上海商業銀行
SHANGHAI COMMERCIAL BANK
Since 1950

Monthly Insight

Ryan Lam, CFA
Head of Research
ryan.lam@shacombank.com.hk
+852 2841 5283
Marco Lau
Treasury Research Manager
marco.lau@shacombank.com.hk
+852 2841 5450

20 August 2026

Without Bearings

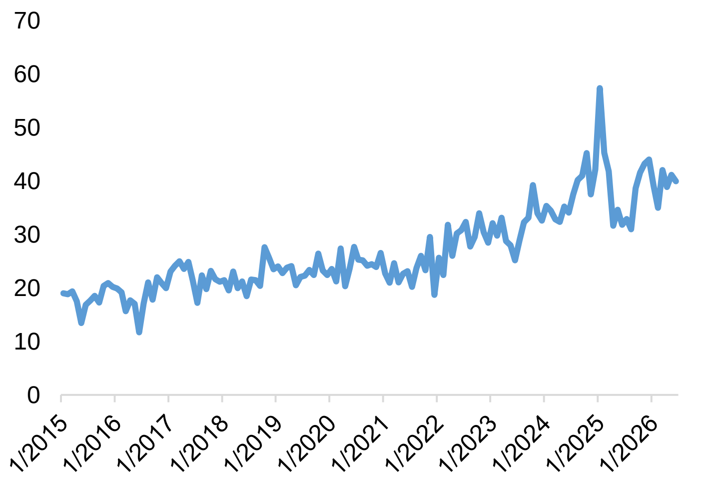
- **Canadian manufacturers will almost certainly find themselves in trouble to secure replacement because of their products' bulky and perishable nature.**
- **Our estimate is that the usurious tariffs under Section 338 would clip 0.5% from Canadian growth if rolled out as announced.**
- **The snapback of tariffs may not be as devastating as fear mongers claim. Trump's ambush is primarily a pressure tactic to get Carney to the table.**
- **Businesses in Canada seem ready to climb over an ice-wall of tariff worry also, thanks to the capex boom driven by computing infrastructure and data processing, a recent easing in bank capital standards by regulator, and a weakening loonie.**

Lo and behold, Trump said he would pause the imposition of a 50% tariff under Section 338 on Canadian goods. However, what is right in front of us is often the last thing we can see. Canada and U.S. have long passed the tipping point where friend turns to foe. A long-term agreement is always a deal away. It's only a matter of time for the smoking gun to point at Canada again.

Trump's partnership doesn't come cheap. Talk of a tariff war always makes the stomach sink, especially when the Canadian economy is showing signs of breaking out of its slump. Good questions are every investor's best defense.

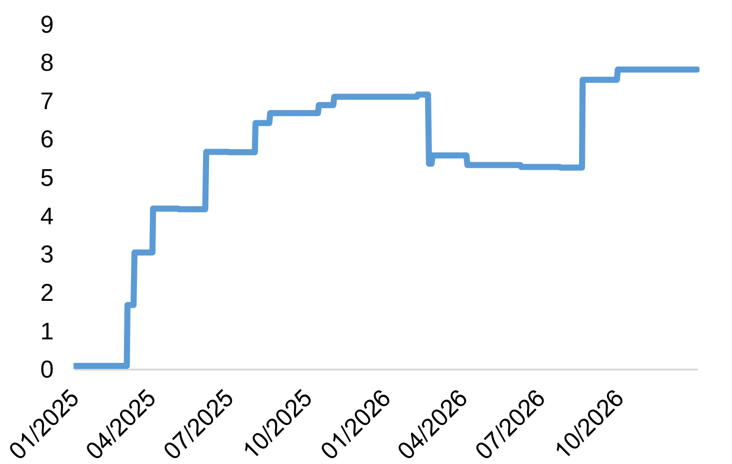
The snapback of tariffs may not be as devastating as fear mongers claim. The current USMCA conceded limited access to the Canadian market. In 2025, Canada exports a mere CAD474 million in dairy products to the U.S., so the disruption originated from this usurious tariff will likely be minimal.

Exhibit 1: Canadian Exports of Dairy Products to U.S. (CAD mn)



Source: CEIC, Shanghai Commercial Bank

Exhibit 2: U.S. Tariff Rate on Canadian Goods (%)



Source: The Budget Lab, Shanghai Commercial Bank

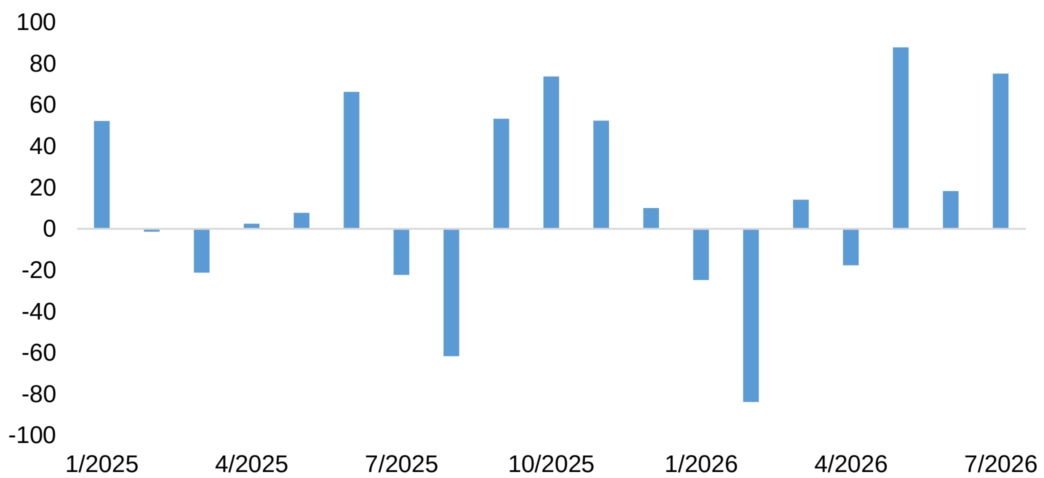
This would be only a small consolation, though. The debt to war goes deeper than that.

The consumer goods sector is a longstanding trade irritant. It goes to the heart of blue-collar identity. Canadian manufacturers in targeted sectors like food, packaging, wood and paper products, will almost certainly find themselves in trouble to secure replacement because of their products' bulky and perishable nature. To a significant extent, the impact of fresh tariffs is believed to be absorbed by Canadian gross margins. In the eyes of investors, you are what you earn.

While still nursing wounds from previous rounds of tariff skirmishes, the Section 338 tariff would jack Canada's tariff rate on exports up by 2.6 percentage points to roughly 7.8% (Exhibit 2). Our estimate is that these tariffs would clip 0.5% from Canadian growth if rolled out as announced.

It could be both a curse and a blessing for a country that had lost its way. We lean toward the view that Trump's ambush is primarily a pressure tactic to get Carney to the table so that Trump can spin it as a victory ahead of the mid-term elections. Will Carney take this sitting down? No. His belated visit to China initiated a thaw in relations that had been tense for years. Businesses seem ready to climb over an ice-wall of tariff worry also, thanks to the capex boom driven by computing infrastructure and data processing, a recent easing in bank capital standards by regulator, and a weakening loonie. Defying the skeptics, July's sturdy employment reported a 75k growth, hinting a low point was reached at spring.

Exhibit 3: Employment Change in Canada ('000)



Source: Statistics Canada, Shanghai Commercial Bank

We all know nothing make better neighbors than good fences. Tariff is no longer a threat that Canadian should pick a serious fight with.

UK

With the UK elections and appointments concluded, market focus shifted from politics back to economic fundamentals. BoE reached consensus on weak economy, while rate-hike arguments remain largely precautionary. Overall rate pressure is limited.

EU

European markets are relatively steady, with key data broadly matching expectations. The major risk still centers on energy prices.

Japan

Yen edged lower after US-Japan intervention. Jawboning and pro-hike signals fail to move markets. Reversing the yen's weakness ultimately requires actions, not just words.

US

Soft data give the Fed more policy leeway. Hawks' firm resolve aside, jobs and wage growth show early softening. If sustained, this would strengthen centrists and curb rate-hike expectations.

Chinese Mainland

Economic growth has slowed from its earlier levels. Market expectations are building for fresh policy stimulus to boost consumer and investment confidence, injecting new momentum into the economy.

Foreign Exchange Outlook

USD

Overweight
Neutral
Underweight

Softer CPI and retail sales add to the case against hiking rates in September. The flow of news from here to Jackson hole will be light. If anything, analysts have been upgrading earnings forecasts outside U.S. It will be hard for the market to switch back to a fully dollar-bullish mindset.

EUR

Overweight
Neutral
Underweight

Shadowed by unresolved tension in the Gulf, better economic readings have failed to provide the euro with much of a lift. Apparently, FX holders like the euro as a diversification play against the A.I. euphoria.

GBP

Overweight
Neutral
Underweight

Sterling has had a hot summer. The combination of a short squeeze following the end of local elections and targeted M&A flows spell the end of the sterling's bear run. But these forces rarely drive sustained moves in currencies. The real driver ahead is the BoE, and the UK economy is poised to slow down, owing to budgetary uncertainty and higher energy bill, after a strong start to the year.

RMB

Overweight
Neutral
Underweight

The RMB appreciation story still has legs. Even if the exporter's conversion ratio stabilizes, the ever-growing trade surplus would give the RMB a helping hand with soaring export proceeds available for conversion. The latest communication by the Politburo suggests policymakers are becoming more tolerant of currency appreciation.

JPY

Overweight
Neutral
Underweight

The yen has struggled to make much headway in spite of the broad-based dollar softness. The age-old bias to rebuild JPY shorts post intervention takes hold. Neither the risk of coordinated intervention nor reignited confidence in a September hike by BoJ appears sufficient to counter that trend.

AUD

Overweight
Neutral
Underweight

Investors seem happy to continue targeting long A.I./commodity stories at the expense of the low-yielding Japanese yen and Swiss franc. The Aussie rally has room to run.

NZD

Overweight

Neutral

Underweigh

A drop in NZ inflation expectations led to the kiwi underperforming. Traders could however see kiwi as effective hedge against severe El Niño shocks given its outsized dependence on agricultural exports.

Recent Publications

Mercury Rises	Jul 30, 2026
The Long Goodbye	Jul 28, 2026
Sweet Home Sweet	Jul 20, 2026
To Infinity and Beyond!	Jul 2, 2026
Deal Done, Hikes None?	Jun 18, 2026
No Escape from Storm	Jun 11, 2026
Out of Eden	Jun 1, 2026
Owning Your Own Shadow	May 20, 2026
An Activist Paradigm	May 12, 2026
The Swan Song	Apr 30, 2026
Racing the Turkey	Apr 29, 2026
Before the Open	Apr 23, 2026
Armageddon Now?	Apr 15, 2026
A Time to Gate	Mar 31, 2026
Nowhere to Hide	Mar 25, 2026
On Hold for Longer	Mar 19, 2026
A Class of Its Own	Mar 16, 2026
Trump’s Doom Loop	Mar 4, 2026
Novelty as Guilty	Feb 26, 2026
Software as Lunch Table	Feb 12, 2026
Too Much of a Good Thing	Feb 3, 2026
Slipping from Grasp	Jan 29, 2026
Greener Grass on the Other Side	Jan 22, 2026
2026 Global Economic & FX Outlook	Jan 13, 2026
Have Yourself a Cosy Christmas	Dec 11, 2025
Cutting in the Vacuum	Oct 30, 2025
No More Tears?	Oct 6, 2025
Threading the Needle	Sep 22, 2025
Easing to Last	Sep 18, 2025
Beyond Succession	Sep 9, 2025
Cooking the Book	Sep 2, 2025
Going Mad in Its Own Way	Aug 19, 2025
TACO Bites	Aug 1, 2025
Mind over Matter	Jul 21, 2025

Disclaimer - Investment Involves Risk

Investment Risk Disclosure

- The following risk disclosure statement cannot disclose all the risks involved and does not take into account any circumstances that are unknown to Shanghai Commercial Bank Limited (the “Bank”). Investment involves risks. Securities, Investment fund and Bonds are investment products. The price of investment products may go up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying or selling investment products. Any past performance figures shown are not indicative of futures performance. Part of the investment may not be able to liquidate immediately under certain market situation. Customers should refer to relevant offering documents for detailed information, including but not limited to Risk Disclosures, prior to any investment subscription. The products described herein may not be suitable for all people. The decisions to invest are made by customers and customers should not invest in investment products unless the intermediary selling them has explained to them that the product is suitable for them having regard to customers’ financial situation, investment experience and investment objectives. Customers should not make any investment decisions based on this document alone. Customers must make their own assessment of the information provided in this document. Customers should carefully consider whether any investment products or services mentioned herein are appropriate for them in view of their financial situations, investment experiences and investment objectives. If customers have any doubt about this material or any relevant offering document, they should consult their own independent advisers on the legal, regulatory, tax, investment and financial implications of the investments (including but not limited to estate duty and withholding tax and other tax obligations which may arise from local or foreign investment) as they deem appropriate to ensure that they understand the nature of the investments in order to consider whether the investments are suitable investments for them.
- Investment Risk in Securities: The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Investment involves risks. Any past performance figures shown are not indicative of futures performance. Part of the investment may not be able to liquidate immediately under certain market situation. Customers must ensure to read and understand the information of Shanghai and Shenzhen Connect A-shares trading of the Bank including relevant details, trading rules, risk, fees, restriction and notices before investing in Shanghai and Shenzhen Connect A-shares trading.
- Investment Risk in investment funds: The prices of investment funds fluctuate, sometimes dramatically. The price of an investment fund may go up or down and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling investment funds. Investment involves risks. Any past performance figures shown are not indicative of futures performance. Part of the

investment may not be able to liquidate immediately under certain market situation. Customers should refer to relevant investment fund offering documents for detailed information, including but not limited to Risk Disclosures, prior to any investment fund subscription. Customers should carefully consider whether any investment products or services mentioned herein are appropriate for them in view of their financial situations, investment experiences and investment objectives. Please refer to explanatory memorandum or relevant materials of the fund for further information. The subscription of investment fund is subjected to prevailing regulatory requirements and restrictions and relevant terms and conditions of the Bank. The Bank acts as a distributor of the funds managed by fund housed and the funds are the product of the third party fund houses. For distribution of funds – in respect of an eligible dispute (as defined in the Terms of Reference for the Financial Dispute Resolution Centre in relation to the Financial Dispute Resolution Scheme) arising between the Bank and the customers out of the selling process or processing of the related transaction, the Bank is required to enter into a Financial Dispute Resolution Scheme process with the customers; however any dispute over the contractual terms of the product should be resolved directly between the third party fund house and the customers.

- Investment Risk in Bonds: Bond investments are not bank deposits and involve risks, including the possible loss of the principal amount invested. Customers should be aware of the risk of exchange rate fluctuations for bonds denominated in non-local currency, which may cause a loss of principal. Unless specified, these investments are not guaranteed by the Bank. The prices of bonds fluctuate, sometimes dramatically. The price of a bond may go up or down and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of subscribing and redeeming bonds. Investment involves risks. Any past performance figures shown are not indicative of future performance, which the Bank does not guarantee the existence of a secondary market for bonds. Part of the investment may not be able to liquidate immediately under certain market situation. Customers should refer to relevant bonds offering documents for detailed information, including but not limited to Risk Disclosures, prior to any bonds subscription.
- RMB is subject to exchange rate risk (only applicable to Individual Customers): RMB is currently not freely convertible. Customers should be aware that they can conduct conversion of RMB at CNH rate through bank accounts, for which it is subject to the requirements specified by the Relevant Authorities from time to time, the requirements specified by the Bank and/ or the RMB position and commercial decisions of the Bank at that moment. RMB Conversion Limitation Risk (only applicable to Corporate Customers): RMB is currently not freely convertible. Corporate Customers should be aware that they can conduct conversion of RMB through bank accounts, for which it is subject to the requirements specified by the Relevant Authorities from time to time, the requirements specified by the Bank and/ or the RMB position and commercial decisions of the Bank at that moment. RMB investments are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuation in the exchange rate of RMB may result in losses in the event that the customer converts RMB into HKD or other foreign currencies. If

the home currency of the customer is different from the Investment product currency or the Investment product's reference currency, changes in currency exchange rates may erode the investment gains or widen the investment losses of the customer.

- The information of this document has not been reviewed by the Securities and Futures Commission of Hong Kong or any regulatory authorities in Hong Kong.

Important Notice / Disclaimer:

- This document is issued and solely owned by the Bank. This document is for general information and reference only and does not constitute any offer, solicitation, invitation, advice or recommendation to subscribe, trade, redeem or sell for any deposits or investments. No representation, guarantee or other assurance as to the outcome of any investment has been made or will be given to you by or on behalf of the Bank.
- This document contains information from third party, which may be incomplete or simplified. Although the information herein contained is obtained or compiled from sources the Bank believes to be reliable, it has not been independently verified. The Bank cannot and does not represent or warrant the accuracy, validity, reliability, timeliness or completeness of any such information (whether in whole or in part), and accepts no liability for any loss or damage howsoever arising from or in reliance upon the whole or any part of such information or opinions (unless due to the negligence or wilful default of the Bank, the Bank's authorised officers, employees or agents). The Bank reserves the right to amend all or any part in this document, which all views, forecasts and estimates constitute judgments made before the publication date, and are subject to change without further notice. This document contains certain statements that may be deemed as forward-looking statements involving risks and uncertainties. Customers should be aware that actual results may differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements due to different factors, risks and economic situation.
- The information herein contained may not be reproduced, quoted, distributed, disclosed or published (whether in whole or in part) in any media for any purpose without prior express written consent from the Bank. The Bank accepts no liability for any loss arising from or in reliance upon such information or contents. This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to the laws or regulations.
- The Bank and its affiliates or subsidiaries, and/or their officers, directors, agents and employees may have positions in and may trade for their own account in all or any of the securities or investments mentioned in this document. Companies within the Bank may have provided investment services or underwritten in relation to these securities. Commission or other fees may be earned by the Bank respect of the services provided by them relating to these securities or investments.

上海商業銀行
SHANGHAI COMMERCIAL BANK
Since 1950

Conflicts of Interest Disclosure:

- The Bank and its affiliates or subsidiaries, and/or their officers, directors, agents and employees may have positions in and may trade for their own account in all or any of the foreign exchange, securities or investments mentioned in this document, or engage in any trading activities or have any financial interests in relation to the subject ETFs. Also, they may have business or other relevant relationships with the subject ETFs and/or the management company of the ETFs. The Bank may have provided investment services or underwritten in relation to these securities. Commission or other fees may be earned by the Bank respect of the services provided by them relating to these securities or investments.