

### DAILY POINTS

June 24, 2025 @ 7:35 EST

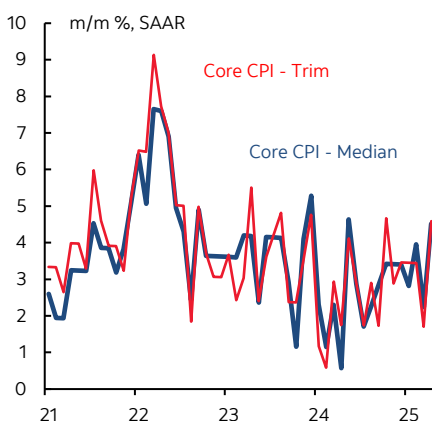
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Chart 1

#### BoC's Preferred Core Measures



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

Canadian Core CPI Measures		
Month	Weighted Median	Trimmed Mean
Jan-2024	2.3	1.2
Feb-2024	1.1	0.6
Mar-2024	2.3	2.9
Apr-2024	0.6	1.7
May-2024	4.6	4.1
Jun-2024	2.9	2.9
Jul-2024	1.7	1.7
Aug-2024	2.3	2.9
Sep-2024	2.8	1.7
Oct-2024	3.4	4.7
Nov-2024	3.4	2.9
Dec-2024	3.4	3.5
Jan-2025	2.8	3.4
Feb-2025	4.0	3.4
Mar-2025	2.2	1.7
Apr-2025	4.5	4.6

Sources: Scotiabank Economics, Statistics Canada.

#### On Deck for Tuesday, June 24

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06-24	08:30	Core CPI - Median (y/y)	May	--	3.0	3.2
CA	06-24	08:30	Core CPI - Trim (y/y)	May	--	3.0	3.1
CA	06-24	08:30	CPI, All items (m/m)	May	0.4	0.5	-0.1
CA	06-24	08:30	CPI, All items (y/y)	May	1.6	1.7	1.7
CA	06-24	08:30	CPI, All items (index)	May	--	164.2	163.4
US	06-24	08:30	Current Account (US\$ bn)	1Q	--	-445.5	-303.9
CA	06-24	08:30	Core CPI - Common (y/y)	May	--	--	2.5
CA	06-24	08:30	CPI SA, All items (m/m)	May	--	--	-0.2
US	06-24	09:00	S&P/Case-Shiller Home Price Index (m/m)	Apr	0.2	0.0	-0.1
US	06-24	09:00	S&P/Case-Shiller Home Price Index (y/y)	Apr	4.0	3.9	4.1
US	06-24	09:15	Fed's Hammack Speaks on Monetary Policy				
US	06-24	10:00	Consumer Confidence Index	Jun	99.0	99.8	98.0
US	06-24	10:00	Richmond Fed Manufacturing Index	Jun	--	-10.0	-9.0
US	06-24	10:00	Fed's Powell to Deliver Semiannual Policy Testimony				
US	06-24	12:30	Fed's Williams Gives Keynote Remarks				
US	06-24	13:45	Fed's Kashkari Participates in Town Hall Event				
US	06-24	14:00	Fed's Collins Speaks on State of Nation's Housing				
US	06-24	16:00	Fed's Barr Gives Welcoming Remarks				
US	06-24	20:15	Fed's Schmid Speaks on the Economic Outlook				

#### KEY POINTS:

- **Stocks up, dollar down as risk-on driven by two developments**
- **Israel-Iran ceasefire stirs market hope, may be failing already**
- **Three issues Chair Powell's testimony may address**
- **Hinging a July Fed cut on one more inflation report is unwise...**
- **...as three proponents must have their motives questioned**
- **Canadian CPI: one of two that Macklem placed high emphasis upon...**
- **...with the focus on the preferred core measures**

Stocks are broadly higher and the dollar is broadly softer this morning as risk-on sentiment may have two main catalysts. One is last evening's Iran-Israel cease fire announced by Trump, confirmed by both countries, and now up in the air again (see below). Two is positioning into Chair Powell's testimony and how he handles dissenters on his Board. Canadian markets will focus on the CPI update.

#### IRAN CEASEFIRE VIOLATED ALREADY?

A ceasefire would be good if true and if the goal of containing Iran's nuclear program has truly been achieved. Unfortunately, that's in question, while Israel is already accusing Iran of having violated the agreement by firing missiles at Israel that has pledged to retaliate.

I've lost count of Middle East ceasefires that failed. I've also lost count of Trump's failed pledges, like he's going to end the war in Ukraine. Gaza too. Then Iran, while pledging no more forever wars. Trump 'obliterated everything' except they don't actually know where 'everything' is and it doesn't seem like anything was truly obliterated. In short, I'll believe it all when I see it as trust is the commodity in shortest supply on all sides. Iran's foreign minister isn't doing the tour of the west's enemies for nothing. For all we know, just as Trump boasted about moving B2 decoys and his fake two-week notice, Iran's performative missile attack on a US base in Qatar and its ceasefire pledge may have been designed to create a false sense of security.

#### FED CHAIR POWELL'S TESTIMONY—ADDRESSING CUT TIMING, DIVISIONS

Chair Powell's testimony before the House Financial Services Committee could be key for three reasons (10amET).

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June 24, 2025

First, will he revise his thinking on cut timing by making July a 'live' meeting? I think that would do more damage than good because it would make the Chair look like he is bending the knee to Trump's criticisms and catering to the recently dissenting voices on the Board. Nothing material has arisen in the past week that would justify a change of tone by the Chair. He may repeat last week's communications that emphasized policy is in a good place to evaluate further evidence with the tone suggesting this would take place over several months. He did not indicate last week that July would be a potentially 'live' meeting but watch for any reference during written testimony or the ensuing grilling to how a cut could be appropriate 'somewhat soon' or 'soon' depending on data.

Second, he may weigh address the issue of dissenting colleagues. Two of his Governors (Waller, Bowman) are open to a July cut if the next inflation report merits doing so. Ditto for Kevin Hassett, Director of the National Economic Council in the administration. All three may have impure motives with sights set on becoming the next Fed Chair while seeking to curry favour with Trump. Maybe we've only heard this view from the two on the Committee who are in the -75bps dots for this year and hence a tail minority with 7 saying no cut this year, 2 in the -25bps camp, 8 in the -50bps camp and 2 in the -75bps camp. I suspect Powell will shrug, say they have a right to their opinions, but that the overall Committee felt strongly that policy was in a good place and they could take their time to assess conditions affecting the dual mandate. To signal July is 'live' and to cut could bring forward market pricing for a series of cuts that the FOMC may not be comfortable with inviting at this point. Ultimately, the best course of action may be for the other FOMC voices to speak up more aggressively with their views.

But to hinge a cut in July on one more inflation report is not credible in my view:

- First, we've seen plenty of soft patches over several months in recent years, only to see inflation jump again.
- Second, I'd repeat a lack of trust for ytd US inflation data. SA factors are biased. 30% of the basket has been guessed at by the BLS for two months in a row which is double the pandemic peak.
- Third, it's far too soon to evaluate tariffs and broader forces. Inventory stockpiling at pre-tariff prices, absorbing initial effects in profit margins, lagging effects through supply chain contracts, and expectations for trade deals that could drive businesses to look through tariff blips are all among the considerations for why tariff effects on prices may be delayed but still ahead.
- Fourth, it's an open question whether tariffs are merely a one-off price level adjustment or the spark for another round of inflationary pressures. The US economy is in excess aggregate demand with a positive output gap, inflation expectations are above target, and supply chains are being roiled by trade wars with no clear de-escalation in sight.
- Fifth, the dual mandate also includes the job market and hiring is resilient to date. What I find odd about some disinflationary voices is that they are also of the view that the US economy will continue to grow strongly throughout the trade wars.

The third issue on Powell's plate is to also watch for any further guidance on capital plans ahead of tomorrow's Fed Board open meeting on potential changes to the Supplementary Leverage Ratio and enhanced Supplementary Leverage Ratio for GSIBs.

See my weekly for a further preview of this week's Fed developments.

### CANADIAN INFLATION—ONE OF TWO REPORTS THAT MAY MATTER

Canadian CPI for May is expected to rise by several tenths in m/m NSA fashion, but key will be the BoC's preferred core measures (8:30amET). I wouldn't be surprised to see volatility drive a softer reading after the 4 ½% m/m SAAR increases in trimmed mean and weighted median CPI the prior month, but this month brings added complications. It's one of two CPI reports before the next BoC decision plus other data on jobs and GDP and the 30-day deadline for a possible Canada-US agreement on trade and security. Canada has been in a prolonged state of high core inflation readings dating back over the past year with no signs that the BoC has contained inflationary pressures to date, let alone addressed forward looking risks. See chart 1 and 2 for evidence. See my CPI preview in the Global Week Ahead for more detail on the estimates and implications.

### OTHER STUFF

US consumer confidence in June (10amET) and repeat sale home prices in April (9amET) are also on tap along with the Richmond Fed's manufacturing index (10amET). Confidence is the most likely factor to be impactful but could be quickly swept aside by Powell's testimony.

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.	3.83	3.86	3.95	3.88	3.91	3.99	4.33	4.35	4.39	4.87	4.88	4.89	Canada - BoC	2.75
CANADA	2.61	2.61	2.70	2.86	2.87	2.96	3.28	3.28	3.37	3.59	3.58	3.67	US - Fed	4.50
GERMANY	1.85	1.84	1.87	2.14	2.11	2.14	2.55	2.51	2.54	3.04	2.96	2.99	England - BoE	4.25
JAPAN	0.74	0.74	0.76	0.97	0.97	1.02	1.42	1.42	1.47	2.93	2.93	2.93		
U.K.	3.86	3.89	3.92	3.99	4.01	4.05	4.49	4.49	4.55	5.23	5.21	5.28		
	Spreads vs. U.S. (bps):													
CANADA	-122	-125	-125	-102	-105	-103	-105	-107	-102	-129	-130	-123	Euro zone - ECB	2.15
GERMANY	-198	-203	-209	-174	-180	-185	-177	-184	-186	-184	-192	-191	Japan - BoJ	0.50
JAPAN	-309	-312	-319	-291	-295	-297	-290	-293	-293	-194	-195	-196		
U.K.	3	2	-3	10	9	6	17	14	16	35	34	39	Mexico - Banxico	8.50
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	26609			111.8			0.4	0.2	2.8	21.8			Australia - RBA	3.85
Dow 30	42582			375.0			0.9	0.9	2.4	8.0			New Zealand - RBNZ	3.25
S&P 500	6025			57.3			1.0	0.8	3.8	10.6				
Nasdaq	19631			183.6			0.9	1.2	4.8	12.2				
DAX	23675			405.9			1.7	1.0	0.2	29.2				
FTSE	8782			24.1			0.3	-0.6	0.7	6.0				
Nikkei	38791			436.5			1.1	0.7	4.4	-0.0			Canada - BoC	Jul 30, 2025
Hang Seng	24177			487.9			2.1	0.8	2.4	34.1			US - Fed	Jul 30, 2025
CAC	7621			83.4			1.1	-0.8	-1.5	-1.1				
Commodities	Level						% change:							
WTI Crude	66.66			-1.85			-2.7	-7.1	8.3	-18.3			England - BoE	Aug 07, 2025
Natural Gas	3.66			-0.04			-1.0	-2.3	9.8	30.2			Euro zone - ECB	Jul 24, 2025
Gold	3324.04			-44.44			-1.3	-0.9	49.1	42.4			Japan - BoJ	Jul 31, 2025
Silver	36.13			0.00			0.0	-0.7	9.2	18.7				
CRB Index	305.05			-7.48			-2.4	-1.6	2.8	3.5				
Currencies	Level						% change:							
USDCAD	1.3715			-0.0019			-0.1	0.3	-0.2	0.4			Mexico - Banxico	Jun 26, 2025
EURUSD	1.1609			0.0031			0.3	1.1	1.9	8.2				
USDJPY	144.93			-1.2200			-0.8	-0.2	1.5	-9.2			Australia - RBA	Jul 08, 2025
AUDUSD	0.6511			0.0051			0.8	0.6	0.4	-2.2			New Zealand - RBNZ	Jul 08, 2025
GBPUSD	1.3621			0.0097			0.7	1.4	0.4	7.4				
USDCHF	0.8091			-0.0036			-0.4	-0.9	-1.5	-9.4				

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