

DAILY POINTS

October 29, 2025 @ 7:15 EST

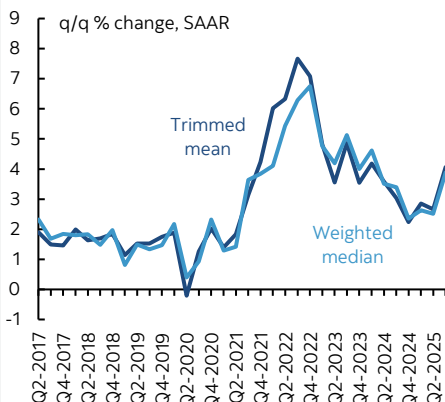
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Chart 1

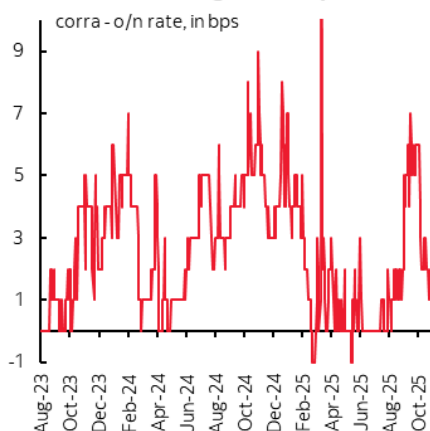
Australian Core Inflation



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 2

CORRA-Overnight Rate Spread



Sources: Scotiabank Economics, Bank of Canada.

On Deck for Wednesday, October 29

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-29	07:00	MBA Mortgage Applications (w/w)	Oct 24	--	--	-0.3
US	10-29	08:30	Wholesale Inventories (m/m)	Sep P	--	-0.2	-0.2
CA	10-29	09:45	BoC Interest Rate Announcement (%)	Oct 29	2.25	2.25	2.5
US	10-29	10:00	Pending Home Sales (m/m)	Sep	--	1.2	4.0
US	10-29	10:30	BoC Press Conference				
US	10-29	14:00	FOMC Interest Rate Meeting (%)	Oct 29	4.00	4.00	4.25
US	10-29	14:30	Fed's Press Conference				

KEY POINTS:

- Global markets await the Fed, BoC and US tech earnings
- BoC expected to cut with highly cautious bias...
- ...amid no rush to alter balance sheet plans yet, but it's coming
- FOMC expected to cut, guide more easing, probably end QT
- RBA cut bets crushed by Aussie CPI
- BCCh held as expected, sounds patient toward future easing
- US big tech earnings in the after-market

The week starts today. A packed line-up lies in store with most of the focus on the Fed, BoC and high earnings risk with several big tech firms due out in today's after-market. Overnight developments were mainly focused upon Australian CCPI and last evening's expected hold by Chile's central bank.

AUSSIE CPI CRUSHES RBA BETS

Stronger than expected Australian inflation slammed Australia's rates curve and buoyed the A\$. The curve bear flattened with the 2s yield up by about 12bps as pricing for the November 4th and December 9th RBA decisions largely removed a chance at a cut this year.

Q3 CPI was up 1.3% q/q SA non annualized (1.1% consensus). Core gauges also exceeded consensus with trimmed mean CPI up 1% (0.8% consensus) with a mild upward revision to Q2 and weighted median CPI was up 1.0% (0.9% consensus). Chart 1 shows the annualized quarter-over-quarter rates that were bottoming out and may be on a renewed upward path to be settled by more data the RBA should patiently observe.

CHILE'S CENTRAL BANK HOLDS

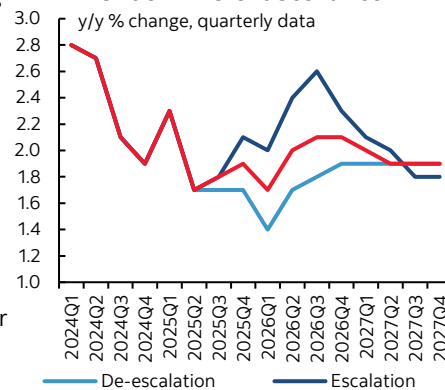
BCCh held its overnight rate at 4.75% last evening as widely expected. The decision was unanimous and the bias remained mildly dovish by indicating ongoing openness to further easing but a patient approach that wishes to gather more information on inflation risks.

BANK OF CANADA TO CUT WITH NEUTRAL-HAWKISH BIAS

The BoC is expected to cut 25bps this morning with all major shops in that camp and about 90% of a cut priced. The statement, MPR and Governor Macklem's written opening remarks to his press conference arrive at 9:45amET and will be followed by the press conference at 10:30amET.

Chart 3

BoC Inflation Forecast Under Different Scenarios



Sources: Scotiabank Economics, Bank of Canada.

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I don't expect material developments around other policy instruments with CORRA coming back to be more in line with the o/n rate (chart 2). Guidance is expected to be neutral-hawkish, data dependent and highly measured.

Macklem has pledged to return to providing base case projections in this MPR because....erm....uncertainty has gone down. Righto, if you say so. Maybe he spoke too soon, but it's too late now as they've committed to base case forecasts in a process that began weeks ago.

Watch for any signals in the medium-term inflation projections; the reason they are easing now is primarily to take out insurance against downside risk to sustainably achieving their 2% target which they roughly showed in the 'current tariff' scenario in the July MPR (chart 3). If they revise down despite a pair of recent cuts then it could be because they are biased toward more.

And take whatever forecasts their models spit out with a mountain of salt given the track record of various MPRs (dotted lines) compared to actual inflation (chart 4). They miss inflection points and routinely over—and undershoot for lengthy periods. Forecasting is more art than science and heavily driven by judgement. As the five-year review beckons, the differentiating factor in the BoC's policy success going forward will rest upon improving judgement rather than fussing over which one of a bazillion current and possibly additional measures of core inflation may be the best.

As for the balance sheet, settlement balances equal about C\$78 billion and are therefore getting closer to the BoC's \$50–70 billion target range (chart 5) that was revised upward in Deputy Governor Gravelle's speech at the start of the year ([here](#)). The BoC ended QT in the January 29th statement that surprised many relative to Gravelle's more open 2025H1 guidance in his speech. The point is approaching when the BoC will have to communicate further intentions around its balance sheet management strategy. Recall that Gravelle's speech indicated a desire to ramp up holdings of repos first in the aftermath of ending QT, then T-bills, while holding off on gross purchases of GoC bonds sometime thereafter but no earlier than late 2026 and in the normal course of monetary policy affairs (ie: not QE). Watch this space for further communications over 2026.

See my weekly for the case for a cut and the case for a hold in terms of the underlying arguments.

FOMC TO CUT, GUIDE MORE TO COME, END QT

The FOMC is universally expected to cut and probably announce the end of QT or at a minimum strongly intimate such a movement in the wake of Powell's NBER [speech](#) and funding market developments since then. The statement lands at 2pmET and Chair Powell's press conference begins at 2:30pmET for around 45 minutes.

Funding market spreads increased from the 0–5bps range the day before Powell's balance sheet speech to about 12–15bps now, applying more heat on the Fed to do something to address liquidity pressures (chart 6).

The next SEP with updated dot plot arrives in December. Key on any bias will be whether Powell repeats that not much has changed since the September dots in which case it is likely to remain game-on for another cut in December as per the median dot.

Between now and the next decision on December 10th it is possible that the backlog of data releases will be cleared. Trump has indicated that he wishes to sit down with the Dems next week after returning from his Asia sojourn.

Chart 4

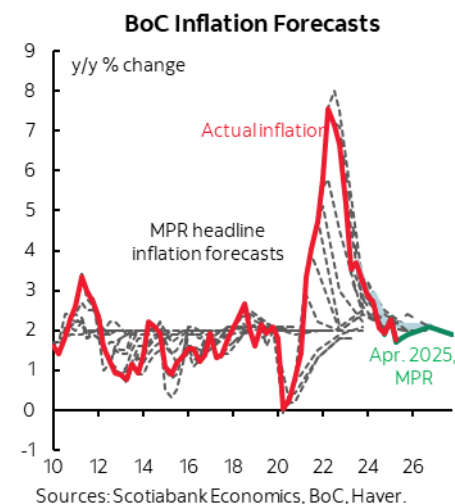


Chart 5

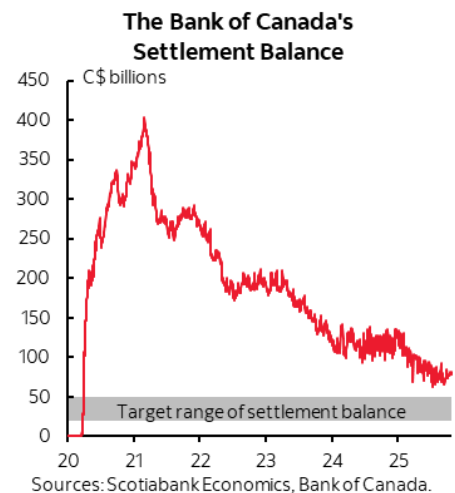
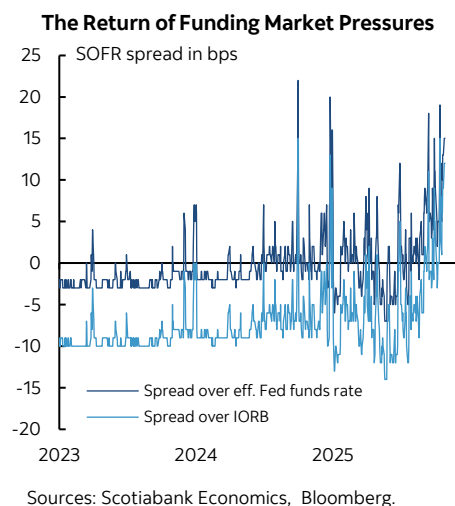


Chart 6



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See my weekly for a further preview of the Fed decision including the reasoning behind ending QT, the case for a cut and further cuts, but also the caution that long wave forces behind upward inflation risk require a great deal of patience and data to evaluate as the analog to the long wave of disinflationary pressures that came out of China in the 1990s onward. Obsessing over near-term fake inflation data—marred by proxy methods due to budget cuts and by distorted seasonality—misses the point and is overly myopic.

EARNINGS IN THE AFTER-MARKET

Big US tech updates earnings in the after-market today including Microsoft Q126 EPS US\$3.68, Alphabet Q325 EPS US\$2.26, eBay Q325 EPS US\$1.34, and Meta Platforms Q325 US\$6.74.

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		
	3.50	3.49	3.45	3.62	3.61	3.55	3.99	3.98	3.95	4.56	4.54	4.53	Canada - BoC	2.50
	2.37	2.35	2.37	2.64	2.62	2.63	3.06	3.04	3.06	3.53	3.51	3.55	US - Fed	4.25
	1.97	1.98	1.91	2.23	2.23	2.16	2.62	2.62	2.56	3.20	3.19	3.15	England - BoE	4.00
	0.95	0.94	0.93	1.23	1.22	1.21	1.66	1.65	1.65	3.06	3.07	3.11		
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):													
	-114	-114	-107	-98	-99	-92	-93	-94	-89	-102	-103	-98	Euro zone - ECB	2.15
	-153	-152	-154	-139	-138	-139	-137	-135	-139	-136	-135	-138	Japan - BoJ	0.50
	-256	-255	-252	-239	-239	-234	-234	-233	-231	-150	-147	-142		
Equities	Level						% change:						Mexico - Banxico	7.50
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	30420	143.9					0.5	1.8	1.5	23.8		Australia - RBA	3.60	
Dow 30	47706	161.8					0.3	1.7	3.0	13.0		New Zealand - RBNZ	2.50	
S&P 500	6891	15.7					0.2	2.3	3.4	18.1		Next Meeting Date		
Nasdaq	23827	190.0					0.8	3.8	5.5	27.3		Canada - BoC	Oct 29, 2025	
DAX	24279	0.8					0.0	0.5	2.3	24.6		US - Fed	Oct 29, 2025	
FTSE	9759	62.0					0.6	2.6	4.9	18.7		England - BoE	Nov 06, 2025	
Nikkei	51308	1088.5					2.2	4.1	13.9	31.9		Euro zone - ECB	Oct 30, 2025	
Hang Seng	26346	-87.6					-0.3	1.2	-1.9	29.3		Japan - BoJ	Oct 30, 2025	
CAC	8225	8.9					0.1	0.2	4.4	9.5		Commodities		
	Level						% change:							
WTI Crude	60.36	0.21					0.3	3.2	-4.9	-10.2		Mexico - Banxico	Nov 06, 2025	
Natural Gas	3.22	-0.12					-3.6	-6.6	-1.3	37.4		Australia - RBA	Nov 03, 2025	
Gold	4020.96	68.82					1.7	-1.9	4.9	44.9		New Zealand - RBNZ	Nov 25, 2025	
Silver	46.44	-0.93					-2.0	-7.0	3.2	39.1				
CRB Index	298.96	-2.58					-0.9	1.2	-1.2	7.4		Currencies		
	Level						% change:							
USDCAD	1.3942	-0.0004					-0.0	-0.4	0.2	0.2				
EURUSD	1.1640	-0.0011					-0.1	0.2	-0.7	7.6				
USDJPY	152.29	0.1800					0.1	0.2	2.5	-0.7				
AUDUSD	0.6596	0.0011					0.2	1.7	0.3	0.5				
GBPUSD	1.3218	-0.0054					-0.4	-1.0	-1.6	1.6				
USDCHF	0.7968	0.0034					0.4	0.1	-0.1	-8.1				

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