

The Bridge

From the Office of the CIO

Weekly Market Tides

Weekly Market Tides: Trends to Watch

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Canada-U.S. trade talks collapse, a bruising week for equities, and Warsh's first Jackson Hole

1. Canada-U.S. trade talks collapsed at the 11th hour

The 50% U.S. tariffs on roughly \$20 billion of Canadian goods, or about 5% of Canada's goods exports to the U.S., had been paused for three days on August 18 when President Trump said the two sides had a deal. When talks broke down late Friday night, the tariffs took effect. Prime Minister Mark Carney has since announced that Canada will retaliate with dollar-for-dollar tariffs on U.S. steel, dairy, appliances, agricultural equipment, pulp and paper, and electronics starting September 8. Several issues pushed Canada away from the table. The proposed U.S. tariff reductions on Canadian autos would have excluded medium and heavy-duty trucks built in Canada. The final draft would have restricted Canada's ability to negotiate trade agreements with other countries, implicitly targeting China. And Washington pushed back on Canada's French-language content rules for streaming platforms. An earlier U.S. request for right-of-first-refusal on Canadian critical minerals had also been a sticking point. Each of these touched on Canadian sovereignty rather than tariff math. Sovereignty concessions are much harder to reverse than tariff levels, and Carney has already signaled that Canada will not trade those away for market access. The direct economic exposure is modest, around 0.6% of Canadian GDP, but the risk to business confidence and capital investment is broader, particularly across auto, steel, forestry, and cross-border supply chains. The Canadian dollar, which had strengthened by roughly 2% over the prior month, has begun to reverse that move. The U.S. has its own reasons to return to the table: around 1.4 million American jobs depend on Canadian trade, Canada supplies close to 90% of U.S. potash along with critical minerals and softwood lumber. Canadian retaliation on U.S. manufacturers and other targeted sectors ahead of the midterms could build political pressure to reverse course.

2. A tough week for stocks, and the Treasury looks to steady long-term rates

Tuesday brought a partial rebound after a mixed Monday. U.S. equities opened higher this morning, chip stocks recovered part of Monday's losses as investors positioned ahead of Nvidia's earnings report on Wednesday, and bond yields moved lower for a second consecutive session. Monday itself was mixed. Canadian markets were resilient despite the trade backdrop, with the S&P/TSX Composite closing modestly higher as gains in gold miners and materials offset weakness in consumer discretionary. Chip stocks led the global market lower on a combination of concerns. Reports that the Trump administration may allow Apple to source memory chips from Chinese suppliers weighed on U.S. and Korean memory makers. Samsung's disappointing shareholder-return announcement added to the pressure, and investors were also reducing exposure ahead of Nvidia. As a result, the S&P 500 and Nasdaq both closed lower on Monday, though the Dow held up better. Oil prices eased on Monday morning in anticipation of an afternoon Treasury Department press conference, where Secretary Scott Bessent unveiled the expanded Iran sanctions under the label 'Operation Economic Outcast.' Bond yields had begun to move lower on Monday after CNBC reported that Bessent may tap the Treasury General Account, currently near \$1 trillion, to fund the Treasury's expanded bond buybacks and push down long-term borrowing costs. The pullback added to a difficult prior week, when equities fell under the weight of rising long-term bond yields. The week ahead brings a heavy economic calendar. Nvidia reports Wednesday alongside July PCE inflation and the second estimate of Q2 GDP. Jobless claims come Thursday, and the Jackson Hole Economic Symposium opens the same day. Federal Reserve Chair Kevin Warsh delivers his keynote Friday, which is the focus of the next section.

3. Warsh's first Jackson Hole keynote is Friday

Federal Reserve Chair Kevin Warsh will deliver his first Jackson Hole keynote as Chair on Friday. Jackson Hole speeches are typically closely watched because Fed leaders often use them to communicate shifts in policy thinking. Recent U.S. data has left the Fed with a difficult choice. July jobs and retail sales pointed to a slowing economy, while inflation has stayed above the Fed's 2% target for five consecutive years and long-term interest rates continue to push higher. Markets are looking for guidance on whether the Fed leans toward eventual rate cuts, holds through year-end, or moves the other way with a hike. Warsh has generally been viewed as hawkish since taking over as Chair, and his July policy decision drew rare dissent from committee members who wanted a rate hike. PCE inflation data released Wednesday will directly inform his message. A soft print widens the room for eventual rate cuts; a sticky one points to a more hawkish tone. With Nvidia's earnings landing the same day, markets will have plenty to weigh before Warsh takes the stage.

Bottom line for investors

A lot moved this past week. Canada-U.S. trade talks collapsed on Friday night, ending weeks of speculation with tariffs and retaliation now in play rather than in negotiation. Equities had a rough week under the weight of rising long-term bond yields, and chip stocks extended their slide into Monday on a mix of trade,

competitive, and earnings concerns. This week opened with chip stocks recovering some of Monday's losses on Tuesday, the Treasury signalling more support for the bond market, and a heavy economic calendar ahead of Jackson Hole.

The message for portfolios remains consistent. Diversification across sectors, regions, and asset classes helps steady returns during periods of broader market stress. Portfolios positioned for a range of outcomes tend to weather these periods better than those tilted heavily to any single view.

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