
FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH





INTRODUCTION

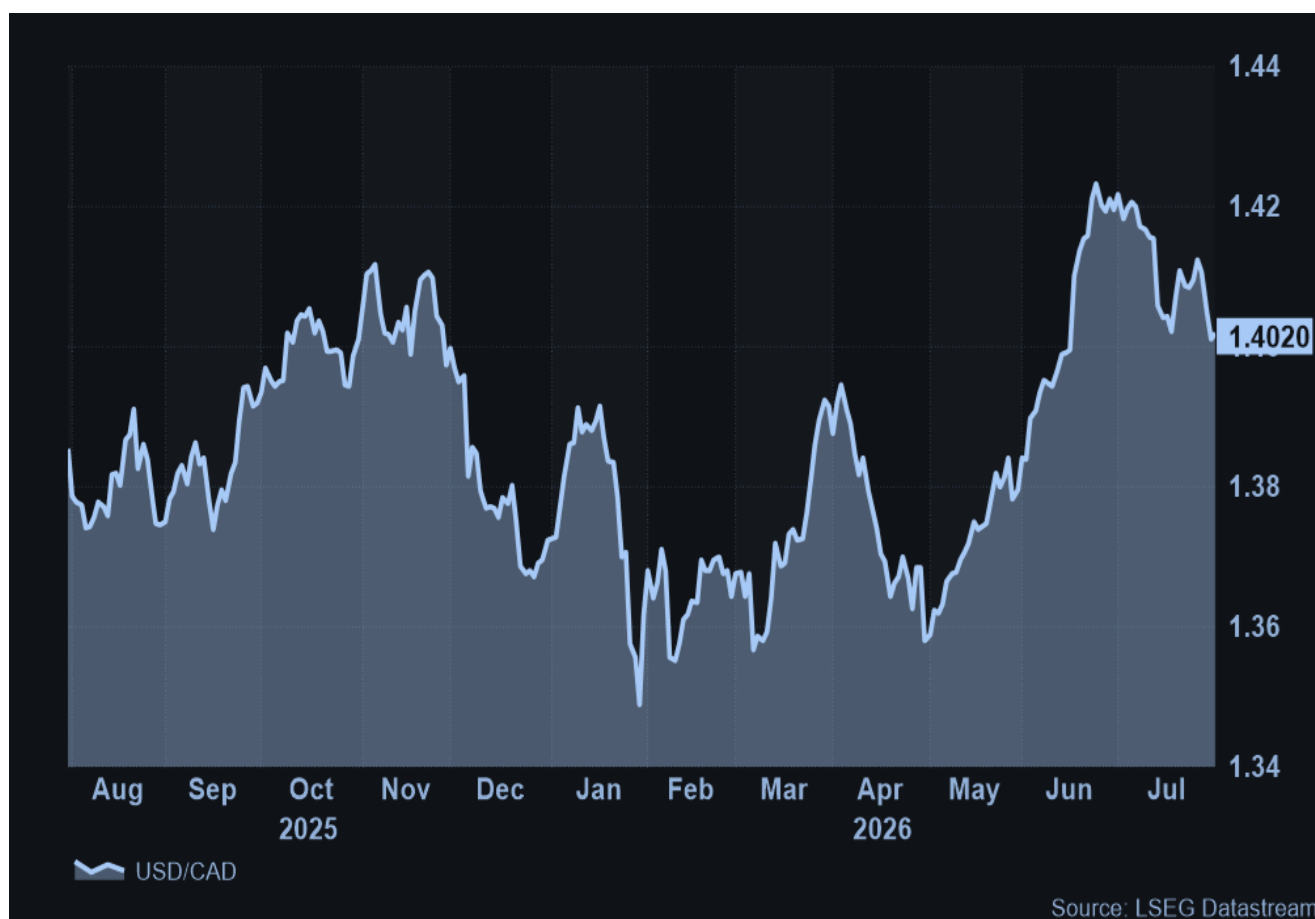
August 2026

July was shaped by a mixed economic backdrop, with inflation moving lower in several major economies while central banks remained cautious. In Canada, inflation eased and growth showed some signs of improvement, but new U.S. tariffs added pressure to the trade outlook. In the United States, activity continued to expand, although job creation slowed and interest rates remained elevated. In Europe and the United Kingdom, inflation moderated, but growth stayed fragile. In China, the recovery remained uneven, with exports still playing an important role as domestic demand remained subdued. Finally, oil returned to the spotlight as Middle East tensions, lower U.S. inventories and higher shipping risks pushed energy markets higher.

Enjoy the read!

CAD

- Canadian inflation eased in June, giving the Bank of Canada a more constructive signal.
- The recovery remains gradual, however, while new U.S. tariffs add pressure to the trade outlook.





MORE DETAILS

The Canadian dollar strengthened during July, with USDCAD moving from approximately 1.4217 to 1.4020. Canadian inflation slowed in June, with annual CPI easing to 2.8%, down from 3.2% in May. The decline was mainly driven by gasoline prices, which had contributed significantly to the previous month's increase. Core inflation measures also softened, giving the Bank of Canada a more encouraging signal after several months of uneven price dynamics.

Against this backdrop, the Bank of Canada held its policy rate at 2.25% in July. The economy is showing signs of improvement after a softer start to the year, but risks remain elevated. The central bank expects inflation to slow gradually in the second half of 2026, before moving more sustainably back toward the 2% target in early 2027. For now, the path for interest rates will depend largely on the persistence of inflation, the direction of oil prices and the impact of trade tensions.

Economic activity remains uneven, although the outlook has improved slightly. According to the Bank of Canada, growth likely rebounded in the second quarter after a near-stagnant start to the year. The labour market also delivered a modestly positive signal, with approximately 18,200 jobs created in June and the unemployment rate edging down to 6.5%. The gain remains limited, however, suggesting that the economy is still recovering gradually rather than entering a stronger expansion phase.

The housing market remains fragile. Residential activity has been weaker than expected so far in 2026, held back by still-elevated mortgage rates, economic uncertainty and slower population growth. This continues to weigh on both resale activity and new housing demand. On the trade front, the new U.S. tariffs of 50% on selected Canadian products add another source of pressure for businesses exposed to cross-border supply chains and U.S. demand.

USD

- The U.S. economy continued to expand in July, although economic data painted a more mixed picture.
- Inflation eased further, while slower job growth and restrictive interest rates suggested a more cautious outlook for the remainder of the year.





MORE DETAILS

The DXY index remained broadly stable in July, moving from approximately 101.1 to 99.9 over the month. U.S. inflation slowed in June, with annual CPI easing to 3.5%, down from 4.2% in May. The decline was mainly driven by lower energy prices, particularly gasoline, while core inflation remained relatively contained. Even with this improvement, inflation remained above the Federal Reserve's target, leaving policymakers cautious.

The Federal Reserve kept its target range unchanged at 3.50% to 3.75% in July. The decision reflects a difficult balance: inflation is moving in the right direction, but price pressures have not fully disappeared. Some committee members would have preferred a 25-basis-point increase, showing that the Fed is not yet ready to declare victory. Energy prices, geopolitical tensions and tariff risks could still complicate the inflation outlook in the months ahead.

Economic activity continued to expand, albeit at a slower pace. Real GDP grew at an annualized rate of 1.5% in the second quarter, down from 2.1% in the first quarter. While the economy remains resilient overall, the moderation in growth suggests that higher borrowing costs are gradually weighing on domestic demand. Consumer spending continues to support economic activity, while interest rate-sensitive sectors such as housing, durable goods and business investment remain under pressure.

The labour market also showed signs of cooling. The U.S. economy added 57,000 jobs in June, a weaker gain than in previous months, while the unemployment rate remained near 4.2%. Labour market conditions remain stable but are no longer as tight as earlier in the cycle. The housing market also remains constrained, with the 30-year fixed mortgage rate reaching 6.66% at the end of July. On trade, the expiry of temporary tariff measures and the risk of new import barriers add another layer of uncertainty for businesses.

EUR

- The euro area saw inflation continue to ease and business activity return to expansion territory.
- Growth remained fragile, however, as energy risks and trade uncertainty continued to weigh on the outlook.





MORE DETAILS

The EURUSD pair moved from approximately 1.1422 to 1.1528 over the month of July. Inflation in the euro area slowed in June, with annual CPI easing to 2.8%, down from 3.3% in May. The decline was partly driven by softer pressures in energy and industrial-related components. Inflation, however, remains above the European Central Bank's 2% target, while energy prices continue to be exposed to geopolitical tensions in the Middle East.

The European Central Bank left its main policy rates unchanged in July, including the deposit rate at 2.25%. With inflation moving lower but not yet back to target, the ECB appears focused on preserving flexibility rather than signaling a quick shift toward easier policy. The next steps will depend heavily on energy prices, wage growth and the strength of domestic demand across the euro area. For now, the central bank is trying to avoid easing too early while growth remains only modest.

Economic activity showed further signs of improvement during the month. The euro area composite PMI rose to 51.9 in July, up from 50.0 in June, returning to expansion territory for the first time in four months. The improvement was driven by both the services sector and a better manufacturing backdrop, suggesting that business activity is stabilizing after a weaker period. Growth is still fragile, however, as companies continue to face elevated costs, uneven external demand and cautious investment conditions.

The labour market continues to provide a stabilizing force. The euro area unemployment rate held at 6.3% in June, remaining low by historical standards. This continues to support household incomes while keeping wage growth an important factor in the inflation outlook. On the trade front, the agreement between the European Union and the United States provides greater stability, particularly for exporters facing tariff uncertainty.

GBP

- UK inflation continued to ease, but services inflation remains a key concern for the Bank of England.
- The economy continued to grow modestly, supported by the services sector, while the labour market showed signs of cooling.



A night-time photograph of the Tower Bridge in London, illuminated with warm lights and blue accents. The bridge's two towers and suspension cables are clearly visible against a dark sky.

MORE DETAILS

The GBPUSD pair moved from approximately 1.3262 to around 1.3482 over the month of July. UK inflation continued to ease in June, with annual CPI falling to 2.6%, from 2.8% in May. The decline was mainly driven by transport, as well as food and non-alcoholic beverages. Core inflation held steady at 2.6%, while services inflation edged lower to 3.6%. This remains an important measure for the Bank of England, as it is more closely tied to domestic pressures such as wages, rents and operating costs.

The Bank of England kept its policy rate unchanged at 3.75% in July. The decision still showed some division within the committee, with three members preferring a 25-basis-point increase to 4.00%. Although headline inflation is moving lower, policymakers remain attentive to the risk that energy prices and imported costs could rise again. The challenge is therefore to avoid tightening too much while also preventing temporary shocks from feeding into wages and inflation expectations.

Economic activity continued to expand, but momentum remained modest. Real GDP rose by 0.1% in May, following a 0.1% contraction in April. Over the previous three months, the economy grew by 0.7%, supported primarily by the services sector. Professional services, communications and health-related activities contributed to growth, while construction and other interest rate-sensitive sectors continued to lag. Overall, the recovery remains narrow, with the services sector accounting for most of the growth.

The labour market is showing signs of normalization. The unemployment rate stood at 4.9% in the March-to-May period, while the number of payroll employees changed little during the month and was lower than a year earlier. On the trade front, goods exports increased in May, but the goods and services deficit widened over the previous three months to £9.1 billion, reflecting higher goods imports and a narrower services surplus.

CNH

- China's recovery remained uneven, with domestic demand still cautious and the property sector under pressure.
- Exports continued to provide support, especially in technology-related sectors.





MORE DETAILS

The USDCNH pair moved from approximately 6.79 to 6.75 during July. Chinese inflation eased in June, with annual CPI slowing to 1.0% from 1.2% in May. Food prices declined, while non-food inflation remained more moderate. Producer prices moved in the opposite direction, with PPI rising 4.1% year over year. This suggests that cost pressures continue to be felt more by businesses than by consumers.

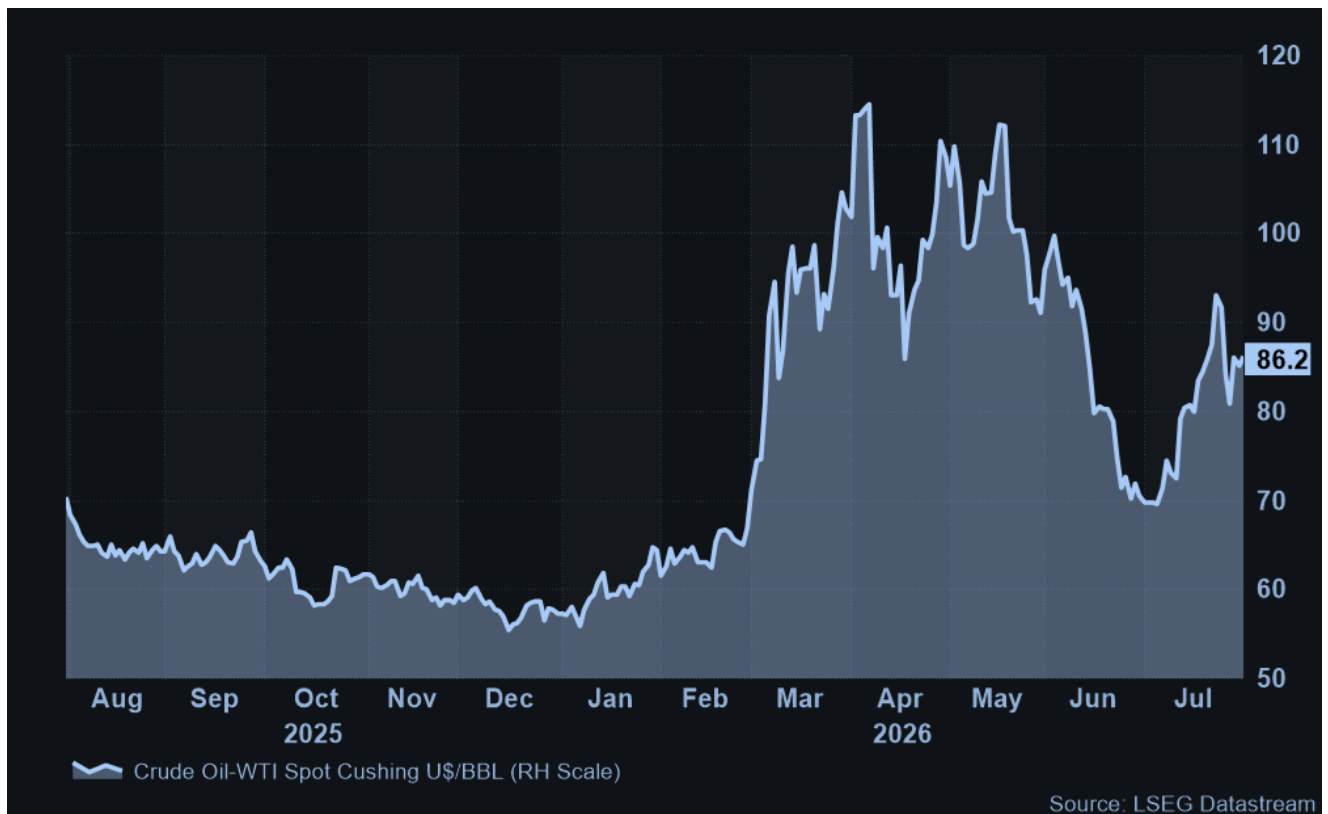
The People's Bank of China kept its loan prime rates unchanged in July. The one-year rate remains at 3.00%, while the five-year rate, which is important for mortgage lending, remains at 3.50%. Authorities appear to be prioritizing stability, despite slower growth and continued expectations for targeted support. This approach also reflects the need to avoid an overly aggressive credit response while the property sector remains fragile.

Economic activity slowed in the second quarter. Real GDP increased by 4.3% year over year, compared with 5.0% in the first quarter, while quarterly growth stood at 0.9%. Services held up better than industry and construction, with construction still under pressure. Domestic demand remains uneven, as consumers remain cautious and the property market continues to weigh on confidence. Targeted support measures therefore remain important to stabilize activity without adding too much leverage.

Foreign trade remained a key source of strength. In June, exports increased by 27.0% year over year, while imports rose 36.0%, supported in part by demand for semiconductors and technology-related equipment. The trade surplus reached approximately USD 125.6 billion. The labour market also showed signs of improvement, with the urban unemployment rate falling to 5.0% and youth unemployment, excluding students, easing to 14.9%. China's reliance on exports remains an important feature of its economy, although it also leaves growth more exposed to shifts in global trade conditions.

Commodity - Oil

- Oil prices rebounded sharply in July, supported by tensions in the Middle East and lower U.S. inventories.
- For businesses, the risk extends beyond crude prices to freight costs, insurance and supply chain reliability.





MORE DETAILS

Oil prices rose sharply in July, following a period of easing earlier in the summer. WTI traded around USD 86.2 per barrel at month-end, while Brent was near USD 90.1. The rebound was driven primarily by the return of a geopolitical risk premium, as tensions between Washington and Tehran renewed concerns over energy supplies from the Middle East. The move also reflected a market that remains highly sensitive to any potential disruption in global supply routes.

The Strait of Hormuz remained the main point of attention. U.S. strikes against Iran, attacks on oil tankers and renewed threats to maritime traffic revived fears of supply disruptions in the Gulf. The market also found support from a larger-than-expected draw in U.S. crude inventories. Commercial stocks fell by 7.2 million barrels to 404.5 million in the week ended July 24, well above expectations for a 600,000-barrel decline, leaving inventories about 7% below their five-year average.

The pressure is not limited to crude oil. Gasoline, diesel and other refined products remain sensitive to refining margins, transportation costs and logistical constraints. This matters because companies may continue to face elevated energy costs even if the price of crude stabilizes. Transportation, distribution, agriculture and certain manufacturing activities remain particularly exposed, especially when fuel costs move quickly through operating expenses.

Shipping adds another layer of uncertainty. Insurance premiums have increased for vessels transiting the Strait of Hormuz and the Bab al-Mandeb Strait, two strategic corridors for global energy trade. For buyers of crude oil and refined products, the risk extends beyond the price of a barrel. It also includes higher freight rates, insurance costs, potential delivery delays and the ability to secure supply when geopolitical tensions escalate.



BEYOND THE MARKETS

Tariff Risk Shifts Again

The latest U.S. tariff threat is no longer limited to the measures already announced against Canada. Washington is also looking at other trade tools, including rules tied to forced labour and supply chain compliance, to justify new duties on several trading partners.

This broadens the risk for businesses. Even importers that are not directly targeted by the Canadian tariffs may need to monitor product origin, input traceability and changes in U.S. trade rules more closely. Tariff risk is becoming less of a one-time event and more of a recurring compliance issue.

Source: Les Affaires

Link: [HERE](#)

Gold Draws Safe-Haven Demand

Gold prices moved higher in July, supported by renewed demand for safe-haven assets. Gold futures rose above USD 4,100 per ounce on July 22, as investors responded to persistent tensions in the Middle East and broader market uncertainty.

Gold typically benefits in this type of environment, as investors seek to reduce exposure to riskier assets. The rally, however, remains subject to a delicate balance: geopolitical tensions continue to support demand, while higher energy prices could also reignite inflationary pressures and influence the outlook for interest rates.

Source: Yahoo Finance

Link: [HERE](#)



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