

DAILY POINTS

September 2, 2025 @ 7:00 EST

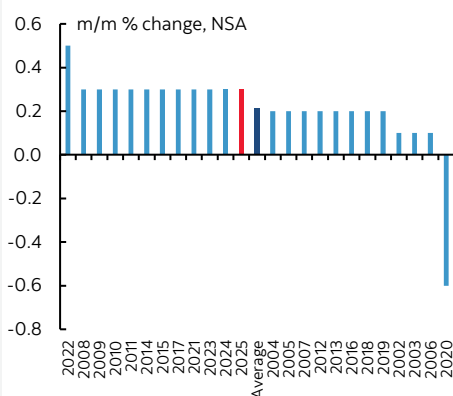
Contributors

Derek Holt

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

Chart 1

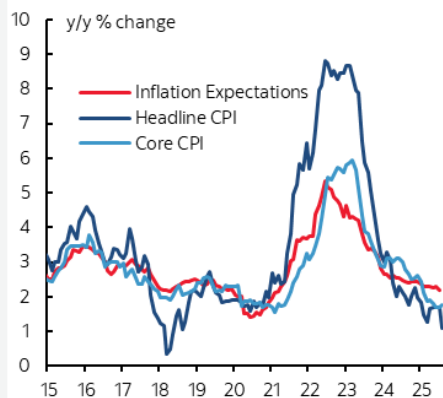
Comparing Eurozone Core CPI for All Months of August



Sources: Scotiabank Economics, Eurostat.

Chart 2

Peru's Inflation & Inflation Expectations



Sources: Scotiabank Economics, Central Bank of Peru.

On Deck for Tuesday, September 2

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-02	10:00	Construction Spending (m/m)	Jul	0.1	-0.1	-0.4
US	09-02	10:00	ISM Manufacturing Index	Aug	49.0	49.0	48.0

KEY POINTS:

- **Risk-off sentiment as September volatility arrives**
- **How the late Friday tariff ruling could be impacting stocks and bonds**
- **Eurozone CPI surprises a touch higher**
- **SK, Peruvian inflation surprise lower**
- **US ISM-manufacturing on tap**
- **Global Week Ahead—Will Nonfarm Support Powell's Pivot? (reminder [here](#))**

Markets are wasting no time reminding us that September can be a rough month for risk appetite. Stocks are broadly lower with US futures down $\frac{3}{4}\%$ to 1%, TSX futures slightly lower, and European cash markets mostly lower by over 1% in Germany. Sovereign bond yields are broadly higher and led by the US longer-end. The dollar is broadly stronger.

THE TARIFF RULING'S COMPLICATED AFTERMATH

There are few fresh catalysts. Some of this may be spillover from the late-Friday US court ruling against the April 2nd 'Liberation Day' reciprocal and fentanyl tariffs. Uncertainty surrounding next steps increased by contrast to those who argued that even though tariffs are foolish, set rates gave something to plan around. The Supreme Court will likely have to weigh in at some point over coming months. The federal court ruled against them but kept them in place and pushed the issue back to a lower court. One uncertainty is whether striking them down only applies to the parties in the lawsuit or more broadly. Trump could shift tools and tactics; only IEEPA tariffs were struck down in the suite of options shown in the table on the next page. The absence of tariff revenues is a plus for the US and world economies but could end the diversion of revenues from American businesses and consumers to government; hence higher yields.

Apprehension ahead of the week's US data particularly Friday's nonfarm payrolls may be another consideration. Who knows, maybe the anti-democracy gathering of Putin, Xi Jinping and Modi over the weekend isn't helping the mood either.

MIXED INFLATION READINGS

Overnight releases were very light.

- Eurozone CPI landed at 0.2% m/m (0.1% consensus) and core inflation held at 2.3% y/y (2.2% consensus). Core m/m was among the stronger historical readings (chart 1). Most of the information was digested as individual countries released late last week.
- South Korean CPI was softer than expected (-0.1% m/m NSA, +0.2% consensus). Core inflation fell to 1.3% y/y (1.7% consensus, 2.0% prior).
- Peru's inflation also landed softer than expected (-0.3% m/m NSA, +0.2% consensus) as the y/y rate fell to 1.1% (1.7% prior) for its softest reading since 2018. Chart 2.

US MANUFACTURING SECTOR IN FOCUS

The main focus into the N.A. session will be US data and namely the ISM-manufacturing reading and is forecast to improve a touch (10amET). Watch supply chain measures, price pressures and industry anecdotes, but Thursday's ISM-services matters much more to the broad economy. Construction spending in July is also due out (10amET).

Review of Trump's Tariff Toolkit				
Tools the US President can use to Impose Tariffs without Congress Approval				
Tool	Requirements	Timeline before tariffs can be imposed	Comments	Trump Tariffs 1.0 (2018 - 2019)
Section 232 (Trade Expansion Act of 1962)	President finds a threat to national security; Dept. of Commerce has to conduct an investigation	270 days to issue the finding; President then has 90 days to determine the import adjustment	Commerce department investigates whether a product is being imported in the US that threatens to impair national security	25% Tariff on imported steel & 10% Tariff on imported aluminum (March 2018)
Section 201 (Trades Act of 1974)	USITC does an investigation and must submit a finding	120 - 150 days to submit a finding before tariffs can be implemented		Tariffs on washing machine imports for 3 years & solar cell and module imports for 4 years as a result of Section 201 Investigation (January 2018)
Section 301 (Trades Act of 1974)	USTR investigates unfair foreign practices; can cover a wide range of products	Likely months: Remediation actions reviewed every 4 years		25% Tariffs on up to \$60B of imports from China (March 2018). 10% Tariffs on up to \$200B worth of good from China (September 2018). Later increased to 25%. 10% Tariffs on approx. \$300B worth of additional Chinese goods (August 2019)
Section 338 (Trade Act of 1930)	Allows the President to impose new or additional tariffs of up to 50% from countries that have discriminated against US products; can also be applied to third countries that benefit from the conduct	Quick - via executive order	Can be challenged via the WTO though this is unlikely to be a strong deterrent to using it	
Section 122 (Trades Act of 1974)	President has right to address large and serious balance of payments deficits via import surcharges of up to 15% and import quotas	Can be done quickly but for maximum of 150 days, so it's a temporary measure; Congress can extend it	Actions taken must apply evenly to every country	
International Emergency Economic Powers Act (IEEPA)	Grants the President the authority to regulate international commerce after declaring a national emergency in response to any unusual and extraordinary threat to the national security, foreign policy, or economy of the US.	Soon after an emergency is declared		

Sources: Scotiabank Economics, Oxford Economics, Tax Foundation.

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. 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		
	3.65	3.62	3.68	3.75	3.70	3.74	4.29	4.23	4.26	4.98	4.93	4.92	Canada - BoC	2.75
	2.68	2.64	2.70	2.95	2.88	2.96	3.47	3.37	3.46	3.92	3.82	3.88	US - Fed	4.50
	1.98	1.96	1.94	2.31	2.28	2.27	2.79	2.75	2.72	3.41	3.36	3.32	England - BoE	4.00
	0.87	0.89	0.88	1.16	1.17	1.17	1.62	1.63	1.63	3.23	3.20	3.22		
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):													
	-97	-98	-98	-80	-82	-79	-82	-86	-80	-106	-111	-104	Euro zone - ECB	2.15
	-168	-166	-174	-143	-142	-148	-150	-148	-154	-157	-157	-160	Japan - BoJ	0.50
	-278	-273	-280	-259	-252	-258	-267	-260	-263	-175	-173	-171		
Equities	Level						% change:						Mexico - Banxico	7.75
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	28564	129.7			0.5	0.8	5.7	22.4					Australia - RBA	3.60
Dow 30	45545	-92.0			-0.2	-0.2	4.5	9.6					New Zealand - RBNZ	3.00
S&P 500	6460	-41.6			-0.6	-0.1	3.6	14.4						
Nasdaq	21456	-249.6			-1.2	-0.2	3.9	21.1						
DAX	23692	-345.5			-1.4	-1.9	1.1	25.1						
FTSE	9153	-43.0			-0.5	-1.2	0.9	9.4						
Nikkei	42310	121.7			0.3	-0.2	3.7	9.3					Canada - BoC	Sep 17, 2025
Hang Seng	25497	-120.9			-0.5	-0.1	4.0	44.1					US - Fed	Sep 17, 2025
CAC	7694	-13.5			-0.2	-0.2	2.0	0.6					England - BoE	Sep 18, 2025
Commodities	Level						% change:							
WTI Crude	65.91	1.90			3.0	1.7	-2.1	-10.4					Euro zone - ECB	Sep 11, 2025
Natural Gas	2.97	-0.03			-1.0	10.0	-3.8	39.4					Japan - BoJ	Sep 19, 2025
Gold	3484.62	8.55			0.2	2.7	3.6	39.4						
Silver	40.58	1.78			4.6	6.8	11.2	37.7						
CRB Index	302.35	0.60			0.2	0.8	2.4	9.1						
Currencies	Level						% change:							
USDCAD	1.3774	0.0023			0.2	-0.5	-0.0	2.1					Mexico - Banxico	Sep 25, 2025
EURUSD	1.1631	-0.0080			-0.7	-0.1	0.5	5.0					Australia - RBA	Sep 30, 2025
USDJPY	148.65	1.4700			1.0	0.8	1.1	1.2					New Zealand - RBNZ	Oct 07, 2025
AUDUSD	0.6510	-0.0042			-0.6	0.2	0.7	-4.1						
GBPUSD	1.3371	-0.0174			-1.3	-0.8	0.6	1.7						
USDCHF	0.8048	0.0043			0.5	0.2	-0.4	-5.5						

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