

### DAILY POINTS

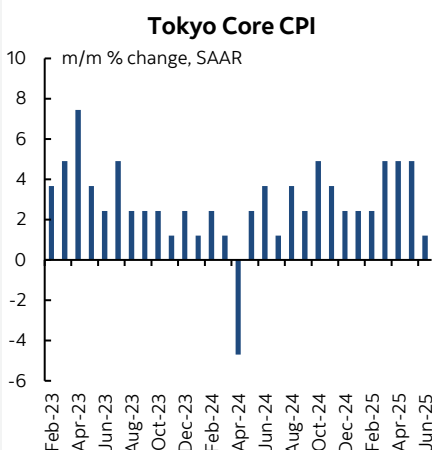
June 27, 2025 @ 7:25 EST

#### Contributors

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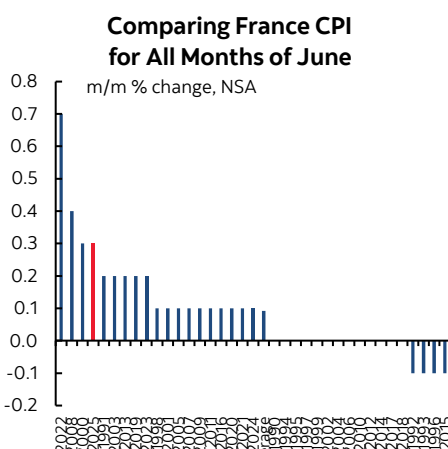
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Chart 1



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

Chart 2



Sources: Scotiabank Economics, INSEE National Statistics Office of France.

#### On Deck for Friday, June 27

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06-27	07:30	Fed's Williams Serves as Session Chair				
CA	06-27	08:30	Real GDP (m/m)	Apr	0.0	0.0	0.1
US	06-27	08:30	PCE Deflator (m/m)	May	0.0	0.1	0.1
US	06-27	08:30	PCE Deflator (y/y)	May	2.2	2.3	2.1
US	06-27	08:30	PCE ex. Food & Energy (m/m)	May	0.0	0.1	0.1
US	06-27	08:30	PCE ex. Food & Energy (y/y)	May	2.4	2.6	2.5
US	06-27	08:30	Personal Spending (m/m)	May	0.3	0.1	0.2
US	06-27	08:30	Personal Income (m/m)	May	0.2	0.3	0.8
US	06-27	09:15	Fed's Hammack, Cook Participate in Fed Listens				
US	06-27	10:00	U. of Michigan Consumer Sentiment	Jun F	--	60.5	60.5

#### KEY POINTS:

- **Markets ending the week with a deluge of global data**
- **Eurozone inflation tracking is off to a rocky start**
- **Japanese inflation ebbed**
- **Canada's economy is probably tracking softly in Q2**
- **Ho hum, another soft US core PCE report beckons...**
- **...with the usual counters about why it doesn't matter**
- **BanRep expected to hold with cut risk**
- **Canada's Bill C-5 passed. Now the work begins as higher deficits & taxes loom large**

Sovereign bonds have a slight cheapening bias into the N.A. open, equities are largely bid by between 1/4% on the S&P and significantly more for most European benchmarks but Toronto is flat. Currencies are mixed versus the dollar. Significant US and Canadian data follows on the heels of firmer than expected hints at Eurozone inflation while Japanese inflation went the other way. All of this is heading into a quieter holiday-driven calendar in N.A. next week as month-end, nonfarm payrolls, the ECB's Sintra forum, the push to pass the 'big, beautiful bill' in the US senate and national holidays in Canada and the US.

#### JAPANESE MARKETS IGNORED INFLATION

Japanese inflation ebbed more than expected in June. The Tokyo CPI measure was up by 3.1% y/y (3.4% prior, 3.3% consensus) and the measure excluding food and energy was up 3.1% y/y (3.3% prior and consensus). In month-ago, seasonally adjusted terms, core Tokyo CPI was the weakest since last summer (chart 1). The yen and JGBs shook it off.

#### FRENCH INFLATION DRIVES CHEAPER EGBS

Eurozone inflation readings are off to a rocky start as France and Spain released ahead of next week's readings from Germany and Italy and the Eurozone tally.

- France reported CPI up 0.4% m/m NSA, doubling consensus, but still leaving inflation at just 0.8% y/y (0.6% prior, 0.7% consensus). Given it's seasonally unadjusted data, we need to compare this June to other months of June to see how much of a stand-out this was and that's done in chart 2. When those figures landed they drove an immediate 2–3bps jump in the 2-year French yield that carried other EGBs with it.
- Spain recorded CPI up 0.6% m/m, matching consensus, and up 2.2% y/y from 2.0% prior but also matching consensus. Core CPI was unchanged at 2.2% as expected.

#### CANADA'S ECONOMY IS PROBABLY TRACKING SOFTLY IN Q2

Canada updates GDP figures for April and May this morning that will provide a better sense of how the economy is tracking in Q2 (8:30amET). April was previously guided by

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Statcan to be up by 0.1% m/m SA. I went with 0%. Since their initial estimate on May 30<sup>th</sup>, the data flow has been softer than guided which points to more downside than upside risk. There is more likelihood of a negative print than a higher reading. May's weather this year may have also dampened seasonal categories.

May GDP is uncertain, but several advance readings point to another soft month. Hours worked were flat, the prior surge in housing starts levelled off and limited other readings like the retail sales flash were soft. How all of these readings translate into value-added GDP concepts is unclear, but a simple regression tends to work reasonably well and suggests softness in both months.

What's missing from these readings are the ingredients for quarterly expenditure-based GDP like trade and inventory effects that are likely to reverse some of the prior quarter's contributions. Chart 3 offers tracking before we get these readings.

### US CORE INFLATION—THE FUN LIES AHEAD, NOT TODAY

The US will release the monthly batch of readings on the state of the consumer and the Fed's preferred inflation gauges for May (8:30amET).

Core PCE inflation is expected to be soft again. Consensus is overwhelmingly at 0.1% m/m SA with a few at 0.2% and a couple of us at 0.0%. Core CPI was up by only 0.1% m/m as one ingredient and offers at best a loose guide (chart 4), but then I think the combination of weighting differences on the categories compared to how they are captured in PCE plus the contribution from PPI components that get captured in PCE may combine to just barely drive core PCE to be flat.

I'm sure you'll hear the usual cats saying there is no inflation in the US and no tariff effect. The same counters hold. It's premature to judge tariff pass through as we need months and months of data stretching into Fall in order to assess early effects. The data quality is poor with 30% of the basket being guessed at and wonky SA factors. We've seen plenty of soft patches in the past and should know better by now than to overreact to them given the tendency to subsequently zoom higher.

US income growth is expected to outpace consumption growth again in May, but by a narrower margin this time. If that happens, then the saving rate may continue to edge higher and possibly hit 5% as precautionary saving rises. I went a little higher than consensus on consumption growth based on the gain in the retail sales control group.

### THE REAL WORK BEGINS IN CANADA AFTER A PIECE OF PAPER PASSES

Bill C-5 has passed in Canada ([here](#)). It's the bill to fast-track major projects that the government deems to be in the national interest to obtain quicker approvals. It's a welcome effort to reduce bureaucracy that too often stops initiatives in their tracks, but it's merely a first step. Now we need to know what those projects are, whether they are truly sensible or not, how they are funded, how deep opposition from interest groups will extend as a barrier to success, how broadly the benefits may apply outside of the directly impacted interests etc. Piece of cake. Much bigger deficits and bond issuance and higher taxes are likely to arise to pay for lofty public spending ambitions as the government remains committed to an extra >\$1 trillion of spending on defence and very loosely related infrastructure over the next decade compared to the current run rate on defence spending. Asset sales are at best a drop in the bucket that do nothing to counter the risk of explosive structural deficits.

### BANREP TO HOLD WITH CUT RISK

Colombia's central bank is expected to hold its overnight rate at 9.25% with a minority including our economics in Colombia expecting a cut (2pmET).

Chart 3

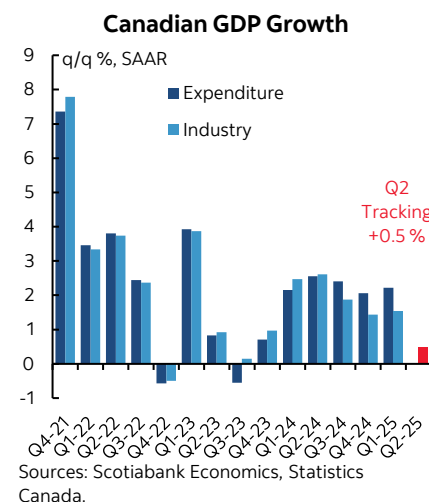
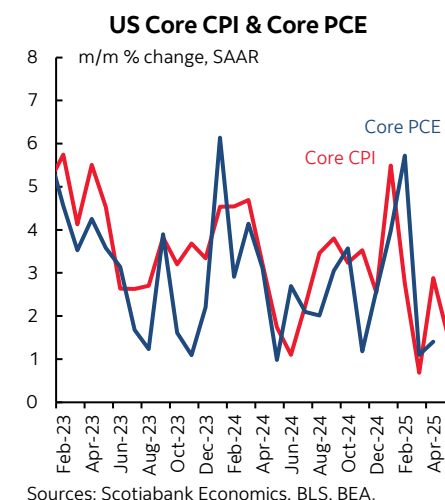


Chart 4



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.	3.75	3.72	3.91	3.82	3.80	3.96	4.27	4.24	4.38	4.82	4.80	4.89	Canada - BoC	2.75
CANADA	2.64	2.63	2.64	2.90	2.88	2.89	3.35	3.34	3.33	3.64	3.62	3.59	US - Fed	4.50
GERMANY	1.85	1.83	1.85	2.15	2.13	2.12	2.58	2.57	2.52	3.07	3.07	2.97	England - BoE	4.25
JAPAN	0.75	0.74	0.73	0.99	0.97	0.95	1.44	1.42	1.40	2.91	2.91	2.91	Euro zone - ECB	2.15
U.K.	3.84	3.83	3.92	3.97	3.95	4.04	4.50	4.47	4.54	5.27	5.25	5.27	Japan - BoJ	0.50
Spreads vs. U.S. (bps):														
CANADA	-110	-109	-127	-92	-91	-107	-91	-90	-105	-118	-118	-130	Mexico - Banxico	8.00
GERMANY	-189	-190	-206	-168	-166	-184	-169	-167	-186	-175	-173	-192	Australia - RBA	3.85
JAPAN	-299	-298	-318	-284	-282	-301	-283	-282	-298	-190	-189	-198	New Zealand - RBNZ	3.25
U.K.	9	11	1	14	15	8	23	23	16	45	45	38	Next Meeting Date	
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	26752			185.6			0.7	0.9	1.8	21.9				
Dow 30	43387			404.4			0.9	2.9	2.5	10.8				
S&P 500	6141			48.9			0.8	2.7	3.7	12.0				
Nasdaq	20168			194.4			1.0	3.2	5.0	12.9				
DAX	23797			147.3			0.6	1.9	-1.8	30.7				
FTSE	8790			54.8			0.6	0.2	0.1	7.5				
Nikkei	40151			566.2			1.4	4.6	6.4	2.1			Canada - BoC	Jul 30, 2025
Hang Seng	24284			-41.3			-0.2	3.2	3.9	37.1			US - Fed	Jul 30, 2025
CAC	7657			100.1			1.3	0.9	-2.2	1.7			England - BoE	Aug 07, 2025
Commodities	Level						% change:							
WTI Crude	65.47			0.23			0.4	-12.6	7.5	-19.9			Euro zone - ECB	Jul 24, 2025
Natural Gas	3.61			0.09			2.5	-6.1	6.3	34.6			Japan - BoJ	Jul 31, 2025
Gold	3282.94			-44.98			-1.4	-0.9	47.2	41.0			Mexico - Banxico	Aug 07, 2025
Silver	36.59			0.83			2.3	0.8	10.6	26.9			Australia - RBA	Jul 08, 2025
CRB Index	298.22			1.60			0.5	-5.1	1.2	2.4			New Zealand - RBNZ	Jul 08, 2025
Currencies	Level						% change:							
USDCAD	1.3656			0.0012			0.1	-0.6	-1.1	-0.3				
EURUSD	1.1716			0.0015			0.1	1.7	3.4	9.5				
USDJPY	144.54			0.1200			0.1	-1.1	0.1	-10.1				
AUDUSD	0.6534			-0.0012			-0.2	1.3	1.4	-1.7				
GBPUSD	1.3728			0.0000			0.0	2.1	1.6	8.6				
USDCHE	0.7982			-0.0020			-0.2	-2.4	-3.5	-11.2				

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