

DAILY POINTS

October 21, 2025 @ 7:10 EST

Contributors

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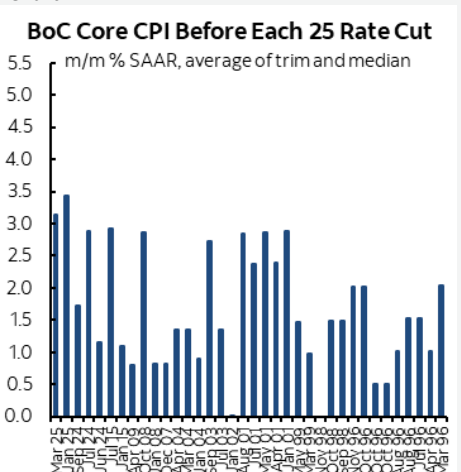
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Chart 1

Canadian Core CPI Measures			
Month	Weighted Median	Trimmed Mean	Traditional Core
Jan-2024	1.7	0.6	1.6
Feb-2024	0.6	0.6	1.6
Mar-2024	2.3	2.9	3.3
Apr-2024	1.1	1.7	1.6
May-2024	4.0	4.1	4.1
Jun-2024	2.3	2.9	1.6
Jul-2024	1.1	1.7	2.4
Aug-2024	2.3	2.9	0.8
Sep-2024	2.8	1.7	1.6
Oct-2024	4.0	4.7	3.2
Nov-2024	3.4	2.9	0.8
Dec-2024	3.4	3.5	4.0
Jan-2025	2.8	2.9	3.2
Feb-2025	4.0	3.4	5.6
Mar-2025	2.2	2.3	0.0
Apr-2025	4.5	4.6	4.0
May-2025	2.2	2.8	3.2
Jun-2025	3.3	2.3	2.4
July-2025	1.7	2.8	0.8
Aug-2025	2.8	2.2	1.6

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Tuesday, October 21

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	10-21	08:30	Core CPI - Median (y/y)	Sep	--	3.0	3.1
CA	10-21	08:30	Core CPI - Trim (y/y)	Sep	--	3.0	3.0
CA	10-21	08:30	CPI, All items (m/m)	Sep	0.0	-0.1	-0.1
CA	10-21	08:30	CPI, All items (y/y)	Sep	2.3	2.2	1.9
CA	10-21	08:30	CPI, All items (index)	Sep	--	164.4	164.8
CA	10-21	08:30	Core CPI - Common (y/y)	Sep	--	--	2.5
CA	10-21	08:30	CPI SA, All items (m/m)	Sep	--	--	0.2

KEY POINTS:

- **USD gaining with bonds and equities little changed**
- **Canadian core CPI measures could make or break market pricing for the BoC**
- **BoC surveys and producer prices keep inflation risk alive in Canada**

Forgive Canadian market participants if they're looking a little bleary-eyed to tackle Canadian CPI this morning after the Blue Jays fabulous win.

Global market movements are pretty small in the absence of significant new catalysts. Canadian equity futures are off by about ½% with US futures flat to slightly negative and Europe flat on balance. Sovereign yields are motionless across major benchmarks. The dollar is a bit firmer against most majors. Canadian CPI is the only notable calendar-based development after monthly UK public sector net borrowing largely met expectations, thereby avoiding a repeat of what happened to gilts and sterling the last time.

CANADIAN CPI COULD MAKE OR BREAK OCTOBER CUT PRICING

Canadian CPI arrives at 8:30amET. Governor Macklem emphasized the importance of the data to next week's decision when he spoke at a media roundtable last Friday.

Estimates for headline CPI are all over the map from -0.3% m/m by the seasonally unadjusted polling convention to +0.1%. Scotia's 0% is the consensus mode as it turns out. The median is -0.1% and the mean is similar. 0% m/m NSA would translate to a rise of about 0.4% m/m SA.

Base effects are likely to be the main driver behind pushing the year-over-year total inflation rate up to about 2.3% from 1.9% the prior month. It will remain weighed down by the elimination of the consumer portion of the carbon tax until next April.

Key, however, will be the core measures. Something that extends the relatively soft recent pattern shown in chart 1 would keep the door open to a cut. A hot reading would dent October cut pricing. At the extreme, the BoC has never cut after trimmed mean and weighted median averaged 3½% m/m SAAR or higher and it's uncommon for them to cut when those readings are in the 2¾% range (chart 2). A hot reading would present awkward optics for cutting.

The dropping of Canadian retaliatory tariffs against the US on September 1st—except for autos and metals—should have little to no effect. For one thing, there wasn't much of any discernible effect after they were applied, so there may not be much after their removal with one possible explanation being relatively high inventories at older prices (chart 3). For another, recall that measures of core inflation like trimmed mean and weighted median CPI exclude the direct effects of tariffs and other indirect taxes.

The other readings we obtained yesterday show that inflation risk is hardly benign in Canada. The strong gains in producer prices offer renewed pass through risk into CPI given historical connections (chart 4). Measures of consumer and business inflation expectations in the BoC's quarterly surveys remain sticky (charts 5, 6). Business inflation

expectations are higher in the short-run than the long run but even the long-run is in the upper half of the 1–3% inflation target range. Consumers’ inflation expectations are above the top end of the 1–3% inflation target range across all horizons. That said, I have little faith in any of these measures.

See my weekly for a fuller preview including discussion of other factors weighing on the BoC’s upcoming decision.

As for whether this reading should matter in the face of more complex and longer-run drivers of inflation, well, that’s another story. I’m still of the view that long wave upward pressures on costs and prices pose persistent upside risk to inflation in Canada.

Chart 3

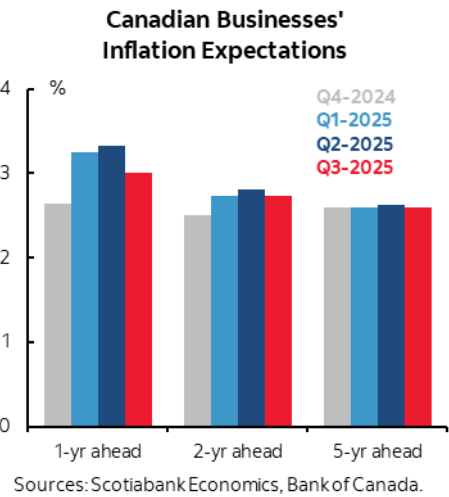


Chart 4

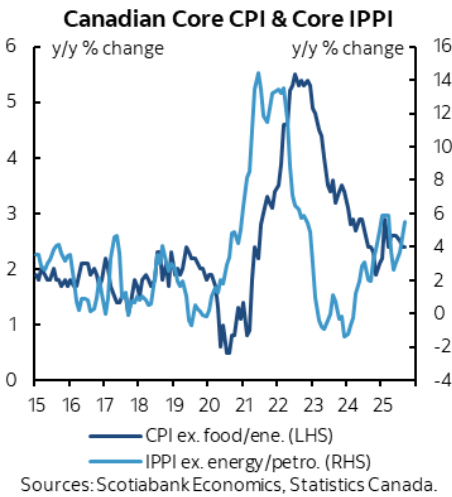


Chart 5

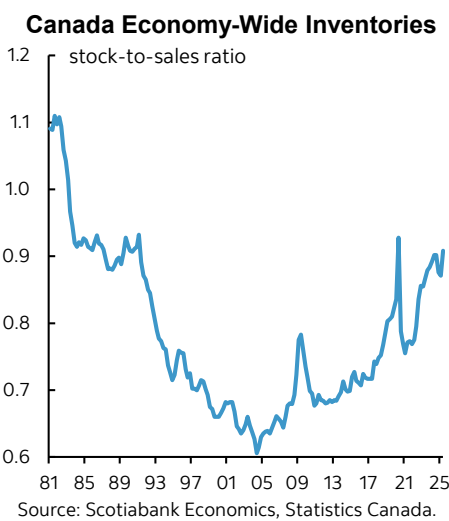
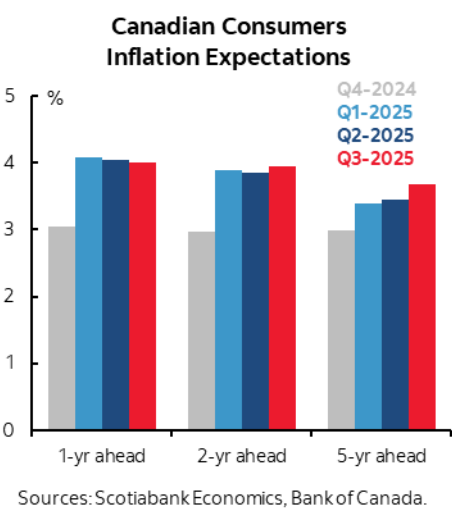


Chart 6



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	2.50		
	3.46	3.46	3.48	3.57	3.57	3.61	3.98	3.98	4.03	4.57	4.57	4.63				
	2.35	2.35	2.44	2.62	2.62	2.72	3.05	3.06	3.15	3.55	3.56	3.64			US - Fed	4.25
	1.92	1.91	1.94	2.17	2.17	2.20	2.57	2.58	2.61	3.15	3.16	3.19				
	0.94	0.95	0.89	1.23	1.25	1.18	1.66	1.67	1.65	3.13	3.13	3.22				
3.87	3.85	3.90	3.96	3.95	4.04	4.51	4.51	4.59	5.30	5.31	5.39					
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):												Euro zone - ECB	2.15		
-111	-111	-104	-96	-95	-89	-93	-93	-88	-102	-101	-99	Japan - BoJ			0.50	
-154	-155	-155	-140	-141	-141	-140	-140	-142	-141	-141	-144					
-252	-250	-259	-234	-233	-243	-232	-231	-238	-144	-144	-141					
41	40	42	39	38	43	53	52	56	73	74	76	Mexico - Banxico	7.50			
Equities	Level						% change:						Next Meeting Date			
	Last	Change				1 Day	1-wk	1-mo	1-yr							
S&P/TSX	30416	308.0				1.0	1.9	2.2	23.0	Australia - RBA	3.60					
Dow 30	46707	516.0				1.1	1.4	0.8	8.8							
S&P 500	6735	71.1				1.1	1.2	1.1	15.1	New Zealand - RBNZ	2.50					
Nasdaq	22991	310.6				1.4	3.5	1.6	24.0							
DAX	24267	8.2				0.0	0.1	2.7	24.7							
FTSE	9424	20.9				0.2	-0.3	2.3	13.3							
Nikkei	49316	130.6				0.3	5.3	9.5	26.6	Canada - BoC	Oct 29, 2025					
Hang Seng	26028	168.7				0.7	2.3	-1.9	27.1	US - Fed	Oct 29, 2025					
CAC	8234	27.9				0.3	4.0	4.8	9.3	England - BoE	Nov 06, 2025					
Commodities	Level						% change:								Euro zone - ECB	Oct 30, 2025
WTI Crude	58.02	0.50				0.9	-1.2	-7.4	-17.8	Japan - BoJ	Oct 30, 2025					
Natural Gas	3.46	0.06				1.7	14.1	19.6	49.4							
Gold	4268.01	-88.29				-2.0	3.0	15.8	56.9							
Silver	51.80	-2.30				-4.3	1.1	22.6	61.2							
CRB Index	296.49	0.00				0.0	0.7	-0.8	5.5							
Currencies	Level						% change:						Mexico - Banxico	Nov 06, 2025		
USDCAD	1.4048	0.0011				0.1	0.0	1.7	1.6	Australia - RBA	Nov 03, 2025					
EURUSD	1.1624	-0.0018				-0.2	0.1	-1.5	7.5	New Zealand - RBNZ	Nov 25, 2025					
USDJPY	151.88	1.1300				0.7	0.0	2.8	0.7							
AUDUSD	0.6492	-0.0021				-0.3	0.1	-1.6	-2.5							
GBPUSD	1.3388	-0.0017				-0.1	0.5	-0.9	3.1							
USDCHF	0.7943	0.0018				0.2	-0.8	0.2	-8.3							

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