Financial HARTbeat

Oil

Oct 15th 2026



Good Morning,

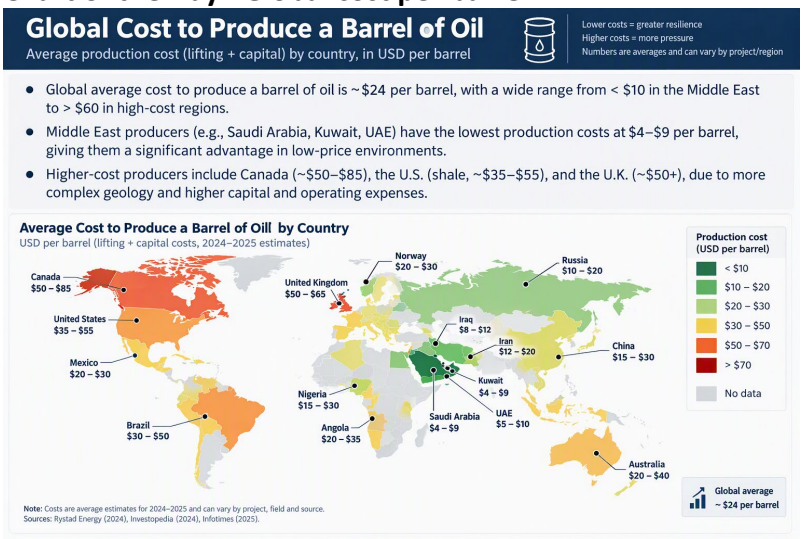
Not all oil barrels are created equal: Production costs range from **under $10/barrel in Saudi Arabia, Kuwait and the UAE** to **more than $50/barrel** in high-cost regions such as Canada's oil sands and parts of the North Sea.

Middle East producers remain the lowest-cost suppliers, allowing them to stay profitable even during major oil price declines and giving them significant influence over global energy markets.

Higher-cost producers are more sensitive to falling oil prices. If crude trades below production costs for an extended period, investment and future supply growth can slow, tightening global markets over time.

Catch the playback of our Weekly Roundup Click here
Also, catch the playback of our Annual Outlook Click here

Chart of the Day: Global cost per barrel…



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Top News

Fears of a potential hit to artificial-intelligence funding due to higher interest rates drive Nasdaq futures down more than 1%, deepening a selloff in AI-related stocks. Further denting sentiment, TSMC, the world's largest manufacturer of advanced chips, struck a cautious note for 2027 due to macroeconomic uncertainties after reporting its sixth consecutive record quarterly profit. Reports that AI lab Anthropic reported a 45% surge in third-quarter revenue compared to the previous quarter also failed to lift investor spirits. AI cloud firm CoreWeave's shares and bonds slump further this morning, in one of the deepest crises of investor confidence yet in an AI build-out increasingly fueled by borrowing. The company's stock falls about 6% in premarket trading after a more than 15% drop yesterday. The yield on its April-issued bonds due 2031 surged past 16%. CoreWeave CDS topped 600 bps on Wednesday and soared above 1,000 basis points early today (see chart). In economic data, retail sales rose 0.8% last month after an upwardly revised 1.3% jump in August.

Economists had forecast retail sales rising 0.3%. Initial claims for state unemployment benefits rose 1,000 to a seasonally adjusted 199,000 for the week ended October 10. It was the fifth straight week that claims remained below the 200,000 level, consistent with what economists said was a "low-hire, low-fire" labor market. Producer prices in the United States soared by 1.3% from the previous month in September of 2026, the sharpest increase since the start of the Russian invasion of Ukraine in March of 2022, and the second highest increase on record. It was sharply above market expectations of a 0.5% increase.

Futures tied to Canada's resource-heavy stock index are muted, as a rebound in precious metals and easing US Treasury yields help offset concerns over a deepening global selloff in AI-related stocks. Oil prices fluctuate between gains and losses after a US official said that the US administration is considering easing sanctions on some of Russia's unregulated tankers, a move that could help lower freight rates and increase flexibility in diesel shipments. Prices, however, are still finding support from an escalating conflict between Saudi Arabia and Yemen's Houthis and renewed attacks on ships in the region.

Data this morning showed Canadian factory sales grew by 1.5% in August from July on higher sales of primary metals, as well as chemicals. Excluding motor vehicles and parts, manufacturing sales were up 2.1%. Analysts had forecast manufacturing sales to increase 1.1% in August from July. Canadian



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wholesale trade fell by 1.6% in August from July on lower sales in the motor vehicle and motor vehicle parts and accessories subsector.

European shares inch lower as a global rout in AI-related stocks, sparked by fears of increasing borrowing costs, dents risk sentiment, while upbeat corporate updates cushion losses.

Chinese stocks fell to their lowest close in 14 months, tracking broad weakness across global markets. In Hong Kong, the benchmark Hang Seng index fell 1%, while the city's tech shares lost 2.7%.

South Korea's KOSPI ended down 7.57%, marking the lowest close since April 7 and extending its losing streak to a seventh consecutive session. During the session, the KOSPI fell as much as 9.29% and triggered a circuit breaker for the first time since July 29, halting trading for 20 minutes.

Japan's Nikkei share average tumbled nearly 5%. Selling was concentrated among AI-linked stocks.

Investing In Energy (Argus)

In our proprietary research framework, the Argus Six-Point Valuation System, our Energy sector analysts tend to focus most on the Industry component of the system, including oil prices, global supply and demand trends, and OPEC meetings. Risk analysis is also important due to the potential for geopolitical wild cards to emerge in the Middle East or other oil-producing regions. Relevant Valuation metrics for this mature sector tend to be earnings and dividend yields. Leaders in this group over timeshould be the companies that produce and refine oil at the lowest cost -- and oil production costs vary significantly by region based on factors such as geology and government regulations. The lowest-cost regions in recent years have been the Middle East and Russia, where production costs range from $5-$15 per barrel. In the U.S., production costs are the lowest (at around $40 per barrel) in the Permian Basin. Costs in Canada's Oil Sands Region are approximately $75 per barrel. A new entrant (or re-entrant) on the production scene is Venezuela, where the cost per barrel is around $10. The Energy sector is among the least correlated with the S&P 500. It is useful as a portfolio hedge, as the sector often zigs when the broad market zags. For this reason, we rarely rate the Energy sector as Under-Weight. Our current rating on the group, which



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accounts for about 4% of the S&P 500, is Over-Weight. should be the companies that produce and refine oil at the lowest cost -- and oil production costs vary significantly by region based on factors such as geology and government regulations. The lowest-cost regions in recent years have been the Middle East and Russia, where production costs range from $5-$15 per barrel.

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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	3.50%	-7.4
CDA Prime	4.45%	0.0	CDA 10 year	3.79%	-8.8
CDA 3 month T-Bill	2.39%	-1.0	CDA 20 year	4.03%	-8.4
CDA 6 month T-Bill	2.59%	-1.0	CDA 30 year	4.14%	-8.4
CDA 1 Year	2.90%	-2.5			
CDA 2 year	3.18%	-5.1			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4.00%	0.0	US 5 year	4.90%	-9.7
US Prime	7.00%	0.0	US 10 year	5.08%	-10.7
US 3 month T-Bill	4.10%	0.8	US 30 year	5.42%	-10.0
US 6 month T-Bill	4.36%	-1.4	5YR Sovereign CDS	44.00	
US 1 Year	4.46%	-4.1	10YR Sovereign CDS	52.23	
US 2 year	4.75%	-5.3			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			700.72	0.00%	0.64%
BMO Laddered Preferred Shares (ETF)			12.85	-0.04%	4.22%

Source: LSEG

Keep looking forward! Have a great day!

Ben



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