust forecast illustrated relentless demand for AI computing, even as it warned that shortages of memory components could curb the pace of the industry's growth. With Nvidia results out, investor attention turns to Federal Reserve Chair Kevin Warsh's first Jackson Hole address on Friday. Warsh's speech, which will wrap up a busy week, is likely to be parsed for hints on the central bank's stance on the latest inflation data and the U.S. Treasury's efforts to tame yields.

On Wednesday, the Personal Consumption Expenditures data came in slightly hotter than expected, complicating the policy outlook after a benign consumer inflation report earlier this month. In data this morning, the number of people claiming unemployment benefits in the US fell by 4,000 to 203,000 on the third week of August, below market expectations that they would rise to 208,000, holding the trend of low claim counts since dropping to the near 60-year low of 189,000 in the middle of July.

Futures tracking Canada's main stock index slide, as investors assess quarterly bank earnings, alongside the ongoing geopolitical uncertainty. CIBC, Royal Bank of Canada and TD Bank reported a rise in third-quarter profit.

On the geopolitical front, Qatar's prime minister will visit Tehran today to pursue mediation efforts after the U.S. and Iran traded recriminations over Washington's promise to increase economic pressure on Iran by targeting its trade partners for sanctions. Oil prices rise after falling earlier in the session as traders weigh signs of diplomatic progress. Gold prices are little changed. Investors also focus on the ongoing trade tensions with the U.S. Canada removed seafood and fish products from a list of counter-tariffs on U.S. imports yesterday, a day after announcing levies on about US$20 billion worth of American products.

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European shares edge lower as a Nvidia-fuelled rally in technology stocks is not enough to offset broader market weakness. Technology stocks lead sectoral gains, rising about 1.5%. On the flip side, personal and household goods, chemicals and food and beverages fall between 1% and 1.5%, limiting broader gains.

Chinese stocks closed up, as strong revenue projections from Nvidia boosted investor appetite for artificial intelligence and hardware-related shares, while Hong Kong shares ended lower. Hong Kong-listed tech heavyweights, which are dominated by internet platform firms and lack major hardware makers, ended 0.1% down. Data showed profit at China's industrial firms grew 11.2% last month from a year earlier, down from a 15.1% increase in June.

Japan's Nikkei share average reversed early gains to end lower, dragged down by Nvidia supplier Advantest, while the broader Topix inched higher on value-buying. South Korean shares rose, led by gains in chipmakers, while investor focus was on the central bank governor's news conference after the Bank of Korea raised interest rates.

When is the Next Pullback? (Argus)

It has been about five months since the last pullback in the stock market, which we define as a drop of at least 5% in the S&P 500. That was in late March, when, in response to the war in Iran and the spike in oil prices, the S&P 500 fell 5% below its all-time high of 7,002. These things happen. Historically speaking, pullbacks occur on average three times per year, or 15 times per traditional five-year market cycle. Corrections (when stocks drop 10%) are less frequent; they happen about once per year, with the most recent occurring during the build-up to President Trump's ultimately watered-down tariff plan in the spring of 2025. Stocks have always recovered from pullbacks and corrections, as well as from bear markets. The average time to rebuild after a pullback has been one month.

Indeed, the S&P 500 earlier this year had recovered to an all-time high by mid-April. For a correction, it may take four months. Those recoveries are more dependent on the fundamentals in the market at the time. As we review current market fundamentals, we note that the economy is growing and corporate profits are increasing at an exceedingly healthy rate. Meanwhile, it is impossible to know when the Iran war will come to an end, and interest rates lately have been rising. But post hostilities, we expect oil

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prices to drop significantly and interest rates to stabilize and ultimately head lower. Overall, we remain optimistic that stocks can post gains in 2026, even if a pullback materializes between now and the end of 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	3.26%	0.4
CDA Prime	4.45%	0.0	CDA 10 year	3.67%	0.9
CDA 3 month T-Bill	2.28%	0.5	CDA 20 year	3.95%	0.7
CDA 6 month T-Bill	2.38%	0.0	CDA 30 year	4.09%	0.7
CDA 1 Year	2.66%	0.1			
CDA 2 year	2.94%	-0.3			
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%	-0.4
US Prime	6.75%	0.0	US 10 year	4.66%	-0.2
US 3 month T-Bill	3.69%	-0.3	US 30 year	5.18%	-0.1
US 6 month T-Bill	3.91%	-0.3	5YR Sovereign CDS	37.74	
US 1 Year	4.02%	0.3	10YR Sovereign CDS	46.97	
US 2 year	4.22%	0.0			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	712.87	-0.01%	2.39%
BMO Laddered Preferred Shares (ETF)	13.07	-0.08%	6.00%

Source: LSEG

Keep looking forward! Have a great day!

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