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Weekly Market Tides

Weekly Market Tides: Trends to Watch

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Fed expectations shift, Canadian tariffs take effect, and what to watch before the next fed decision

1. Oil surges on Middle East tensions to open the week, with last week's strong jobs report still in focus

Stocks are lower this morning as escalating U.S.-Iran tensions push oil prices sharply higher after Iran-backed militants struck energy infrastructure in Saudi Arabia. In the U.S., the Dow slipped 0.7% while the S&P 500 and Nasdaq were down 0.2% and 0.1%. The 10-year U.S. Treasury yield briefly crossed 4.8% as rising energy costs added to inflation concerns. Last week had a more mixed tone. The S&P 500 rose 0.1% for the week, the Nasdaq gained 0.4%, and the Dow slipped 0.3%. European markets ended the week lower, weighed down by rising oil prices and bond yields. The main driver last week was Friday's August jobs report, which showed U.S. non-farm payrolls rose by 162,000, well above the roughly 55,000 that economists had expected. Figures for June and July were also revised up by a combined 55,000, wage growth rose 0.3% for the month, and unemployment held steady at 4.1%. Treasury yields jumped, with the two-year reaching its highest level since January 2025, and equities finished Friday lower as investors read the strong report as raising the odds of a Federal Reserve rate hike. Rate-hike expectations jumped to about 58% from around 49% the day before. The week also saw a softer ADP private payrolls print on Wednesday and dovish remarks from Fed Governor Christopher Waller (one of the seven Fed governors who vote on every rate decision) on Thursday, who argued for holding rates steady in September. Canadian counter-tariffs on U.S. goods took effect this morning, discussed in the next section. August CPI (the Consumer Price Index) is released Thursday and August PPI (the Producer Price Index) follows Friday, both key data points for the Federal Reserve's September 15–16 meeting.

2. Canadian counter-tariffs took effect September 8, with the Bank of Canada in a hawkish hold

Canada's counter-tariffs on U.S. goods took effect today, September 8. The package covers roughly C$27.6 billion of U.S.-origin imports and matches, dollar-for-dollar, the U.S. Section 338 tariffs that took effect on August 22. Rates are set at 15%, 25%, or 50%, matched to the corresponding U.S. rate on the same goods. The 50% rate applies to steel and aluminum (a doubling of the existing 25% counter-tariff), 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 list runs to more than 800 items. On the monetary policy side, the Bank of Canada held its overnight rate at 2.25% at last Wednesday's meeting, the seventh consecutive hold. The decision itself was widely expected, but the tone was more hawkish than markets had priced in. Governor Tiff Macklem said the Bank was prepared to raise rates "multiple times" if inflation stays too high, citing higher energy costs from the ongoing Iran conflict and the new dollar-for-dollar tariffs on U.S. goods as the biggest upside risks to inflation. Canadian CPI is currently running at 3%, above the Bank's 2% target, and Q2 GDP came in at a stronger-than-expected 3.3% annualized. The next Bank of Canada decision is October 28. Markets have begun to price in the shift. Canada's five-year government bond yield reached its highest level since mid-2024, reflecting expectations that Canadian rates could go up rather than down from here.

3. What we are watching before the September 16 Fed decision

The Federal Reserve's decision on September 16 will be shaped by a series of data points over the coming week. As of Friday, markets were pricing roughly a 58% probability of a 25 basis point hike, though that number has moved around in a wide range over the past two weeks. A few things are worth watching. First, August CPI (the Consumer Price Index, which measures the prices consumers pay) on Thursday is an important release. A softer print would take some of the urgency out of the case for a September hike, and a firmer print would reinforce it. Second, August PPI (the Producer Price Index, which measures the prices producers receive at earlier stages of production) follows on Friday. Because producer prices often feed through into consumer prices, PPI helps set expectations for the Fed's preferred inflation gauge, PCE (Personal Consumption Expenditures), which is released later in the month. Third, weekly jobless claims on Thursday will keep providing a real-time read on the labour market, which sent conflicting signals last week between the soft ADP number and the strong non-farm payrolls report. Going into the meeting, the committee looks split. Chair Warsh's Jackson Hole message leaned hawkish, while Governor Waller's Thursday remarks argued for holding steady. A September hike is now a real possibility rather than a tail risk, and the outcome will influence Treasury yields, the U.S. dollar, and equity valuations.

Bottom line for investors

The last week brought several developments that will shape the September setup. A stronger-than-expected August jobs report shifted the conversation around the Federal Reserve's September 16 decision, with rate-hike odds now running close to a coin flip rather than a hold. Canadian counter-tariffs on U.S.

goods took effect today, and the Bank of Canada delivered a hawkish hold last Wednesday. The week ahead is data-heavy, with August CPI and PPI both landing before the Fed meets.

For portfolios, the message stays the same. When several risks are in play, diversification across sectors, regions, and asset classes helps weather the storm. The next ten days will bring more data and more decisions, 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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