

DAILY POINTS

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Contributors

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Chart 1

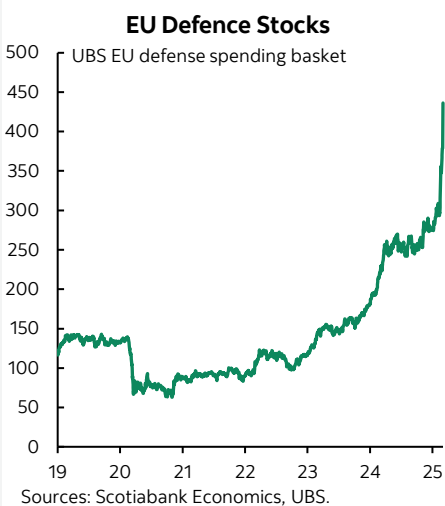
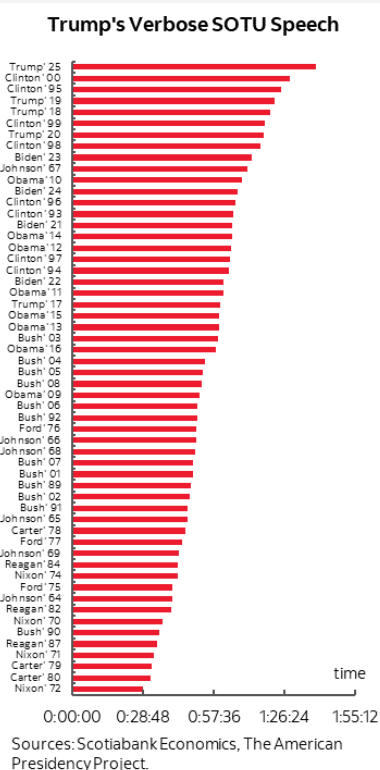


Chart 2



On Deck for Wednesday, March 5

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-05	07:00	MBA Mortgage Applications (w/w)	Feb 28	--	--	-1.2
US	03-05	08:15	ADP Employment Report (000s m/m)	Feb	160	140.0	183.0
CA	03-05	08:30	Productivity (q/q a.r.)	4Q	0.7	0.7	-0.4
US	03-05	10:00	Factory Orders (m/m)	Jan	2.0	1.7	-0.9
US	03-05	10:00	ISM Non-Manufacturing Composite	Feb	53.2	52.5	52.8

KEY POINTS:

- Global markets react to German spending surge, possible 'Trump put'
- Trudeau, Trump to talk potential compromise this morning...
- ...after Lutnick hinted at a de-escalation...
- ...demonstrating that retaliation and the stock market response may have worked
- The good and the dicey about Germany's three-point plan to spend more
- Trump's verbose not-SOTU speech offered nothing materially new
- US macro data on tap: ISM-services, ADP

The 'Trump Put' and German defence spending are the two major drivers of global market developments this morning. Stocks are richer across major exchanges led by Europe with gains of 2–3½% (less in London) after mild overnight gains across Asia-Pacific markets and with N.A. futures up by up to ½%. EGB yields are up sharply by double digits across the curves and with gilts rising by a little less. The dollar is broadly weaker and N.A. sovereign yields are broadly lower.

GERMAN DEFENCE SPENDING DRIVES EQUITIES HIGHER, SLAMS BONDS

Germany's announcement arrived in three tape bombs yesterday after European markets had shut and so we're seeing most of the market reaction now. First, Germany pledged to establish a €500 billion (about US\$535B, C\$770B) special fund for defence and infrastructure. Second, newly elected Chancellor Merz said that defence spending over 1% of GDP would be excluded from the constitutional debt brake. Recall that this 'brake' establishes a cap on the structural budget deficit of 0.35% of GDP with the exception of emergencies. There was also talk during the announcements of further changes to the debt brake by the end of this year that could open the door to even more spending. And this morning we have Germany urging the EU to relax fiscal rules for everyone in order to generate much higher defense spending.

The 3½% jump by the DAX is leading global equity advances. Gains are uneven within the composite, but not just confined to a further surge by defence stocks (chart 1) as higher infrastructure spending and generally stimulative fiscal policy are perceived to drive quicker growth. Those are the positives. Among the concerns are the risks to the bond market and especially by way of the loose pledge to increase spending by even more and abandon the brake, uncertainty toward the possible escalation of war in Europe, plus knowledge of history in terms of what happens whenever Europe spends a lot on defence. Markets are only pricing the good outcomes for risk appetite at this point.

THE TRUMP 'PUT' MAY BE IN MOTION

The second major driver of global markets is speculation that a Trump Put' is indeed a phenomenon. US Commerce Secretary Lutnick's interview on Fox yesterday afternoon sounded like an off-ramp from high tariffs only hours after imposing them. You can watch it [here](#) if you wish. Cutting through all the unsavoury parts revealed that a phone call would happen between Canadian PM Trudeau and Trump this morning in order to

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possibly advance a compromise deal. I would still be cautious. There is nothing on PM Trudeau's daily itinerary and so I'm unsure of what to expect—if anything—by way of announcements today, whether formal ones or—more likely—social media posts.

TRUMP'S SOTU SPEECH OFFERED NOTHING

As for Trump's not-SOTU-but-it-is-SOTU speech last evening, it was rambling, broke the all-time record for length by clocking in at one hour, thirty-nine minutes and 32 seconds (chart 2), was spoken in off-the-cuff fashion, and of course made no effort to bridge American divisions by instead choosing to drive deeper ones. The Democrats sucked lemons through the whole delivery while the GOP members of the house hooted and hollered. Nothing new was said by way of policy options which is consistent with SOTU speeches in general. These speeches merely lay out general goals.

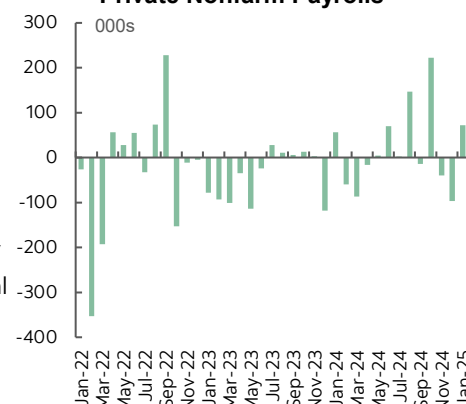
US MACRO DATA ON TAP

Last, there is significant US data on tap including ISM-services (10amET) and ADP private payrolls (8:15amET). Both are 'noisy' data series but fwiw ADP is expected to post a modest rise while ISM is expected by consensus to be little changed. ADP matters not one iota to nonfarm that is a different beast, but often triggers a market response. The employment component of ISM-services also typically offers very little useful information to payrolls.

Other more minor releases will include Canadian Q4 labour productivity figures (8:30amET) that—gasp—might actually rise in the wake of a strong Q4 GDP report, plus US factory orders (10amET).

Chart 3

Spread Between Private ADP and Private Nonfarm Payrolls



Sources: Scotiabank Economics, ADP, BLS.

Fixed Income	Government Yield Curves (%):												Central Banks	
	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate	
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
U.S.	3.94	3.99	4.07	4.01	4.05	4.08	4.23	4.25	4.26	4.54	4.54	4.51	Canada - BoC	3.00
CANADA	2.51	2.56	2.65	2.59	2.63	2.70	2.90	2.94	2.98	3.15	3.18	3.18	US - Fed	4.50
GERMANY	2.17	2.04	2.07	2.38	2.19	2.20	2.72	2.50	2.43	3.05	2.84	2.70		
JAPAN	0.84	0.84	0.80	1.08	1.07	1.02	1.45	1.43	1.37	2.42	2.38	2.33	England - BoE	4.50
U.K.	4.25	4.18	4.18	4.32	4.22	4.18	4.65	4.53	4.50	5.23	5.13	5.09		
Spreads vs. U.S. (bps):														
CANADA	-142	-143	-142	-142	-142	-139	-133	-131	-128	-139	-136	-133	Euro zone - ECB	2.90
GERMANY	-177	-196	-200	-163	-186	-189	-151	-175	-182	-149	-170	-181	Japan - BoJ	0.50
JAPAN	-310	-316	-327	-293	-298	-306	-278	-282	-289	-212	-216	-218		
U.K.	31	19	10	31	17	10	42	29	24	70	59	58		
Equities	Level						% change:						Mexico - Banxico	9.50
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	24572	-429.6			-1.7	-2.5	-3.9	14.2	Australia - RBA	4.10				
Dow 30	42521	-670.3			-1.6	-2.5	-5.2	10.2	New Zealand - RBNZ	3.75				
S&P 500	5778	-71.6			-1.2	-3.0	-4.7	13.8						
Nasdaq	18285	-65.0			-0.4	-3.9	-7.1	14.7	Next Meeting Date					
DAX	23078	751.4			3.4	1.2	6.9	30.4	Canada - BoC	Mar 12, 2025				
FTSE	8797	37.8			0.4	0.7	2.0	15.0	US - Fed	Mar 19, 2025				
Nikkei	37418	87.1			0.2	-1.9	-3.6	-6.7						
Hang Seng	23594	652.4			2.8	-0.8	14.6	46.0	England - BoE	Mar 20, 2025				
CAC	8210	162.3			2.0	0.8	4.0	3.5	Euro zone - ECB	Mar 06, 2025				
Commodities	Level						% change:						Japan - BoJ	Mar 19, 2025
WTI Crude	67.15	-1.11			-1.6	-2.1	-5.5	-14.1	New Zealand - RBNZ	Apr 08, 2025				
Natural Gas	4.31	-0.04			-0.9	10.4	28.3	120.3						
Gold	2919.13	1.24			0.0	0.1	30.9	37.2						
Silver	31.91	0.38			1.2	-0.7	1.0	38.1						
CRB Index	301.24	0.96			0.3	-1.7	-2.2	9.2						
Currencies	Level						% change:							
USDCAD	1.4397	0.0002			0.0	0.4	0.6	5.9	Mexico - Banxico	Mar 27, 2025				
EURUSD	1.0698	0.0072			0.7	2.0	2.8	-1.5	Australia - RBA	Mar 31, 2025				
USDJPY	149.26	-0.5300			-0.4	0.1	-2.2	-0.5						
AUDUSD	0.6286	0.0014			0.2	-0.3	0.0	-3.3	New Zealand - RBNZ	Apr 08, 2025				
GBPUSD	1.2838	0.0043			0.3	1.3	2.7	1.0						
USDCHF	0.8884	-0.0010			-0.1	-0.7	-1.5	0.6						

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