Monday, 17 August 2026

Daily Market Overview

Markets

- Moves in core bonds continue to point at **bear steepening pressures.** The 30-yr in the US turned a 2 bps loss into a 2 bps gain for the day, keeping the tenor near the year-to-date highs, which in turn are the **highest levels since 2007.** Changes in the other parts of the curve are negligible. **Similar dynamics are playing out in Europe.** Both the 30-yr European swap and German bund yield are trading close to or at new 15-year peaks. The front end of the curve remains more or less locked with money markets continuing to entertain the idea of one more ECB rate hike in the short run and an additional move later (currently discounted for Q1 2027). **The stalemate in US-Iran talks is a supporting factor in a daily perspective, alongside the structural upward pressures coming from public finance risk premia.** There are renewed skirmishes in Lebanon, more strikes on vessels in the Hormuz Strait and US president Trump threatening to bomb Oman as well if it "gets in the way". His verbal attack comes after reports that Oman and Iran reportedly are negotiating a deal without the US on how the Hormuz Strait should be managed. A senior Iranian official meanwhile told Reuters that the country shifted from a defensive posture to a **"fully offensive"** one and warned for a regional escalation if diplomacy fails. Oil prices nudge slightly higher but remain below the $90 threshold. European stock markets remained positive for much of the session but began grinding lower when the first US dealers arrived. Wall Street trades slightly lower with the Nasdaq "outperforming" on blockbuster revenue growth by Claude-owner Anthropic.

- The US dollar starts the new week the way it ended the previous one, on the backfoot. EUR/USD extended gains beyond 1.16 and tested the 38.2% recovery on the 2026 decline at 1.1614. Failure to break through resulted in some minor return action lower, back towards the big figure. The trade weighed dollar index dipped to the weakest levels since mid-June and is currently changing hands around 99.42. USD/JPY steadies around 159.3. Sterling is showing similar muted market moves with EUR/GBP copy-pasting last week by treading water near 0.855. GBP/USD does show some action, inspired by dollar weakness. Cable moves to a three-month high of 1.356.

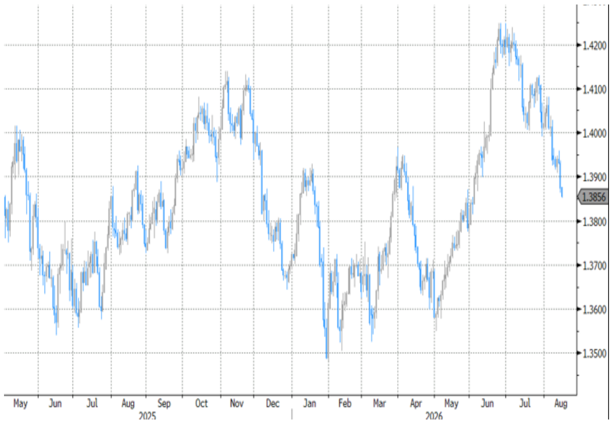
News & Views

- **Canadian July inflation figures printed slightly above consensus.** Headline inflation accelerated by 0.5% M/M (vs 0.4% expected) with the **Y/Y-figure hitting 3% (up from 2.8%) for only the second time since December 2023.** In July, goods prices increased by 0.3% while services costs increased by 0.7%. On a yearly basis, prices for gasoline grew at a faster rate in July (+25.7%) compared with June (+20.5%). Prices for travel tours rose also at a faster pace in July (+15.2% Y/Y) compared with June (+6.8%). Contributing to higher prices were more expensive hotels and flights to US destination cities, coinciding with the hosting of World Cup matches. **Core inflation gauges showed stickiness as well with the Bank of Canada's preferred trimmed mean gauge stabilizing at an upwardly revised 1.9% Y/Y.** The front end of the Canadian yield curve underperforms following the inflation numbers with the 2-yr yield gaining around 3 bps. The market-implied probability of a December BoC rate hike rises from around 55% last Friday to currently 73%. The Loonie gradually extends its recent good run (higher commodity prices) against a lackluster US dollar with USD/CAD trading at 1.3850 for the first time since early June.

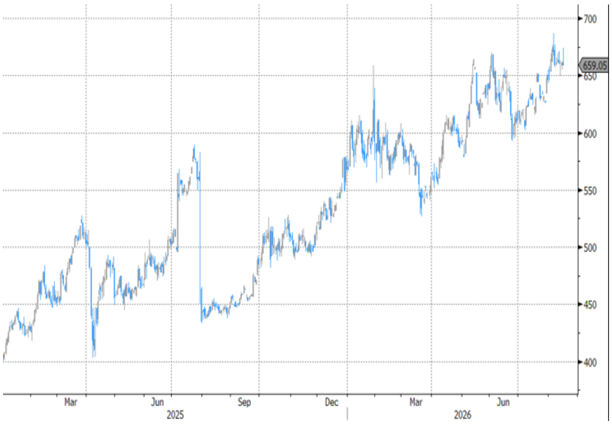
- **First Q3 Chinese economic data disappointed, pointing to a continued slowdown in growth momentum.** Disruptions caused by extreme weather added to the effect of fiscal austerity. Recall that Q2 2026 GDP growth came in at 4.3% Y/Y, below the government's official 4.5%-5% target range. **Domestic demand provided the biggest miss** with retail sales growth slowing from 1% Y/Y to 0.6% Y/Y and from 1.3% YtD Y/Y to 1.2%. The investment recession deepens with fixed asset investment growth falling by 6.7% YtD YoY from -5.7% in June. Industrial production growth failed to offset these developments, growing by 4.5% Y/Y (from 5.3%) and by 5.3% YtD Y/Y (from 5.4%). **There's a big divergence between ongoing strength in the AI sector (advanced manufacturing) and weakness in most of the rest of the Chinese economy.**

Graphs & Table

US 30-yr rises to a fresh 19-year high on lingering concerns about inflation and unsustainable public finances



USD/CAD: loonie, helped by a slightly higher CPI, rises against overall weak US counterpart.



Copper prices squeezed higher, particularly on UK exchanges, amid high demand and in anticipation of US tariff decision.

EUR/USD tested first support at 1.1614 but, for now, without a break higher.

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	2,80	0,00	2	4,17	0,00	DJ euro-50	6541,15	1,56
5	2,93	0,00	5	4,37	0,01	DAX	26381,85	-58,46
10	3,21	0,00	10	4,70	0,01	S&P 500	7776,27	-9,49
30	3,73	0,01	30	5,28	0,02	Nikkei 225	69220,25	506,45
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	55	-1,00	EUR/USD	1,1588	0,0018	CRB	391,41	0,00
FR 10y	84	-0,40	EUR/GBP	0,8551	0,0004	Gold	4446,30	9,00
IT 10y	78	0,20	USD/JPY	159,38	0,0600	Brent	89,01	0,49

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