

### DAILY POINTS

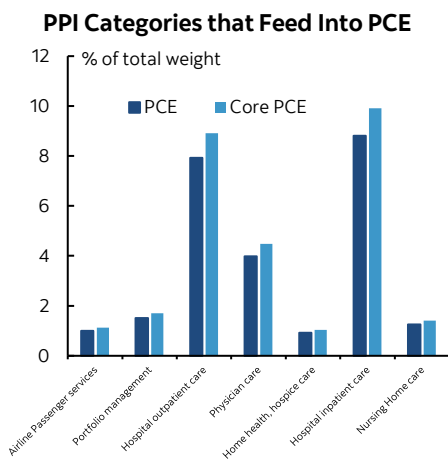
March 13, 2025 @ 7:20 EST

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Chart 1



Sources: Scotiabank Economics, BEA, BLS.

#### On Deck for Thursday, March 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03-13	08:30	Building Permits (m/m)	Jan	--	-5.0	11.0
US	03-13	08:30	Initial Jobless Claims (000s)	Mar 01	230	225.0	221.0
US	03-13	08:30	Continuing Claims (000s)	Feb 22	1905	1888.0	1897.0
US	03-13	08:30	PPI (m/m)	Feb	0.2	0.3	0.4
US	03-13	08:30	PPI ex. Food & Energy (m/m)	Feb	0.3	0.3	0.3

#### KEY POINTS:

- **Cautious market tone ahead of US trade and fiscal tensions**
- **Trump pledged to escalate trade war with Europe**
- **Will sparks fly as Canada and US advance tariff talks today?**
- **Why Australia and the UK are not retaliating against US metals tariffs**
- **Higher odds of a US government shutdown**
- **US PPI to further inform PCE expectations**
- **US weekly jobless claims**
- **Peru's central bank: cut or hold?**

A cautious tone characterizes movements across broad asset classes so far this morning. Sovereign bonds have a slight cheapening bias across the US and Europe. Equities range from soft US futures to slight gains on average across Europe after Asian equities slipped.

In the aftermath of yesterday's BoC communications, markets have reduced pricing for the April meeting to about 10bps of a cut which should be zero at this point in my opinion. Following US CPI, markets have reduced pricing for the May meeting to less than 10bps of a cut which, based upon present information, also remains high.

#### Canadian—US Tariff Talks

One concern continues to be ongoing trade tensions ahead of possible developments today. Trump said he would retaliate against Europe's retaliation against Trump's steel and aluminum tariffs in a twisted, childish, ruinous and entirely illogical game. Ontario Premier Ford, Canadian FinMin LeBlanc and US Commerce Secretary Lutnick will meet in Washington today to hold tariff talks. Lutnick has scheduled media interviews this morning. LeBlanc said yesterday there is no discussion of a trade deal per se. Some of these personalities are cool as cucumbers; let's just say some are not so calm and circumspect. Bah, I'm sure it'll be fine....

#### Higher Risk of a US Government Shutdown

A second concern may be the risk of a US government shutdown but more importantly what it says about applying more heat on the GOP to get their act together on a broad budget bill on a shorter time line than they desire. Again. Senate Democratic Leader Schumer said last night that the Dems would not support a bill to avert a shutdown on Saturday. A supermajority is needed in the Senate and so several Dems are needed to pass the bill. The Dems want a shorter funding bill than the GOP's desire to pass a resolution funding the government until September as the GOP seeks more time to sort out internal disagreement that has thwarted plans to pass a budget reconciliation bill that would include tax cuts and spending cuts. This kind of dysfunction is why the US lost its AAA fourteen years ago. Speculators at [this](https://thissite.com) site assign just over 50% odds of a shutdown.

#### US Dry-as-Dust PPI to Inform PCE Expectations

US producer prices are a dry-as-dust release to most folks other than inflation nutters (8:30amET). I've loosely estimated a rise of 0.2% m/m for total prices and 0.3% for core

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prices excluding food and energy. Select components will feed into PCE expectations and so we'll use what we see alongside yesterday's CPI to firm up a call for PCE. Chart 1 shows the PCE weights on those relevant PPI components. Being the readings for February we might see early glimpses of the effects of tariffs on market prices for things like lumber and metals, but most of that lies ahead. None of the PPI categories that are portable to PCE would be affected though, at least not directly and not yet.

### Will US Jobless Claims Start Showing Government Layoffs?

Also keep monitoring US weekly initial jobless claims for signs of a pick up amid government job layoffs (8:30amET). So far that isn't really happening, which either speaks to a) lagging effects as folks are being gradually let go and perhaps taking some time with packages to file, or b) they're being reabsorbed elsewhere into the workforce.

### Peru's Central Bank Expected to Cut

Peru's central bank is expected to hold its reference rate at 4.75% with cut risk. Our Peruvian economists expect a cut.

### More About False US Dairy Claims Against Canada

I should have also included chart 2 in the section of yesterday morning's [note](#) that addressed the false claims about Canadian dairy tariffs that Trump has been making. This one graphically shows the point about how the US dairy industry isn't anywhere close to the export thresholds at which Canada—like the US—begins to apply tariffs as per the CUSMA/USMCA trade agreement Trump put his signature on. The biggest problem facing US dairy producers appears to be a lack of export prowess, but it's easier to blame Canada.

### Why Australia and the UK Are Not Retaliating Against US Tariffs

Canada retaliated. The EU retaliated. Mexico threatened retaliation but held off as it addressed its real border issues. So how come Australia and the UK did not retaliate against US metal tariffs and threats of other tariffs? Is it because they have fundamentally different views on the merits of retaliation? No, I think it's because of incomparable circumstances.

A trivial share of Australian exports go to the US (chart 3). The UK is well down the list as well, and certainly compared to NAFTA partners. Their metals trade is an even tinier fraction of their exports to the US. There is no comparison to what Canada and Mexico have at stake which requires different tactics. Bring autos and other key categories into the picture and maybe this changes.

And Australia has proven itself to be no wimp when it comes to trade and diplomatic tensions; ask China, which is a vastly more important trade partner to Australia than the US. Australia hasn't hesitated to use aggressive tools in response to aggression applied against its interests, it's just that the US is a rounding error in its trade and hence not much worth the struggles.

Neither Australia nor the UK are dealing with a US President who is calling their Prime Ministers 'Governors' or their countries the 51<sup>st</sup> state or insulting everything about their countries. Neither of those countries are dealing with US threats about the border and annexation.

Also recall that the UK wishes to have a free trade deal with the US, nine years after Brexit! Should Starmer retaliate, the chances of advancing those talks would be thwarted. The UK also continues to seek US support for Ukraine against the US administration's lack of commitment and so it is pursuing calmer diplomatic relations.

Canada is right to retaliate in my view. I've argued that in 2018 when it worked. I've consistently argued that today. Given what is at stake, you cannot roll over and play dead in the face of ruinous US tariffs. You cannot afford to be bullied into a bad trade agreement that Canada could be stuck with for years if not decades. Canada has to play the long game as it did back in 2018, accepting shorter-run uncertainty while applying supports. Canada has to make it clear there are costs to US supply chains, US industries, the US economy, US prices and US jobs into mid terms if the US administration continues to choose to impose illegal tariffs that violate the trade agreement Trump signed.

Chart 2

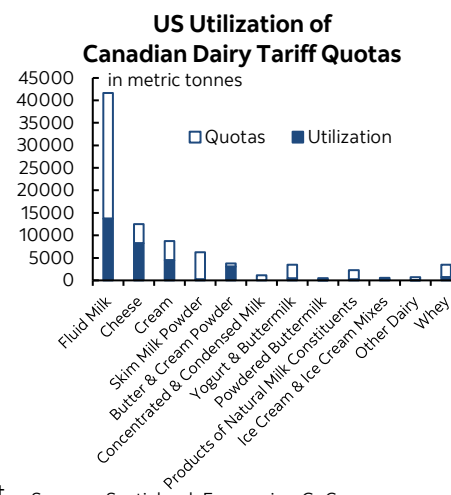
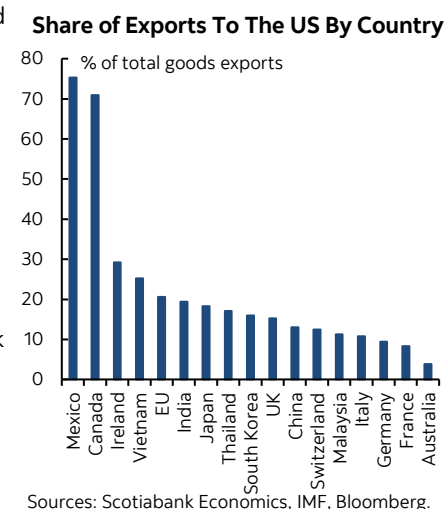


Chart 3



Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K.  CANADA GERMANY JAPAN U.K.	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		
	4.00	3.99	3.96	4.09	4.07	4.06	4.34	4.31	4.28	4.66	4.63	4.58	Canada - BoC	2.75
	2.61	2.58	2.64	2.74	2.71	2.72	3.10	3.07	3.07	3.35	3.32	3.30	US - Fed	4.50
	2.23	2.23	2.25	2.54	2.52	2.52	2.91	2.88	2.83	3.20	3.17	3.08		
	0.86	0.85	0.86	1.16	1.13	1.14	1.55	1.52	1.54	2.60	2.59	2.52	England - BoE	4.50
	4.25	4.23	4.22	4.37	4.34	4.31	4.75	4.72	4.66	5.35	5.33	5.22		
	Spreads vs. U.S. (bps):													
	-139	-140	-133	-135	-136	-133	-124	-124	-121	-131	-131	-128	Euro zone - ECB	2.65
	-177	-176	-171	-155	-155	-153	-143	-144	-145	-145	-147	-150	Japan - BoJ	0.50
-314	-314	-310	-293	-294	-291	-279	-279	-274	-206	-204	-206			
25	24	26	27	27	26	41	41	38	69	69	64			
Equities	Level						% change:						Mexico - Banxico	
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	24423	175.1					0.7	-1.8	-5.0	11.2		Australia - RBA	4.10	
Dow 30	41351	-82.6					-0.2	-3.8	-7.5	5.9				
S&P 500	5599	27.2					0.5	-4.2	-8.4	8.4		New Zealand - RBNZ	3.75	
Nasdaq	17648	212.4					1.2	-4.9	-11.5	9.1				
DAX	22639	-37.1					-0.2	-3.3	0.1	26.0				
FTSE	8560	18.8					0.2	-1.4	-2.3	10.1				
Nikkei	36790	-29.1					-0.1	-2.4	-6.8	-4.9		Canada - BoC	Apr 16, 2025	
Hang Seng	23463	-137.7					-0.6	-3.7	7.6	37.4				
CAC	8004	15.4					0.2	-2.4	-2.0	-1.6		US - Fed	Mar 19, 2025	
Commodities	Level						% change:							
WTI Crude	67.44	-0.24					-0.4	1.6	-5.4	-15.4		England - BoE	Mar 20, 2025	
Natural Gas	4.10	0.01					0.3	-4.7	13.0	147.2				
Gold	2945.13	10.36					0.4	1.1	32.1	35.4		Euro zone - ECB	Apr 17, 2025	
Silver	33.03	0.48					1.5	2.4	4.0	35.5				
CRB Index	303.77	0.82					0.3	0.8	-3.0	8.1		Japan - BoJ	Mar 19, 2025	
Currencies	Level						% change:							
USDCAD	1.4381	0.0011					0.1	0.6	1.3	6.8		Mexico - Banxico	Mar 27, 2025	
EURUSD	1.0863	-0.0025					-0.2	0.7	3.8	-0.8				
USDJPY	148.02	-0.2300					-0.2	0.0	-3.1	0.2		Australia - RBA	Mar 31, 2025	
AUDUSD	0.6284	-0.0037					-0.6	-0.8	-0.5	-5.1				
GBPUSD	1.2946	-0.0017					-0.1	0.5	3.0	1.2		New Zealand - RBNZ	Apr 08, 2025	
USDCHF	0.8825	0.0006					0.1	-0.2	-2.3	0.4				

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