

DAILY POINTS

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Contributors

Derek Holt

VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1

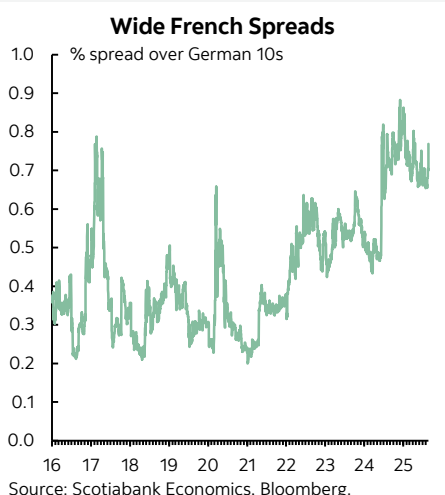
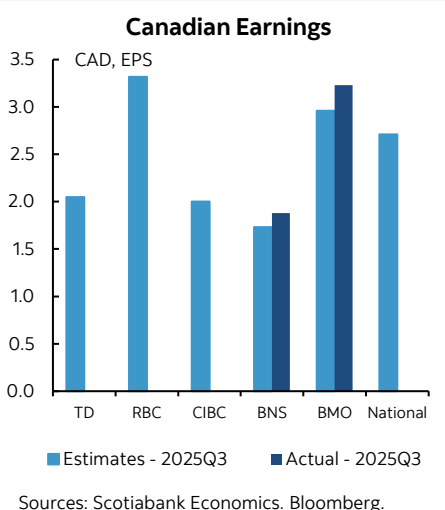


Chart 2



On Deck for Tuesday, August 26

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-26	08:30	Durable Goods Orders (m/m)	Jul P	-5.0	-3.8	-9.4
US	08-26	08:30	Durable Goods Orders ex. Trans. (m/m)	Jul P	0.2	0.2	0.2
US	08-26	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jun	-0.2	-0.2	-0.3
US	08-26	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jun	2.0	2.1	2.8
US	08-26	10:00	Consumer Confidence Index	Aug	96.8	96.5	97.2
US	08-26	10:00	Richmond Fed Manufacturing Index	Aug	--	-11.0	-20.0
CA	08-26	14:25	BoC's Macklem Speech				

KEY POINTS:

- Risk-off sentiment is being driven by political developments
- Trump's firing of Governor Cook has nothing to do with mortgage law
- Trump is escalating tariff threats since Powell increased moral hazard
- CAC40 continues to underperform on French government stability concerns
- Gilts underperforming on concerns over budget imbalances
- Canada's Q3 bank earnings season is off to a roaring start
- BoC's Macklem to speak on flexible inflation targeting
- US data: confidence, durables, house prices, Richmond

Risk off sentiment is marked by slight weakness in N.A. equity futures and slightly larger declines in European cash markets following losses across most Asian exchanges. Catalysts may include Trump's additional tariff threats related to countries with digital service taxes last evening after escalating pharma tariff warnings and furniture tariff threats, Trump's move to fire Fed Governor Cook, and perhaps market concerns about the French government's viability into a confidence vote on budget measures (chart 1). The CAC40 is falling by 1½% this morning and French 10s are once again underperforming bunds. Gilts are underperforming sovereign bond rallies elsewhere as uncertainty rises over potential measures to rein in fiscal imbalances ahead of Chancellor Reeves' autumn budget likely by late October. The dollar is depreciating against most of the majors. An otherwise light overnight session for calendar-based risk is giving way to several US releases, a speech by BoC Governor Macklem and the start of the Q3 Canadian bank earnings season.

FED UNDER ATTACK

Trump's announced firing of Fed Governor Cook sets in motion a legal spat as both sides dig in. Next steps are unclear including whether she succeeds in filing an injunction and how legal actions subsequently unfold. One would be naïve beyond belief in thinking this is about enforcing mortgage law. The goal is for Trump to wind up stacking the Fed with 5 out of 7 Board spots. It is Democrats that are being targeted with mortgage charges with others including Adam Schiff and Letitia James. It is Bill Pulte—the homebuilder in charge of the FHFA housing finance regulator and Trump's pitbull—who is leading the charge. Controlling the Fed and dirty, vindictive, partisan politics are the motives.

CANADA'S BANK EARNINGS SEASON OFF TO A ROARING START

The Q3 Canadian bank earnings season got off to a good start this morning against analyst expectations that seasonally unadjusted earnings would be lower than the same period a year ago. BNS beat with adjusted EPS of C\$1.88 (consensus \$1.73) and revenues also beat expectations. BMO also beat with adjusted EPS of C\$1.88 (consensus \$1.73). Very good to see as a riding tide lifts all boats and particularly in the case of my employer. So far so good with the rest on tap over the remainder of the weak (chart 2).

BOC'S MACKLEM TO RELEASE SPEECH

Macklem's speech will be a text only affair, with no presser and no Q&A (2:45pmET). The topic is 'flexible inflation targeting in a more shock-prone world.' It could just be to fete Banxico on its 100th anniversary. It could harken back to when Carney was BoC Governor and Macklem was his SDG and they worked the target range more openly. There is the risk of policy related remarks, but I doubt it. Macklem tends to speak in riddles even more than most central bankers and his forward guidance isn't terribly useful even when he isn't afraid of publishing a forecast.

US DATA RELEASES

Several US data releases are due out this morning.

US durable goods orders probably fell in July (8:30amET), given what we know about volatile aircraft orders that have been see-sawing and that fell sharply in July. Boeing reportedly has an order backlog of 11.5 years; order all you want, but production constraints get in the way of how fast they show up in the shipments and GDP figures. Nevertheless, key will be orders ex-defence and air as a proxy for equipment spending. They have been volatile but down in three out of six months this year including a 0.8% drop in June. Smoothing through the noise shows a sideways trend this year after a spurt of equipment orders late last year into very early this year (chart 3). The pattern going forward is among the litmus tests for c-suite confidence.

US consumer confidence is also on tap and expected to slip a touch in August's reading (10amET). Consensus expectations rarely mean much for this reading, but it's more labour market related than UofM sentiment and so potentially more vulnerable to the sudden softening of the job market. For pre-nonfarm job market signals, watch the 'jobs plentiful' gauge that has been on a downward trend since its early 2022 peak. That comes with the caveat that it has residual seasonality in recent years (chart 4). It starts high at the beginning of the year and then wanes even in SA terms in a steady pattern from 2022–25. It's one of many examples of how seasonality got messed up by the pandemic and the aftermath.

Repeat sale home prices in June (9amET) and the Richmond Fed's manufacturing index in August (10amET) will round it all out.

Chart 3

US Core Capital Goods Orders

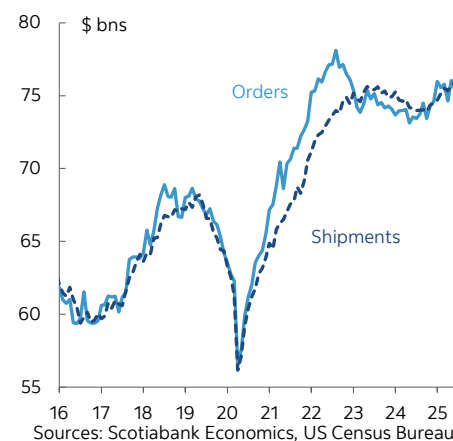
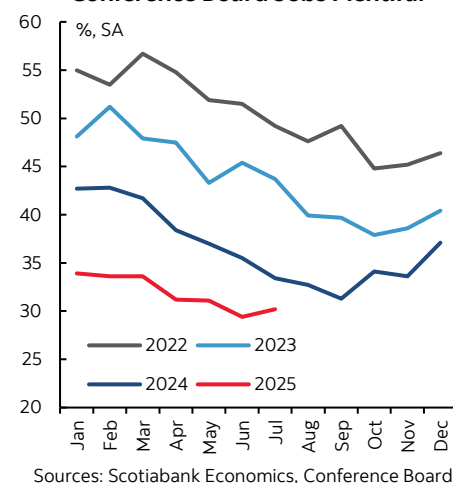


Chart 4

Conference Board Jobs Plentiful



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.	3.70	3.72	3.75	3.78	3.79	3.82	4.29	4.28	4.31	4.93	4.89	4.91	Canada - BoC	2.75
CANADA	2.71	2.72	2.70	2.98	2.98	2.97	3.48	3.47	3.44	3.89	3.87	3.86	US - Fed	4.50
GERMANY	1.95	1.98	1.96	2.29	2.32	2.31	2.74	2.76	2.75	3.33	3.33	3.32	England - BoE	4.00
JAPAN	0.88	0.88	0.85	1.17	1.16	1.15	1.63	1.62	1.60	3.22	3.22	3.15		
U.K.	3.97	3.94	3.98	4.13	4.10	4.14	4.74	4.69	4.74	5.61	5.55	5.60		
	Spreads vs. U.S. (bps):													
CANADA	-99	-101	-105	-80	-81	-86	-81	-81	-86	-103	-102	-105	Euro zone - ECB	2.15
GERMANY	-175	-175	-179	-149	-147	-152	-155	-152	-156	-159	-156	-159	Japan - BoJ	0.50
JAPAN	-283	-285	-290	-262	-262	-268	-266	-265	-271	-171	-168	-176		
U.K.	26	22	23	35	31	31	45	42	43	68	66	69	Mexico - Banxico	7.75
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	28170			-163.2			-0.6	0.9	2.5	20.6			Australia - RBA	3.60
Dow 30	45282			-349.3			-0.8	0.8	0.8	9.8			New Zealand - RBNZ	3.00
S&P 500	6439			-27.6			-0.4	-0.2	0.8	14.6				
Nasdaq	21449			-47.3			-0.2	-0.8	1.6	21.0				
DAX	24193			-79.9			-0.3	-0.9	-0.1	30.0				
FTSE	9274			-46.9			-0.5	1.3	1.7	11.4				
Nikkei	42394			-413.4			-1.0	-2.6	2.3	11.2			Canada - BoC	Sep 17, 2025
Hang Seng	25525			-305.0			-1.2	1.6	0.5	43.4			US - Fed	Sep 17, 2025
CAC	7729			-114.1			-1.5	-3.1	-1.3	1.8				
Commodities	Level						% change:							
WTI Crude	63.67			-1.13			-1.7	2.1	-2.3	-17.8			England - BoE	Sep 18, 2025
Natural Gas	2.71			0.01			0.5	-2.0	-12.9	38.5			Euro zone - ECB	Sep 11, 2025
Gold	3377.24			11.36			0.3	1.9	1.2	34.1			Japan - BoJ	Sep 19, 2025
Silver	38.01			0.44			1.2	0.7	-2.1	28.5				
CRB Index	301.71			1.71			0.6	1.9	-0.2	7.0				
Currencies	Level						% change:							
USDCAD	1.3846			-0.0014			-0.1	-0.2	0.8	2.7			Mexico - Banxico	Sep 25, 2025
EURUSD	1.1647			0.0029			0.2	0.0	0.5	4.4			Australia - RBA	Sep 30, 2025
USDJPY	147.54			-0.2600			-0.2	-0.1	-0.7	2.1			New Zealand - RBNZ	Oct 07, 2025
AUDUSD	0.6489			0.0007			0.1	0.5	-0.5	-4.2				
GBPUSD	1.3484			0.0029			0.2	-0.1	1.0	2.2				
USDCHF	0.8051			-0.0009			-0.1	-0.3	0.2	-5.0				

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