Market Watch

S&P/TSX	S&P 500	DOW	NASDAQ	DOLLAR	OIL per barrel	GOLD
36,553.92	7,711.76	53,559.99	26,402.42	72.00¢US	US$83.40	US$4,529.90
-280.33	-19.23	-9.45	-138.93	-0.14¢	-$0.13	-$134.10

Oil, inflation and the Federal Reserve

Eric Van Enk
Economics 101

Global financial markets continue to be impacted by everything President Donald Trump says and does. This week's chart focuses on arguably the world's most important commodity — oil.

The chart goes back to the beginning of this year and highlights the impact the Iranian conflict has had on the price of oil. From the start of the conflict in February until the first ceasefire was announced (April 8), the price of WTI increased from the mid U.S. $60 range to a peak near U.S. $110.

The oil market then began to discount the probability of an agreement (memorandum of understanding) which was announced on June 17. As you can see, this agreement was short-lived with the ceasefire ending on July 8.

The price of oil influences the price of almost everything because it impacts the cost of shipping goods around the world (e.g. diesel, jet fuel, gasoline, etc.). Oil is also a direct input cost for many consumer goods such as chemicals, plastics, etc. For this reason, the price of oil can impact inflation expectations which directly impact interest rates.

Higher oil prices not only impact inflation expectations but have also been linked to recessions in the past because they reduce the amount of money consumers have left to spend on other goods — discretionary spending drops as consumers need to purchase groceries and operate their vehicles regardless of the price of oil.

The outlook for inflation and interest rates was relatively benign prior to the U.S. and Israel launching their military campaign against Iran and would likely be so again if an agreement can be reached to open the Strait of Hormuz.

Yet another related factor to consider is Trump's approval rating as we approach U.S. midterm elections in November. His approval rating is currently at its lowest point in either of his two presidential terms with inflation being one of the largest factors working against him.

The American people aren't buying the Trump administration's view that tariffs aren't having an impact on inflation and with this week's increased tariffs on Canada (America's largest trading partner) and Canada's announced retaliatory tariffs, inflation expectations in the U.S. are most likely to increase.

Trump needs a win heading into November as the odds of the Republican Party losing control of both the House of Representatives and the Senate are increasing. Achieving a deal with Canada, Iran or both in coming months would be ideal for Trump and the Republican Party.

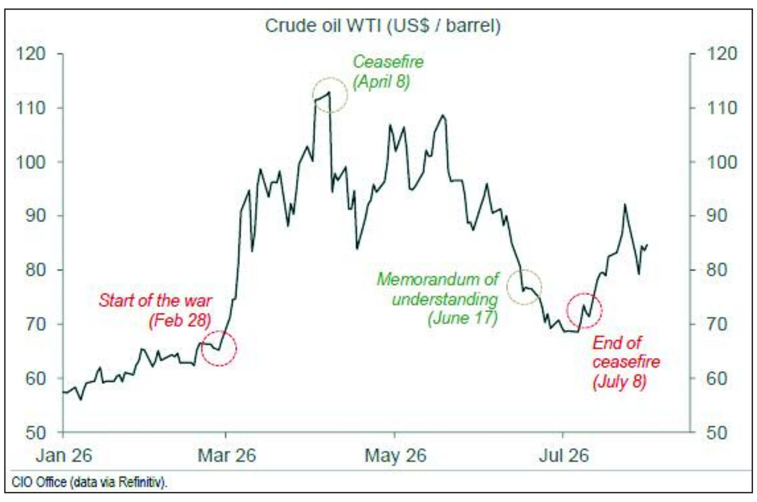
Trump has a lot of balls in the air and to complicate matters further, he recently hired a new chairman of the Federal Reserve which sets monetary policy (e.g. interest rates) in the U.S. Kevin Warsh was appointed chairman of the Federal Reserve on May 22 of this year with the mandate of reforming the Federal Reserve and reducing inflation to the Central Bank's target of 2% which hasn't been achieved since prior to the COVID pandemic.

Trump effectively fired Warsh's predecessor, Jerome Powell, for not reducing interest rates further and has now tied the hands of the newly appointed Warsh through a trade war with Canada and a failed regime change in Iran.

The U.S. bond market is currently discounting between one and two interest rate increases for the remainder of this year based on inflation expectations remaining stubbornly above the 2% target.

Trump can change this with the stroke of a pen (reaching an agreement with either Iran or Canada). Only time will tell if either occur, however, Trump must be motivated not to become a 'lame duck' by losing control of both the House and Senate in November.

Eric Van Enk is a wealth adviser & portfolio manager with National Bank Financial in Medicine Hat. He is a graduate of the University of Calgary, as well as a CFA charter holder with 20 years of financial markets experience in New York, Toronto and Calgary. He can be reached at eric.vanenk@nbc.ca



SOURCE: NATIONAL BANK FINANCIAL

PUBLIC NOTICES
Medicine Hat

8AM - 4PM SPECIAL SERVICES

Electric Outages....403.529.8260
Gas Emergency....403.529.8191
Water & Sewer Emergency.... 403.502.8042
After Hours Special Services....403.526.2828

DEVELOPMENT PERMITS APPROVED AUGUST 20 TO AUGUST 26, 2026

What's Happening IN YOUR NEIGHBOURHOOD?

Scan code to view development notices online (updated weekly)

RESIDENTIAL

1054 YUILL STREET SE - Detached House (Addition)

1236 ROSS STREET SE - Residential Accessory Building (Garage Addition) With Gross Floor Area Variance

150 11 STREET NE - Residential Accessory Building (Shed)

605 INDUSTRIAL AVENUE SE - Residential Accessory Building (Garage)

COMMERCIAL/INDUSTRIAL/ INSTITUTIONAL

4 1771 30 STREET SW - Change Of Use To Self Storage, Indoor

104 430 6 AVENUE SE - Change Of Use To Health Care Office, Minor

HOME BUSINESS

620 VISTA DRIVE SE - Home Business Minor - General Contractor/ Project Manager.

638 ROSS GLEN DRIVE SE - Home Business Minor - Mortgage Broker.

1 487 12 STREET SE - Home Business Minor - Janitorial Service.

20 HERON COURT SW - Home Business Minor - General Contractor/Project Manager/Plumbing/Gasfitting/Heating.

70 4 STREET NW - Home Business Minor - Electronic Technician.

4 11 SIERRA AVENUE SW - Home Business Minor - Delivery Service.

A person claiming to be affected by a decision of the Development Authority may appeal to the Medicine Hat Subdivision and Development Appeal Board by completing and submitting to the City Clerk Department, the required Notice of Appeal form within twenty one (21) days of this publication. Forms available from: City Clerk Dept., 3rd Floor, City Hall or City website: www.medicinehat.ca.

All Development Permits listed are subject to conditions. For more information, contact Planning and Development Services, 2nd Floor, City Hall. Ph. (403) 529-8374.

FIRE HYDRANT INSPECTIONS & WATER MAIN FLUSHING

Environmental Utilities maintenance crews perform regular, routine maintenance to uphold the waterworks system infrastructure and water quality by annually inspecting fire hydrants and flushing water mains.

During these operations, there may be some discolouration in the water which is **not** harmful to consume and will dissipate when flushing is complete.

It is important to note that discoloured water should not be used for laundry, and that fluctuating water pressure may also be noticed.

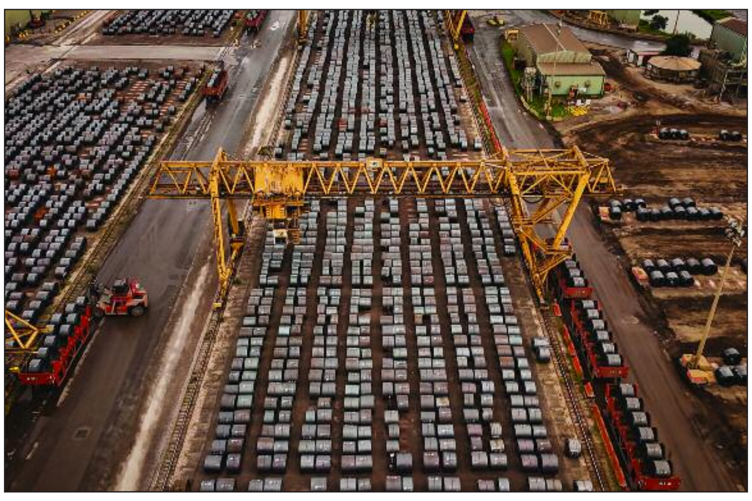
Should discolouration persist over three hours, turn on a cold-water faucet or an outside sprinkler and let the water run for several minutes until the water runs clear.

For additional information or to confirm whether crews are working in your zone, refer to the Water Flushing information on the City's website at www.medicinehat.ca/water or contact Environmental Utilities at 403-529-8176.

www.medicinehat.ca

Canada's economy was surging in Q2. Now, it braces for new tariff headwinds

CRAIG LORD
The Canadian Press



CP PHOTO NICK IWANYSHYN

Rolled coils of steel sit in the yard at the ArcelorMittal Dofasco steel plant in Hamilton, Ont. on Aug. 20.

Fresh data from Statistics Canada on Friday suggests the economy was growing at a healthy clip in the second quarter and rumblings of a recession earlier in the year might have been overblown.

But economists warned that any momentum the economy had last quarter will be tested by a new wave of tariffs and trade uncertainty.

Real gross domestic product rose 3.3 per cent on an annualized basis in the second quarter, StatCan said. That was the fastest quarterly pace of growth since early 2023 and topped the Bank of Canada's call for 2.5 per cent growth in the quarter.

BMO chief economist Doug Porter said in an interview that 3.3 per cent is a "solid result." A typical quarterly figure over the past 20 years would see the economy growing at around two per cent annualized, he noted.

"Just to put it in perspective, we had almost no growth in the prior four quarters combined. So it really did look like the Canadian economy was breaking out of its funk over the spring," Porter said.

Exports jumped 3.6 per cent in the second quarter, led by a rebound in shipments of passenger cars and light trucks. Auto production had declined in the previous two quarters, StatCan said.

Spending was up among households, businesses and governments in the quarter. One of the few drags on growth was from businesses drawing down their inventories — selling what's on the shelf rather than adding to their stockpiles.

Back in May, StatCan reported a marginal annualized decline in first-quarter GDP — a second straight quarterly drop that fuelled some debate over whether Canada was in a recession.

But that quarterly contraction was erased as part of the agency's regular revisions on Friday. StatCan now says that GDP in the first quarter was actually slightly positive at 0.3 per cent annualized.

Porter recalled that, even in May, many economists were urging against using the recession label to describe a quarterly decline that could easily be revised away in future reports.

"I really want to pound the table here and just say that all that talk about a technical recession three months ago has been washed away from history," he said.

Taken together, Porter said growth in the first half of the year is now a bit below two per cent on an annualized basis. He thinks that's closer to the real underlying trend.

But most economists weighing in Friday cautioned that the economy is likely heading for another slowdown in the third quarter.

StatCan said real GDP was up 0.3 per cent in June but its early estimates for July call for flat growth in the month. The end of the FIFA World Cup, which helped fuel activity in June, is expected to take some steam from GDP figures in July, Porter said.

New 50 per cent U.S. tariffs on a range of Canadian goods meanwhile went into effect on Aug. 22, after a push to avoid the new duties collapsed at the last minute. Canada's planned retaliatory measures are set to start Sept. 8.

Ariane Curtis, senior North America economist at Capital Economics, said in a note to clients Friday that new tariff headwinds from the U.S. suggest strong momentum from the second quarter won't carry over into the third.

"We can't get too excited about the outlook given the latest preliminary estimate suggests that GDP was unchanged in July, as the FIFA World Cup boost went into reverse," she said.

Porter agreed that the re-escalating trade war will sour the growth outlook in the third quarter, though he said there were some bright spots in the second quarter data that could persist.

Signs of life in the resale housing market are now adding to growth, Porter said, and he doesn't expect the trade war to dampen that activity much.

Another positive development was an increase in business capital investment in the second quarter — snapping a streak of five consecutive quarterly declines. Firms buying up the kinds of processing units used in data centres was one factor pushing investment higher, StatCan said.

"It did look like business investment was really beginning to turn the corner. I think it's a little too early to wave the flag just yet, but you've got to start somewhere," Porter said.

The second-quarter GDP report marks the final major data release before the Bank of Canada's next interest rate announcement on Sept. 2. The central bank has held its benchmark interest rate steady at 2.25 per cent in six consecutive decisions.

Financial market odds for an interest rate hold next week stood at nearly 99 per cent as of Friday at noon, according to LSEG Data & Analytics.

Porter said that, putting the trade war aside, the strong second-quarter result would normally have the Bank of Canada leaning toward rate hikes.

But with headwinds from a reignited tariff dispute set to drag on growth for the rest of the year, he argued the central bank should instead signal a bias toward lower rates, not higher.

Porter said his call is still for the Bank of Canada to remain on hold into 2027.

Charles St-Arnaud, chief economist at Servus Credit Union, said in a note to clients that the solid second-quarter results show the economy had momentum as it closed the first half of the year, "which could help the Canadian economy absorb the shock of the latest round of U.S. tariffs."