

The Bridge

From the Office of the CIO

Weekly Market Tides

Weekly Market Tides: Trends to Watch

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A geopolitical jolt to start the week, Canadian counter-tariffs on the way, and the Fed's September decision in sharper focus

1. Stocks fell on Monday after a positive August

Global equities closed a positive August, though Monday brought a pullback on the final session. In the U.S., all three major indexes finished Monday down, with the Dow off around 0.7% and the S&P 500 and Nasdaq easing 0.3% and 0.1% respectively. European markets were mostly lower, with London closed for a bank holiday, while Asian markets were more mixed — Japan eased and South Korea and China finished higher. Several factors weighed on sentiment. Over the weekend, U.S. forces struck two Iranian rocket launchers on Larak Island in the Strait of Hormuz, the first acknowledged strike on Iranian soil since late July, and Iran reportedly responded with attacks on U.S. bases in Jordan. Oil moved higher in response, with WTI back above \$85 a barrel, and long-term U.S. Treasury yields moved higher, with the 10-year yield reaching its highest level since January 2025. Even with Monday's dip, August was a constructive month for stocks. The Dow rose about 1.4% in August, its fifth consecutive monthly gain, while the S&P 500 and Nasdaq climbed roughly 2.4% and 3.5%, their first up months since May. Several key market events shaped the last week. Nvidia's earnings on Wednesday beat expectations on revenue, data center growth, and Q3 guidance, though the stock slipped on gross margin concerns. A firmer-than-expected July PCE inflation print landed the same day, and Federal Reserve Chair Kevin Warsh delivered a hawkish Jackson Hole keynote on Friday. Equities were pulled in different directions but still finished the week higher. Looking ahead, Friday's August jobs report will be the most closely watched release of the week, and Canadian retaliatory tariffs take effect on September 8, discussed in the next section.

2. Canadian counter-tariffs on U.S. goods take effect September 8

Canada's response to the new U.S. tariffs takes effect next Tuesday. On August 25, Finance Minister François-Philippe Champagne released the full list of U.S. products subject to Canadian counter-tariffs. The package covers 874 tariff items and affects roughly C\$27.6 billion of U.S.-origin imports, matching dollar-for-dollar the U.S. Section 338 tariffs that took effect August 22. Rates are set at 15%, 25%, or 50%, matched to the corresponding U.S. rate on the same goods. The 50% rate covers steel and aluminum, furniture, and clothing. The 25% rate applies to dairy, cheese, fish and seafood, and appliances. The 15% rate applies to electronics, tools, and machinery parts. The composition is being read politically as well. Canadian officials noted that nearly C\$3 billion of imports from Ohio are affected, along with about a third of Canadian imports from Maine, both states with competitive races in the November U.S. midterms. Canada also announced a C\$7.5 billion support package for affected workers and businesses. For portfolios, the direct hit remains concentrated in a limited number of sectors on both sides of the border. The broader signal is that the trade relationship has moved from a negotiation into an active dispute, with implications for currency, capital investment, and cross-border supply chains that could take longer to work through than the tariffs themselves.

3. The Fed's September decision is now a much closer call

Two weeks ago, a September Fed hold looked all but certain. Not anymore. Chair Warsh's Jackson Hole keynote on Friday was received as more hawkish than expected. He recommitted to the 2% PCE inflation target, said the summer's better inflation readings did not indicate that underlying trends had meaningfully improved, and described financial conditions as not being broadly restrictive. Wednesday's July PCE data reinforced that reading, with headline inflation holding at 3.7% year-over-year, above expectations, and core PCE at 3.3%. The combination has moved market pricing. Fed funds futures now imply about a 60% probability of a 25 basis point hike, up from roughly 30% before Warsh's speech, and prediction markets show similar shifts. Views among analysts are more divided. Some, including strategists at JPMorgan Wealth Management and Bank of America, now expect a September hike. Others argue that recent softer labor data does not support a hike and that markets may be premature in pricing one in. The Fed does not meet until September 16, and the August jobs report on Friday and August CPI in the second week of September will both land before the decision. Either could tilt the balance in a different direction.

Bottom line for investors

Markets begin September with three developments to weigh. The Fed's September decision has become a much closer call after Chair Warsh's hawkish Jackson Hole speech and a firmer July PCE print. Canadian counter-tariffs on U.S. goods take effect on September 8. And weekend U.S. strikes on Iranian positions returned geopolitical risk to the front of the conversation.

For portfolios, the message remains the same. When several risks are in play, diversification across sectors, regions, and asset classes helps weather the storm. The coming weeks will bring more data and

decisions that can move markets in either direction, and portfolios built for a range of outcomes tend to hold up better than those tilted heavily to any single view.

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