

### DAILY POINTS

March 26, 2025 @ 8:00 EST

#### Contributors

##### Derek Holt

VP & Head of Capital Markets Economics  
Scotiabank Economics  
416.863.7707  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

Chart 1

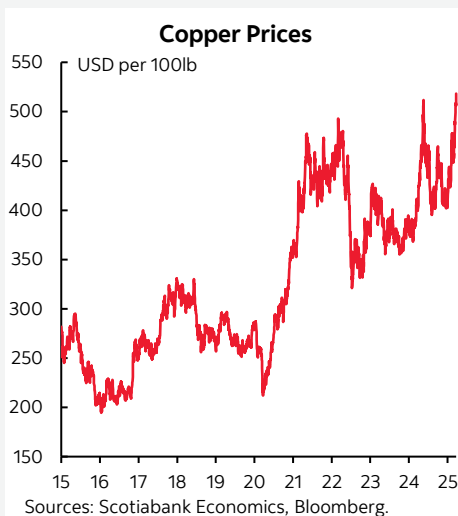


Chart 2



#### On Deck for Wednesday, March 26

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03/26	07:00	MBA Mortgage Applications (w/w)	Mar 21	--	--	-2.0
US	03/26	08:30	Durable Goods Orders (m/m)	Feb P	-1.0	-1.0	3.2
US	03/26	08:30	Durable Goods Orders ex. Trans. (m/m)	Feb P	0.1	0.2	0.0
US	03/26	10:00	Fed's Kashkari Hosts Fed Listens, conversation				
US	03/26	13:10	Fed's Musalem Speaks on Economy, Monetary Policy				
CA	03/26	13:30	Bank of Canada Releases Summary of Deliberations				

#### KEY POINTS:

- Mildly defensive market tone reacts to expedited tariff signals
- US copper tariffs will only hurt American consumers...
- ...while clearly designed to benefit Arizona that may attract retaliatory moves
- UK core inflation slightly beats, driving UK yields and sterling lower
- UK mini-budget on tap; spending cuts to make way for defence increases
- Aussie budget offers more stimulus, rates and A\$ move to sterilize
- It may be too soon for US durables to show weakness
- BoC's 'deliberations' unlikely to offer new information

Risk appetite isn't being helped by further US tariff developments. Otherwise, the UK is the main focus this morning alongside limited US macro data and whatever random policy remarks hit.

Stocks are volatile but at present flat in N.A. futures and with a negative bias across most of Europe. US Treasury yields are underperforming European curves especially gilts in the wake of UK CPI. The dollar is mixed with antipodean crosses and CAD among leading gainers as sterling and MXN lead depreciating crosses. CAD and CLP are gaining on the copper tariff developments as a market signal that tariffs will mean more FX demand for the currencies as prices get passed through.

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#### COPPER GAINING ON US TARIFF DEVELOPMENTS

What's a day without another tariff threat. This time it's about an expedited move to impose a 25% tariff on copper imports into the US that could be implemented within weeks and hence on a much shorter timeline than previously understood.

US copper prices are up by almost 30% since the start of the year. Chart 1 shows US copper prices on the COMEX exchange and chart 2 shows London prices. The alleged reason for the tariffs is—you guessed it—national security. The twisted logic is that copper is a strategic metal and the US is relying too much on foreign imports, therefore tax them. Right, makes perfect sense... Expect pass through into US building and other costs including electronic components, and substitution effects toward other options where possible like any home being built that

Chart 3

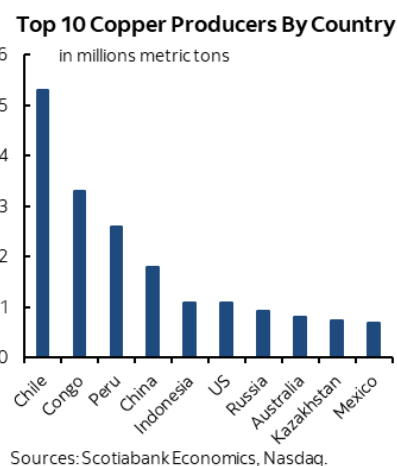
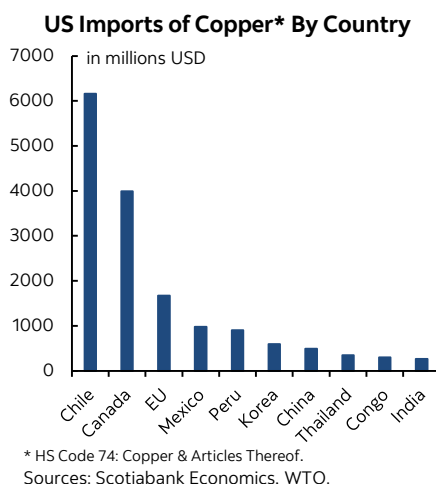


Chart 4



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doesn't already use alternatives to copper piping shifting away from copper.

Who will it impact? Chile is the world's number 1 copper exporter by far followed by Peru and then the numbers drop off sharply with other mentionables including Indonesia, Australia, Mexico, Brazil and Canada (chart 3). However, the ranking differs for US copper imports by country with Chile followed by Canada (chart 4). Hence the FX responses.

[This](#) Reuters piece from a few weeks ago is worth a review if interested in further viewpoints on the topic. It notes that the US produces over half of the refined copper it consumes and imports the rest. Most of the domestic production is in Arizona—a red state.

Development of a large copper mine in Arizona was an election issue ([here](#)). Higher prices would benefit the project and that's likely what this is all about in terms of the politics. That state's other products and exports are likely to be vulnerable in tit-for-tat retaliatory tariff strikes. The products Arizona exports include the aerospace industry and electronics.

### UK CORE CPI SOFTENS, DRIVES YIELDS LOWER

UK core CPI was up by 0.4% m/m NSA in February which is slightly less than the historical average for like months (0.5%). Chart 5. That was enough to drive the year-over-year rate down two-tenths to 3.5% and a tick below consensus. Headline inflation was also softer than expected in m/m terms (0.4%, 0.5% consensus) and y/y (2.8%, 3% consensus). A caveat is that services inflation remains warm (chart 6).

The result initially drove the 2-year gilt yield down by 9bps before paring some of that to -6bps now. A few extra basis points were added to May BoE cut expectations that now sits at about 75% odds. This is one of two CPI reports before the May 8<sup>th</sup> decision.

### UK MINI-BUDGET ON TAP

A short time from now, we'll get the Spring statement (not a full Budget) from Chancellor of the Exchequer Rachel Reeves. The focus is expected to be upon spending cuts given weak growth and surging borrowing costs since the Autumn statement. Welfare spending is expected to be cut alongside foreign aid, while defence spending is increased. The Office for Budget Responsibility (OBR) is expected to slash growth projections.

### AUSTRALIAN MARKETS IMPACTED BY BUDGET

The A\$ is appreciating and the Aussie rates curve is cheaper by 4–7bps across maturities. A more stimulative than expected Australian budget with tax cuts offered as a pre-election teaser is the main driver. Otherwise, CPI came in a tick softer than expected in February (2.4% y/y). Chart 7.

### LIKELY TOO SOON TO EXPECT US DURABLES TO WEAKEN

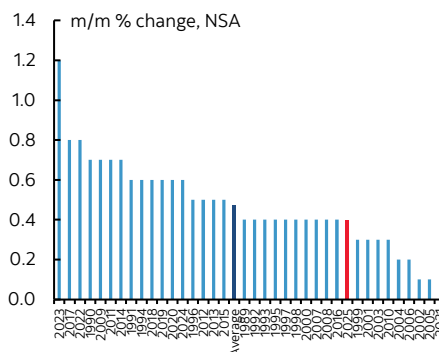
US durable goods orders (8:30amET) are expected to decline on transportation sector orders, but key will be core orders (ex-defence and air). It may be too soon to expect weakness in February's numbers in response to the massive spike in policy-induced uncertainty particularly on trade. It took some time before the lagging effects on cap-ex order books started to drag orders lower in 2019 before the pandemic struck and after the prior trade tensions. Then again, the stakes are higher, broader, and potentially more damaging this time and so maybe the effects on order books will be more compressed. Another distinction now versus previously is that the US economy is in excess demand now, versus slack from much of Trump 1.0., and therefore the cyclical need to invest could mitigate the uncertainty factor.

### BOC'S DELIBERATIONS UNLIKELY TO BE IMPACTFUL

I don't expect anything material or new out of the BoC's not-minutes Summary of Deliberations to the process leading up to the March 12th decision (1:30pmET). Governor Macklem has spoken frequently.

Chart 5

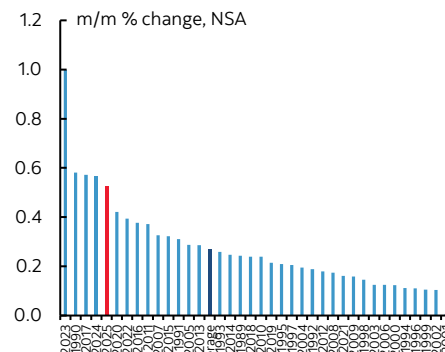
#### Comparing UK Core CPI for All Months of February



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 6

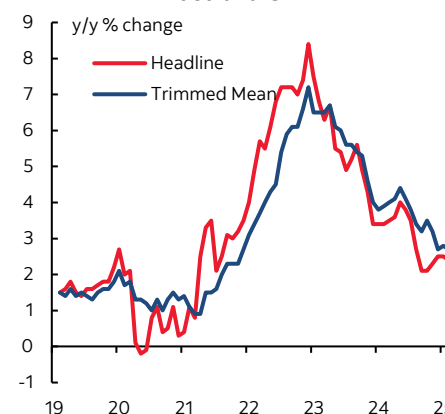
#### Comparing UK Services CPI for All Months of February



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 7

#### Australia CPI



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Fixed Income	Government Yield Curves (%):												Central Banks		
U.S. CANADA GERMANY JAPAN U.K.  CANADA GERMANY JAPAN U.K.  Equities	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			
	4.01	4.02	3.97	4.09	4.07	4.02	4.34	4.31	4.24	4.69	4.66	4.55	Canada - BoC	2.75	
	2.58	2.58	2.51	2.75	2.73	2.66	3.11	3.08	3.00	3.34	3.31	3.24			
	2.12	2.14	2.20	2.42	2.43	2.47	2.80	2.80	2.80	3.15	3.13	3.09	US - Fed	4.50	
	0.89	0.88	0.84	1.19	1.18	1.12	1.59	1.58	1.52	2.62	2.61	2.60			
	4.24	4.30	4.21	4.34	4.39	4.29	4.73	4.75	4.63	5.35	5.37	5.21	England - BoE	4.50	
	Spreads vs. U.S. (bps):														
	-143	-144	-146	-134	-134	-136	-124	-124	-124	-135	-135	-131	Euro zone - ECB	2.65	
	-189	-188	-178	-167	-164	-156	-155	-152	-144	-155	-153	-146			
-312	-313	-314	-290	-289	-291	-276	-273	-273	-208	-205	-195	Japan - BoJ	0.50		
23	28	23	25	32	27	38	44	39	66	71	66				
Equities	Level						% change:						Mexico - Banxico	9.50	
	Last	Change					1 Day	1-wk	1-mo	1-yr					
S&P/TSX	25340	35.4					0.1	2.6	0.0	15.6	Australia - RBA				4.10
Dow 30	42588	4.2					0.0	2.4	-1.9	8.4	New Zealand - RBNZ				3.75
S&P 500	5777	9.1					0.2	2.9	-3.0	11.0					
Nasdaq	18272	83.3					0.5	4.4	-4.2	12.0					
DAX	22993	-116.6					-0.5	-1.3	0.9	25.1	Next Meeting Date				
FTSE	8682	18.4					0.2	-0.3	-0.6	9.5					
Nikkei	38027	246.8					0.7	0.5	-0.6	-6.7	Canada - BoC				Apr 16, 2025
Hang Seng	23483	139.1					0.6	-5.2	-1.0	43.3	US - Fed				May 07, 2025
CAC	8060	-48.8					-0.6	-1.4	-1.0	-1.5					
Commodities	Level						% change:								
WTI Crude	69.61	0.61					0.9	3.6	1.4	-14.7	England - BoE				May 08, 2025
Natural Gas	3.85	0.01					0.3	-9.3	-1.4	144.4	Euro zone - ECB				Apr 17, 2025
Gold	3028.46	8.37					0.3	-0.6	35.8	39.0	Japan - BoJ				May 01, 2025
Silver	33.44	0.35					1.1	-1.9	4.0	35.6					
CRB Index	306.51	0.13					0.0	0.8	0.4	6.5					
Currencies	Level						% change:								
USDCAD	1.4253	-0.0026					-0.2	-0.5	-0.6	4.9	Mexico - Banxico				Mar 27, 2025
EURUSD	1.0790	-0.0001					-0.0	-1.0	2.9	-0.4	Australia - RBA				Mar 31, 2025
USDJPY	150.23	0.3200					0.2	1.0	0.8	-0.9	New Zealand - RBNZ				Apr 08, 2025
AUDUSD	0.6320	0.0017					0.3	-0.6	0.2	-3.3					
GBPUSD	1.2893	-0.0051					-0.4	-0.8	1.7	2.1					
USDCHF	0.8839	0.0014					0.2	0.7	-1.2	-2.2					

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