Financial HARTbeat

War
Sept 8th 2026

Good Morning,

We are currently in the middle of a global economic war

We are currently in the middle of a global kinetic war..

Catch the playback of our Weekly Roundup [Click here]

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

Chart of the Day: Rates a coin toss in US next week…will be surprise of no change..

		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	October 28, 2026	September 16, 2026	September 10, 2026
	Market-implied policy rate*	2.36%	3.89%	2.44%
	Spread vs. current rate	+11 bp	+14 bp	+19 bp
	Probability of…			
	… hike	44%	57%	75%
	… hold	56%	43%	25%
	… cut	0%	0%	0%
Rate cuts	25bps hikes (cuts) priced in...			
	... next 3 months	0.9	1.2	1.1
	... next 6 months	-	1.8	2.0
	... next 12 months	-	2.4	-

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

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

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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Top News

U.S. futures point to lower open on Tuesday as fresh hostilities in the Middle East sent oil prices to their highest since late July, deepening market gloom ahead of inflation data later this week. Declines followed a up-and-down period that saw investors rushing to readjust rate hike expectations after commentary from Federal Reserve Governor Christopher Waller and a stronger-than-expected jobs report.

The Fed is due to hold a monetary policy meeting next week. Traders are pricing in a 60% chance the central bank will hike rates by a quarter-percentage point after the meeting, according to the CME Group's FedWatch tool. Investors will be adjusting expectations with this week with wholesale and consumer inflation data due Thursday and Friday, respectively.

Traders also have to contend with brewing trade tensions between the U.S. and Canada once again. Retaliatory tariffs from Canada on about $20 billion of U.S. goods take effect on Tuesday.

Oil prices rose on Tuesday as attacks on Saudi energy facilities compounded fears of escalating hostilities between the U.S. and Iran in recent days. The Saudi energy ministry said operations at certain energy facilities had been halted after strikes by Iran-aligned Houthi militants based in Yemen wounded more than 70 people.

London's benchmark FTSE 100 was little changed on Tuesday as oil prices hit multi-week highs and dampened risk appetite in a week packed with economic data, while gains in energy stocks limited broader declines. British retail sales growth slowed to a four-month low in August as a surge driven by record-hot weather earlier in the summer faded, figures from the British Retail Consortium trade body showed on Tuesday. Shanghai shares edged up on Tuesday led by farming, energy and gold stocks but China's blue-chip index was dragged lower by tech plays.

China's export growth quickened last month, buoyed by strong overseas appetite for high-tech and AI-related products, providing vital support for an economy weighed down by sluggish domestic demand. In the first eight months, exports of high-tech products rose 42.9% in U.S. dollar value terms.

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Semiconductor export values more than doubled even as volumes edged up just 4.1%, while car exports rose more than 50% in both value and volume.

Japanese shares fell sharply on Tuesday as renewed geopolitical tensions damped risk sentiment and a sudden surge in the yen weighed on exporters. Japan's economy grew faster than initially estimated in the April-June quarter from the previous three months, supported by business spending that was less weak than the first reading, revised data showed on Tuesday. The figure released by the Cabinet Office showed the economy expanded an annualised 1.4% in the second quarter, compared with initial estimates of 1.1%. Economists' median forecast was for 1.6% growth.

How Goes the Greenback? (Argus)

Trends in the dollar, the world's dominant currency, offer nuanced clues about the confidence investors have in the U.S. economy and financial system. The greenback generally has been in high demand since the start of the pandemic, as global uncertainty leads investors to seek a safe haven for assets. But the hot-dollar trend has started to unwind a bit: in 2025, the greenback declined 5% on a global, trade-weighted basis as a result of economic uncertainty caused by trade policies, deficit spending in Washington, a recovery in the European economy, and simple value investing (as currency traders sought bargains in assets that had lagged). After a dollar rally linked to the onset of the war in Iran, the downward trend re-emerged. As of late August, the U.S. dollar was down 7% from cycle highs, reflecting concerns over the swelling federal budget deficit and with attempts by the Department of the Treasury to rein in long-term interest rates. But it is our view that the dollar is nowhere near at risk of losing its global "currency of choice" status. At current levels, the dollar is about 12% (more than one standard deviation) above its 20-year average value and is supported by the depth of a $29 trillion market, not to mention by the Fed and by the country's time-tested political/economic system of democratic capitalism.

The alternatives -- the euro, yen or yuan, or some basket -- have flaws as well. We view the state of the dollar as one of the main checks and balances to the U.S.'s status as the leader of the global economy (and so far, so good). What would worry us? We would be concerned that the country could be at risk of losing this status if the greenback were to plunge 20% in a short time. The last time that happened was

Ben Hart
Senior Wealth Advisor & Portfolio Manager
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› ben.hart@nbc.ca

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Ottawa, ON K1P 6L2

when S&P downgraded U.S. debt back in 2011. A U.S. dollar back at 2011 levels would almost certainly mean higher interest rates, a drag on the economy, and intense pressure on the major market indices.

Bond Yields Forecasts..

Figure 3: U.S. & Canada Rate Projections

United States							Canada						
Quarter	Target	3M	2Y	5Y	10Y	30Y	Quarter	Target	3M	2Y	5Y	10Y	30Y
4-Sep-26	**3.75**	**3.77**	**4.37**	**4.53**	**4.76**	**5.23**	**4-Sep-26**	**2.25**	**2.29**	**3.08**	**3.39**	**3.76**	**4.14**
Q3:2026	3.75	3.75	4.30	4.40	4.80	5.35	Q3:2026	2.25	2.30	3.05	3.35	3.75	4.20
Q4:2026	3.75	3.70	4.15	4.30	4.85	5.45	Q4:2026	2.25	2.40	2.95	3.25	3.70	4.25
Q1:2027	3.75	3.65	4.05	4.20	4.75	5.45	Q1:2027	2.50	2.70	3.05	3.35	3.65	4.25
Q2:2027	3.75	3.60	3.95	4.15	4.70	5.40	Q2:2027	2.75	2.80	3.15	3.30	3.65	4.20
Q3:2027	3.50	3.50	3.85	4.10	4.60	5.35	Q3:2027	2.75	2.80	3.15	3.30	3.65	4.15
Q4:2027	3.25	3.30	3.65	4.00	4.55	5.30	Q4:2027	2.75	2.75	3.10	3.25	3.65	4.10
Q1:2028	3.25	3.20	3.60	3.90	4.50	5.20	Q1:2028	2.75	2.75	3.05	3.20	3.65	4.05
Q2:2028	3.25	3.20	3.60	3.85	4.50	5.10	Q2:2028	2.75	2.75	2.95	3.15	3.60	4.00

Source: NBC Economics & Strategy

Keep looking forward! Have a great day!
Ben

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