

DAILY POINTS

September 17, 2025 @ 7:10 EST

Contributors

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On Deck for Wednesday, September 17

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-17	07:00	MBA Mortgage Applications (w/w)	12-Sep	--	--	9.2
CA	09-17	08:30	International Securities Transactions (C\$ bn)	Jul	--	--	0.7
US	09-17	08:30	Building Permits (000s a.r.)	Aug P	--	1370.0	1362.0
US	09-17	08:30	Housing Starts (000s a.r.)	Aug	1400	1365.0	1428.0
US	09-17	08:30	Housing Starts (m/m)	Aug	-2.0	-4.4	5.2
CA	09-17	09:45	BoC Interest Rate Announcement (%)	Sep 17	2.50	2.50	2.75
CA	09-17	10:30	BoC Press Conference				
US	09-17	14:00	FOMC Interest Rate Meeting (%)	Sep 17	4.25	4.25	4.50
US	09-17	14:30	Federal Reserve Press Conference				

KEY POINTS:

- **Global asset classes hanging tight before the Fed**
- **Fed to cut 25; a hold or upsized surprise would be out of character for Powell**
- **FOMC's dots likely to pull forward easing, add to 2026, leave neutral unchanged...**
- **...but fade them as stale and weak guides amid dissenters and political risk**
- **Why the Fed won't be too concerned about funding market pressures just yet**
- **BoC to cut 25bps, offer cagey forward guidance**
- **Did Carney delay the Federal Budget to influence the BoC's October meeting?**
- **UK core CPI was softer than usual, but won't influence the BoE tomorrow**
- **Brazil's central bank won't do anything after the Fed**
- **Bank Indonesia surprised—again!**

Broad asset classes are generally little changed so far this morning as they await the Federal Reserve and Bank of Canada decisions. Overnight developments included soft UK core CPI, and another Bank Indonesia surprise cut amid political turmoil. Brazil's central bank is also on tap after the Fed.

See my week ahead for full previews of the Fed and Bank of Canada meetings ([here](#)).

BANK OF CANADA TO CUT, GUIDANCE TO BE CONSERVATIVE

The BoC should be a slam dunk. A 25bps cut is expected and fully priced. It will be a statement-only affair (9:45amET) sans MPR/forecasts and followed by the usual press conference (10:30amET). Macklem delivers a speech next week as well with the topic to be disclosed. It's premature to expect much beyond jawboning on CORRA. See my week ahead article for the arguments for an overnight rate cut and for a hold to get a balanced take on the outlook. Also see the post-jobs note on 09/05 ([here](#)) when the call was changed partly reflecting jobs and several other new pieces of information. Yesterday's CPI (recap [here](#)) wasn't going to change anything going in and didn't on the way out either for the five reasons I gave in yesterday morning's daily note.

I don't expect meaningful forward guidance; Macklem is typically loath to provide any and when he occasionally flirts with guidance, it's often not helpful anyway. In any event, trade and fiscal policies remain up in the air. His predilection is to tell folks to do their jobs and to speak in riddles, but he's a more polished communicator than Poloz who at times would give several competing views on the same day. I find -50bps cumulative is borderline meaningful to take out a bit of insurance on downside future risks to the inflation target with lagging effects but without overdoing it in potentially dangerous fashion and absent crisis conditions that would merit going down to a one-handed or lower rate.

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Key may be how fiscal policy evolves. Why did PM Carney delay the Federal Budget until Tuesday November 4th and hence after the next two BoC decisions despite providing earlier guidance that it would be delivered in October? One possible theory is so that the BoC couldn't factor in budget details in the October MPR and forecasts with the next chance to incorporate budget assumptions in forecasts not until the January MPR. Macklem might have been put in a tough place having to whiff at the October meeting after a cut today if a stimulative budget landed. That could backfire if Carney was thinking go ahead and cut twice and then we'll heap on stimulus; maybe a skip is in order so that the Budget can be evaluated. #Headgames.

If the BoC holds with a very low probability, then the front-end reaction will be violent as I can't see guidance containing the damage on a signal that they don't have enough evidence to cut. I struggle to give that more than a 5% tail chance at this point. It's meaningless that there is no MPR this time as the BoC has proven a willingness to move on non-MPR meetings and with a press conference available to explain things. It's meaningless that there was no advance guidance ahead of time since the BoC doesn't roll that way; it's not a hand holding central bank.

FOMC: -25BPS, HOW MANY MORE, NOTHING ON FUNDING

The FOMC statement arrives at 2pmET along with the SEP projections including the dot plot. Chair Powell's press conference will be held at 2:30pmET for up to 45 minutes to an hour.

The FOMC should be straight forward on a 25bps cut with only one forecaster out of 102 in consensus expecting an upsized 50 move and with 25 priced. Powell likes markets to be nicely set up on game day. If they were thinking of a whiff or upsizing a cut, then the typical playbook under his command would have probably found some way of signalling this. Developments since his Jackson Hole speech have only added to his spelled out case for commencing easing. The focus is on the dual mandate variables but it's silly to ignore solid tracking of GDP growth has input into that given the implications for capacity considerations with the US economy still in excess demand in terms of output gaps and given the significant correlation between GDP growth and employment growth over time. This time around, the GDP and job growth correlations are messed up by AI and immigration policy shifts.

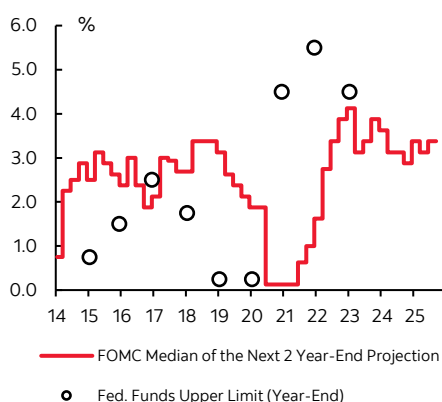
Key will be the dots at least for this year, while fading the dots in years 2 and beyond that typically don't track very well (chart 1). The 7 on the Committee who thought there would be no cuts this year are likely to swing a lot with the key being whether they guide 50 this year or 75 as a median projection with tails in both directions. To repeat, for next year, the best advice I can give is to ignore what the dots show since they track poorly, but I'd be surprised if they went lower in 2026 than our 3.25% terminal rate for the upper bound. As for neutral, expect continued wide dispersion of views like we saw in June's plot and probably at an unchanged nominal median of 3% with a 1% real neutral rate (chart 2). I think we'll get a highly dispersed set of dots through all time frames which could lessen the significance of the median and in any event the risk of stacking the Fed's Board and possibly the regional Presidents possibly makes the dots stale on arrival. We have six straight cuts down to 3.25% and stopping still reasonably around neutral.

Powell's presser will be all about the full employment side of the mandate and transitory inflation; yes, that again. Time will tell.

There will be jawboning about funding conditions but it's unlikely that guidance around QT parameters or ample reserves will change as conditions are monitored over coming weeks into future funding pressures. The pressure is on the Fed to reassess conditions as SOFR spreads widen (chart 3). Key is whether about US\$3.2 trillion in reserves in the banking system is still ample

Chart 1

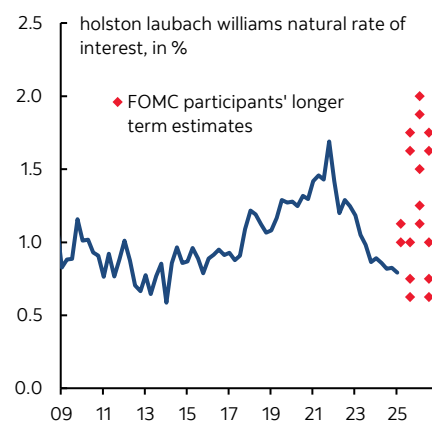
DOTs Are Useless Two Years Out



Sources: Scotiabank Economics, Bloomberg.

Chart 2

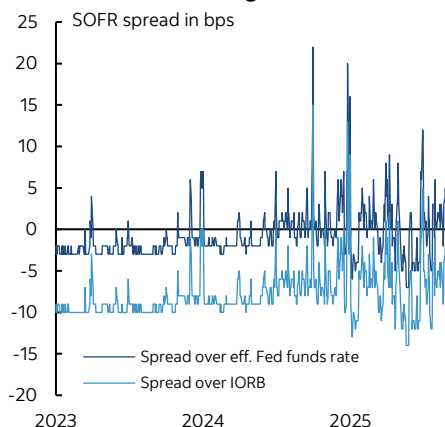
Real Neutral Rate of Interest for US



Sources: Scotiabank Economics, Federal Reserve Bank of New York.

Chart 3

The Return of Funding Market Pressures



Sources: Scotiabank Economics, Bloomberg.

with some Fed officials estimating they remain about a half trillion above what may start to be considered as tight (chart 4). A surge of T-bill issuance (chart 5) is occurring to replenish the Treasury General Account used to fund the government after it was depleted during the latest debt ceiling fracas (chart 6). What that's done is to deplete spare cash in the system such that there isn't much being parked in overnight repo as one indication of tightened liquidity and pressure on spreads (chart 7). If this is temporary—until the TGA replenishment has stabilized—then perhaps the quantitative tightening that is driving the Fed's SOMA holdings of Treasury securities and MBS lower (chart 8) need not be revisited before year-end. If the forces are judged to be more than just temporarily related to quarter-end funding pressures, tax season and TGS replenishment, then the Fed could move toward ending QT earlier than previously expected. The bottom line for today is that we don't know the answer to this and so expect Powell's press conference to emphasize that they are monitoring conditions but still view the system as having ample reserves for now.

In last week's surveys for various media outlets I put down the risk of multiple dissenters in both directions; Waller and Miran and possibly Bowman if they don't go bigger, maybe others who feel they shouldn't ease. The likely statements by dissenters in the aftermath could extend the entertainment, especially Miran's and especially if Trump says even he didn't advocate for enough of a cut.

Also see the charts on the next page for how our current projections compare to the FOMC's June SEP as an indication of where we think the risks lie in their forecast changes today.

OTHER DEVELOPMENTS—UK CPI, BI SURPRISE

Bank Indonesia surprised with a 25bps rate cut that only two out of 38 forecasters expected. It's a volatile central bank that is prone to surprising. A dovish bias open to further easing is trading off domestic instability including political pressure on the government and protests against potential financial market instability through the effects on the rupiah.

UK CPI was a bland affair. August's reading of 0.3% m/m NSA matched headline expectations. Core CPI of 0.3% m/m NSA was among the lower readings on record for like months of August (since it's not seasonally adjusted). Chart 9. Services inflation ebbed a touch more than expected to 4.7% y/y from 5%. Overall, the readings were taken slightly dovishly by the gilts front-end, but they will have no effect on tomorrow's widely expected hold by the BoE.

Brazil's central bank is widely expected to hold its Selic rate at 15% later today (5:30pmET) given guidance that a prolonged hold after a series of hikes lies in the cards.

Chart 4

The Fed May Still Think There Are Ample Reserves



Chart 6

Treasury General Account With the Federal Reserve

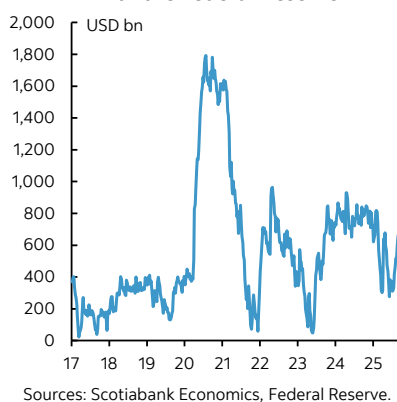


Chart 8

US Fed SOMA Account Balance

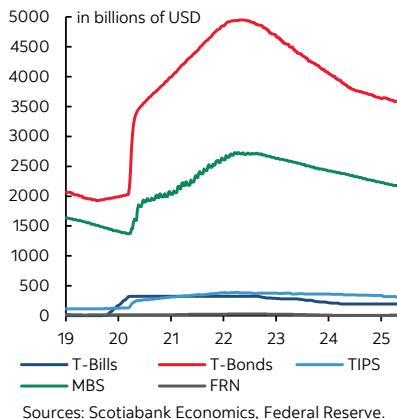


Chart 5

Treasury Issuance of T-Bills

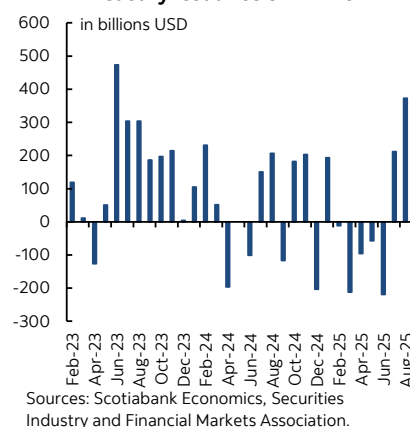


Chart 7

Less Excess Cash to Park in Overnight RRP

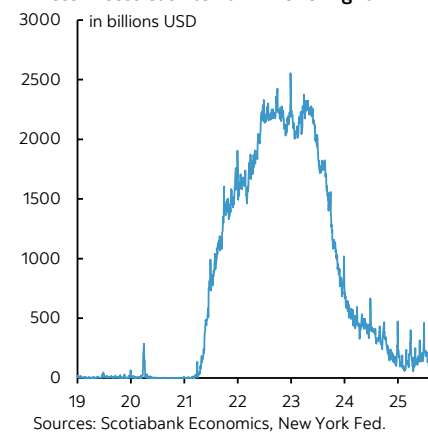


Chart 9

Comparing UK Core CPI for All Months of August

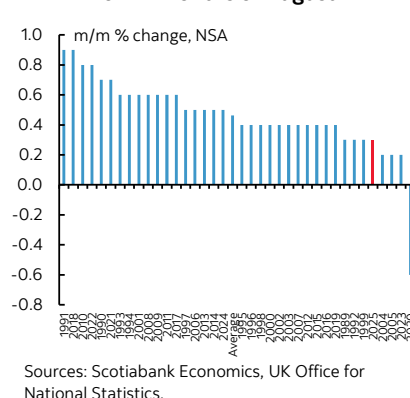


Chart 10

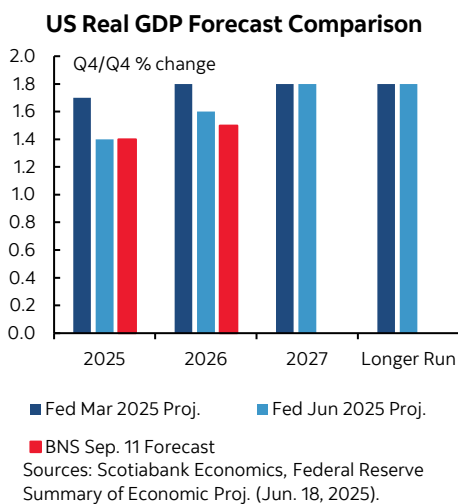


Chart 11

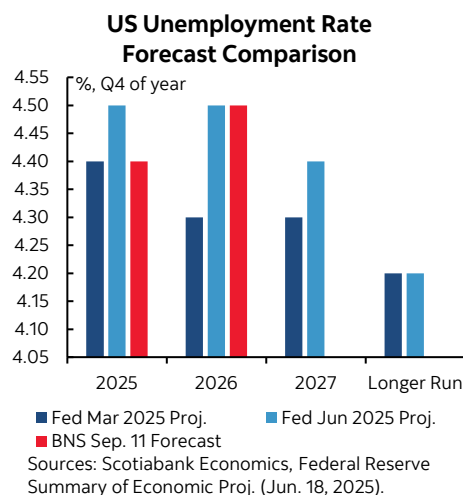
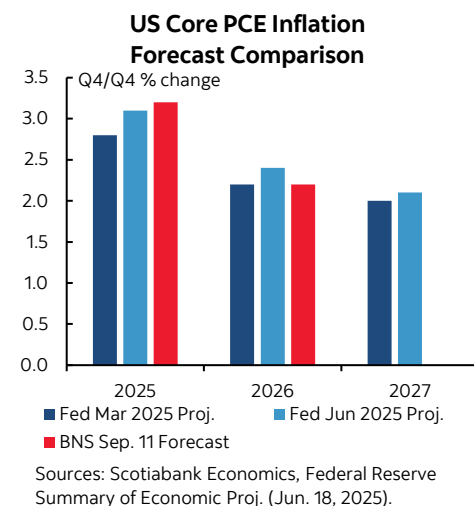


Chart 12



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	Canada - BoC	2.75
	3.50	3.50	3.54	3.58	3.59	3.60	4.01	4.03	4.05	4.62	4.65	4.70		
	2.45	2.46	2.50	2.70	2.71	2.75	3.14	3.15	3.17	3.57	3.58	3.62		
	2.00	2.00	1.95	2.28	2.29	2.23	2.67	2.69	2.65	3.24	3.28	3.27		
0.88	0.88	0.86	1.15	1.15	1.11	1.60	1.60	1.57	3.24	3.25	3.25	US - Fed	4.50	
3.95	3.96	3.94	4.06	4.08	4.06	4.62	4.64	4.63	5.43	5.45	5.48			England - BoE
Spreads vs. U.S. (bps):													Euro zone - ECB	
CANADA	-105	-104	-104	-88	-88	-84	-87	-88	-87	-105	-106	-108		
GERMANY	-150	-150	-159	-130	-130	-137	-134	-134	-140	-138	-137	-142		
JAPAN	-262	-263	-269	-243	-243	-248	-241	-243	-248	-139	-140	-145		
U.K.	44	46	40	48	49	46	60	61	59	80	80	79	Japan - BoJ	0.50
Equities	Level						% change:						Mexico - Banxico	7.75
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last	Change					1 Day	1-wk	1-mo	1-yr	Australia - RBA	3.60		
	29315	-115.8					-0.4	0.9	5.1	23.8				
	45758	-125.5					-0.3	0.1	1.8	10.0				
	6607	-8.5					-0.1	1.4	2.4	17.3				
	22334	-14.8					-0.1	2.1	3.3	26.7				
	23301	-28.0					-0.1	-1.4	-4.3	24.4				
	9214	18.1					0.2	-0.1	0.8	10.9				
	44790	-111.9					-0.2	3.1	3.3	23.7				
	26908	469.9					1.8	2.7	6.5	52.4				
	7798	-19.9					-0.3	0.5	-1.6	4.2				
Commodities	Level						% change:						US - Fed	Sep 17, 2025
WTI Crude	63.95	-0.57					-0.9	0.4	1.8	-10.2				
Natural Gas	3.13	0.03					0.8	3.3	7.3	34.6				
Gold	3663.99	-25.98					-0.7	0.6	9.8	42.6				
Silver	42.69	0.49					1.2	3.5	13.1	38.1				
CRB Index	307.28	1.81					0.6	2.4	4.0	10.3				
Currencies	Level						% change:						Mexico - Banxico	Sep 25, 2025
USDCAD	1.3751	0.0012					0.1	-0.8	-0.4	1.1				
EURUSD	1.1842	-0.0025					-0.2	1.3	1.6	6.6				
USDJPY	146.24	-0.2400					-0.2	-0.8	-1.1	2.7				
AUDUSD	0.6674	-0.0011					-0.2	0.9	2.8	-1.2				
GBPUSD	1.3641	-0.0006					-0.0	0.8	1.0	3.6				
USDCHF	0.7865	0.0005					0.1	-1.6	-2.6	-7.2	New Zealand - RBNZ	Oct 07, 2025		

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