

### DAILY POINTS

September 26, 2025 @ 7:45 EST

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Chart 2

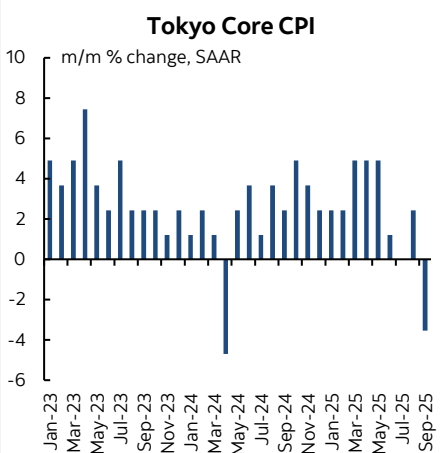
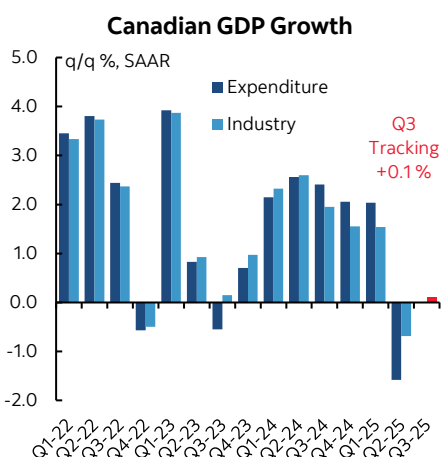


Chart 3



### On Deck for Friday, September 26

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09-26	08:30	Real GDP (m/m)	Jul	0.1	0.1	-0.1
US	09-26	08:30	PCE Deflator (m/m)	Aug	0.3	0.3	0.2
US	09-26	08:30	PCE Deflator (y/y)	Aug	2.8	2.7	2.6
US	09-26	08:30	PCE ex. Food & Energy (m/m)	Aug	0.2	0.2	0.3
US	09-26	08:30	PCE ex. Food & Energy (y/y)	Aug	2.9	2.9	2.9
US	09-26	08:30	Personal Spending (m/m)	Aug	0.5	0.5	0.5
US	09-26	08:30	Personal Income (m/m)	Aug	0.3	0.3	0.4
US	09-26	09:00	Fed's Barkin Conversation at the PIIE				
US	09-26	10:00	U. of Michigan Consumer Sentiment	Sep F	--	55.4	55.4
US	09-26	13:00	Fed's Bowman Speaks on Monetary Policy				

### KEY POINTS:

- **Global markets are shaking off Trump's latest tariff tantrum**
- **The latest sector-specific tariffs will likely be a rounding error on the overall tariff rate**
- **US core PCE update on tap, but Powell already says to ignore it and many more!**
- **Canada's economy is probably barely growing in Q3**
- **Why JGBs and the yen ignored Tokyo core CPI's m/m plunge**

Global markets are mostly holding it together this morning in the wake of another round of misguided anti-business and anti-consumer tariffs from President Trump coupled with a disturbing escalation of his vengeful retribution against political opponents. Frankly, Trump should send Comey a thank you note for handing him the 2016 election by launching his investigation of Hillary's emails days before the vote.

US Ts, EGBs, gilts and JGBs are trading within tiny shades of differences from one another. US equity futures are roughly flat and slightly underperforming European cash markets. FX markets are mixed.

### TRUMP'S LATEST TARIFF ASSAULT

How ridiculous are Trump's tariffs? Think bathroom vanities, the latest great threat to America's national security that will be subject to a 50% tariff starting next Wednesday as announced last evening. Kitchen cabinets too; same rate, same time. Upholstered furniture will be tariffed at a 30% rate at the same time. Those dang coin-swallowing foldaway beds are a menace to America! This is purely farcical. I would think that the Supreme Court should have all the evidence it needs to conclude that Trump is totally abusing the IEEA provisions with Trump not helping his case with these latest actions.

Chart 1

Estimated Increase in US Effective Tariff Rate				
Product	Imports (in billions)	Import Share (%)	Tariff Announced (%)	Effective Tariff Rate (%)
Medium & Heavy Trucks	\$ 21	0.6	25	0.16
Kitchen Cabinets	\$ 3	0.1	50	0.04
Bathroom vanities	\$ 2	0.1	50	0.03
Upholstered Furniture	\$ 26	0.8	30	0.24
Pharmaceuticals	\$ 213	6.5	100	6.52
<b>Total</b>				<b>7.00</b>

Sources: Scotiabank Economics, ITA.

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Heavy trucks will be hit by a 25% tariff. What's unclear is whether it's just heavy as per Trump's post, or also medium-trucks which the Commerce Department's investigation was focused upon. If it's heavy and medium then Mexico and Canada get slammed, but we need details.

The 100% tariff on branded, patented pharmaceuticals sounds devastating, except for the fact that companies with construction and production in the US market will be exempt. Sector analysts seem to be of the view that this would whittle the effect tariff imposed on pharmaceuticals down to much lower and possibly negligible rates.

We don't have details on the tariffs which is one important caveat. All we have are Trump's bombastic social media posts.

The shares of US imports for the combined categories is low at just over 1% and across both consumer and business products. The very high tariff rates applied to the import shares could result in a meaningful flow through to inflation before then considering substitution effects and the usual other debates that can influence pass through in the short-term versus long-term. Chart 1 shows what the pure math would look like if we took the tariffs literally before considering the above arguments. In reality, the pharma exemption and the small shares of total imports of the other categories would probably mean a nearly negligible impact on the overall weighted average effective tariff rate on imports coming into the US. Then consider substitution effects and crimped spending to further whittle down the effects.

Needless to say that Trump is harming American businesses and consumers who will face less choice, less competition and higher prices as a consequence to all of his tariffs. Over time, not even the protected companies will benefit as they're likely to get lazy, invest less, innovate less, be less mindful toward containing costs, and hence less competitive internationally. Tariffs, directed investment, policies that damage growth in the labour pool, publicly admonishing businesses, and attacking institutions are not right-of-center business-friendly policies in my books, whatsoever the delusional thoughts of others may be.

### WHY SOFT TOKYO CORE INFLATION WAS IGNORED

Tokyo core CPI excluding both food and energy registered its weakest reading since April 2024 at -3.5% m/m SAAR (chart 2). Shorter-dated JGBs barely flinched and the yen is little changed. Why? Partly because of a distortion as the Tokyo government changed daycare eligibility in a way that local analysts estimate knocked 0.3% m/m off CPI in non-annualized terms. It's also partly because the Tokyo and national inflation figures have been uncoupled of late; national core CPI has been trending much warmer in month-over-month terms. The national gauge arrives on October 23<sup>rd</sup>—one week before the BoJ. Ergo, I'd advise waiting for the national reading to firm up expectations as markets remain on the fence between a BoJ hike and a hold on October 30<sup>th</sup>.

### CANADA'S ECONOMY IS PROBABLY BARELY GROWING IN Q3

We get the revised estimate to the initial flash reading of 0.1% m/m SA GDP growth in July along with details, plus the preliminary estimate for August sans details (8:30amET). The combination will improve our tracking of Q3 GDP growth that is looking like it's well under 1% q/q SAAR (chart 3).

### US CORE PCE PLAYS SECOND FIDDLE TO JOBS

We get another update on US core PCE inflation this morning for the month of August (8:30amET). I'm on the fence on this one. My estimate leans toward 0.2% which is what I marked down. 0.24% is to the second decimal point. That reflects a) core CPI, b) weighting differences between core CPI and core PCE, c) weighted contributions from pertinent PPI components. Those are not the only differences between CPI and PCE, however, such that because the estimate is so close to the midpoint it wouldn't take much to bump it toward 0.2 or 0.3.

But who cares, Powell says it's all transitory, so here we go again. He says that policy is not on a pre-set course which is fine, except for the fact that he has pre-set a dismissive stance toward any upside in inflation as supply chain effects including but not limited to tariffs rattle through. That's a mistake as inflation risk remains elevated in long-wave fashion beyond the street's typically myopic focus.

Powell also says it's about taking out insurance against a further erosion of the labour market. If that's the aim, then they need to act in meaningful fashion; a handful of cuts won't restore greater job market momentum.

The US releases will also include what are expected to be a solid gain in consumer spending that outpaces a modest gain in incomes such that the personal saving rate of 4.4% may dip.

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K.  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	3.66	3.57	3.75	3.76	3.68	4.16	4.17	4.13	4.74	4.75	4.74	Canada - BoC	2.50
	2.48	2.49	2.46	2.76	2.77	2.74	3.21	3.22	3.20	3.66	3.67	3.65	US - Fed	4.25
	2.03	2.04	2.02	2.33	2.36	2.33	2.74	2.77	2.75	3.32	3.34	3.34	England - BoE	4.00
	0.93	0.94	0.92	1.22	1.23	1.20	1.65	1.65	1.65	3.17	3.14	3.18		
	3.99	4.02	3.98	4.16	4.18	4.13	4.73	4.76	4.72	5.54	5.57	5.56		
	Spreads vs. U.S. (bps):													
	-117	-117	-111	-99	-99	-94	-95	-95	-93	-108	-108	-110	Euro zone - ECB	2.15
	-162	-162	-155	-142	-140	-135	-142	-140	-138	-142	-141	-141	Japan - BoJ	0.50
-272	-272	-265	-253	-253	-247	-251	-252	-248	-157	-161	-157			
34	36	41	40	42	45	57	59	59	80	82	81	Mexico - Banxico	7.50	
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	29732			-25.0			-0.1	0.9	4.9	23.7			Australia - RBA	3.60
Dow 30	45947			-174.0			-0.4	-0.4	1.2	8.9			New Zealand - RBNZ	3.00
S&P 500	6605			-33.3			-0.5	-0.4	2.1	15.0				
Nasdaq	22385			-113.2			-0.5	-0.4	3.9	23.1				
DAX	23617			82.3			0.3	-0.1	-2.2	22.8				
FTSE	9257			42.7			0.5	0.4	-0.1	11.7				
Nikkei	45355			-399.9			-0.9	0.1	7.0	16.5			Canada - BoC	Oct 29, 2025
Hang Seng	26128			-356.5			-1.3	-1.6	2.4	31.1			US - Fed	Oct 29, 2025
CAC	7841			45.9			0.6	-0.2	1.7	1.3			England - BoE	Nov 06, 2025
Commodities	Level						% change:							
WTI Crude	65.05			0.07			0.1	3.8	2.8	-3.9			Euro zone - ECB	Oct 30, 2025
Natural Gas	2.93			0.02			0.7	1.3	7.7	13.2			Japan - BoJ	Oct 30, 2025
Gold	3752.08			2.64			0.1	1.8	10.6	40.4				
Silver	44.94			1.07			2.4	7.4	18.2	41.1				
CRB Index	303.35			0.47			0.2	0.7	1.6	6.6				
Currencies	Level						% change:							
USDCAD	1.3951			0.0011			0.1	1.2	0.8	3.6			Mexico - Banxico	Nov 06, 2025
EURUSD	1.1670			0.0004			0.0	-0.6	0.2	4.4			Australia - RBA	Sep 30, 2025
USDJPY	149.79			-0.0100			-0.0	1.2	1.6	3.4			New Zealand - RBNZ	Oct 07, 2025
AUDUSD	0.6529			-0.0011			-0.2	-1.0	0.5	-5.3				
GBPUSD	1.3351			0.0006			0.0	-0.9	-1.0	-0.5				
USDCHF	0.7997			0.0000			0.0	0.5	-0.5	-5.5				

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