

DAILY POINTS

December 10, 2025 @ 6:50 EST

Contributors

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On Deck for Wednesday, December 10

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12-10	07:00	MBA Mortgage Applications (w/w)	Dec 05	--	--	-1.4
US	12-10	08:30	Employment Cost Index (q/q)	3Q	0.9	0.9	0.9
CA	12-10	09:45	BoC Interest Rate Announcement (%)	Dec 10	2.25	2.25	2.25
CA	12-10	10:30	BoC Press Conference				
US	12-10	14:00	FOMC Interest Rate Meeting (%)	Dec 10	3.75	3.75	4.00
US	12-10	14:00	Treasury Budget (US\$ bn)	Nov	--	-195.0	-284.4
US	12-10	14:30	Federal Reserve Press Conference				

KEY POINTS:

- **Bonds and equities cheapen ahead of the Fed...**
- **...partly driven by BoJ, ECB comments**
- **Expectations for several global central banks are pivoting to neutral-hawkish stances...**
- **...that could bring dollar weakening to do some of the Fed's work**
- **Why the Fed has no choice but to cut today...**
- **...why the dot plot could closely resemble September's...**
- **...and why whatever they say will be quickly faded**
- **BoC to hold today...**
- **...and possibly increase upside risk to inflation outlook**
- **SCOTUS might deliver IEEPA decision as soon as today**

So long, 2025! That sentiment has to be front and centre in the minds at the Federal Reserve and Bank of Canada. Today brings the final policy decisions of a very long year and with the added risk that we could hear from SCOTUS on the IEEPA tariffs at any moment. Last minute reading is available [here](#) including BoC and Fed previews, and [here](#) for a Canadian rates outlook.

Sovereign bond yields are pushing gently higher into the decision. Equities are pushing gently lower. Cheaper bond and equity prices are signalling unease toward the Fed's stance. The dollar is little changed against most major currencies.

Added developments may also be contributing to higher yields. BoJ Governor Ueda flagged resilience of the Japanese economy in the face of US tariffs ahead of next week's policy decision that is mostly priced for a 25bps hike. ECB President Lagarde indicated that growth forecasts for the Eurozone economy are likely to be raised again in next week's communications while Governing Council member Simkus weighed in against any further rate cuts.

Note the broadening tone across central bank expectations. Markets are leaning toward hiking in 2026 by the Antipodeans (RBA, RBNZ), the Bank of Canada, and the BoJ while the ECB's bias is increasingly shifting toward a neutral-hawkish stance. If that happens, the dollar weakening that could ensue could do some of the Fed's job.

FOMC—CUT, THEN SHRUG UNTIL MASSIVE DATA DUMP

It's finally here. The last FOMC decision of a very long year. A cut is widely expected a priced. The bias may not be any different than the one that was embedded way back in the September dot plot. That dot plot conveyed a view that only one more cut would be delivered in 2026 and then one more in 2027. The views were scattered then as they are now (chart 1). Whatever they show in the dots recall a) they do nothing to inform meeting timing versus year-end points, and b) they tend to perform poorly (charts 2, 3).

The statement will appear [here](#) at 2pmET. The fresh Summary of Economic Projections including an updated ‘dot plot’ will be [here](#), also at 2pmET. Both links will only work at 2pmET.

Chair Powell’s press conference will be held at 2:30pmET for around 45 minutes or so. It can be watched [here](#) or at newswire services like Bloomberg (live <go>). Always have a back up feed given common tech problems.

I’m treating this meeting as a mere placeholder before we get a tonne of information that will do much more to inform the bias than anything they say and do today. Views on where rates are heading into 2026—especially the early part of the year—are total guesswork at this point. By early January we’ll get three rounds of nonfarm payrolls and a tonne of inflation data. Until then, the Fed, markets and economists are forecasting in the dark.

So let’s deal more with the immediate decision at hand. Why cut?

- insurance. There is a seven-week gap between now and the next decision on January 28th. There is a lot of information between now and then including catch-up to three rounds of nonfarm payroll reports, multiple inflation reports, year-end potential funding pressures and so on. The insurance cost to cutting now is low but the cost to not cutting into potentially bad developments that could rock markets could be quite high.
- it’s priced, so not cutting would spark potentially severe market turmoil.
- the vote-weighted Committee has done nothing to clearly lean against market pricing. The quorum of power hitters has either been silent since the October decision (Chair Powell), or signalled support for a cut including NY Fed’s Williams and several Governors. Dissents are assured, but they won’t carry the day.
- Powell tends to avoid game day policy surprises on the actual decision. His communications would be fully derailed in the final four meetings of his leadership if he started to do otherwise.

As for the statement, I expect little by way of changes. The opening paragraph is likely to repeat emphasis upon “available indicators”—since so many are not available—that point to moderate growth, slower job gains, a higher unemployment rate and higher inflation over the course of the year that remains “somewhat elevated.” Expectations and other policy goals will lie intact.

The bulk of the emphasis will be upon the SEP but perhaps most importantly Chair Powell’s press conference. Powell is likely to sound noncommittal toward the next meeting. It would be foolish to do otherwise given the massive amount of data, time and developments that lie between now and then.

BANK OF CANADA—GUARDED OPTIMISM

The statement will appear at 9:45amET [here](#). Governor Macklem’s opening remarks will also appear at 9:45amET [here](#).

The press conference will be held at 10:30amET. You can watch it at CPAC.ca with translations in English and French, at the BoC’s website [here](#), at media services like Bloomberg (live <go>) and at select local tv channels

Nobody expects the policy rate to change today. No change is priced until markets begin to seriously toy with a hike by summer into Fall. Bets pick up around June through October and pricing is veering toward almost 50bps of hikes by October.

Chart 1

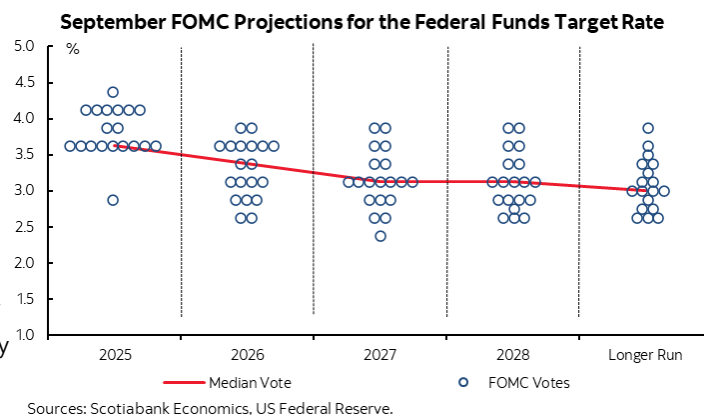


Chart 2

DOTs Perform Poorly in the Next Year

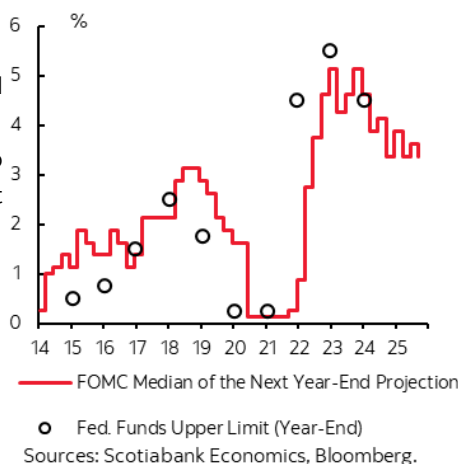
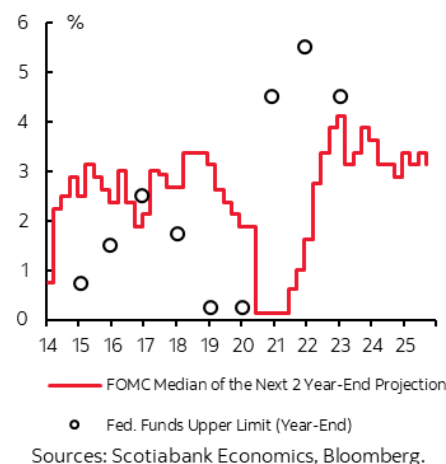


Chart 3

DOTs Are Useless Two Years Out



We've been calling 2026H2 hikes since September. In fairness, however, much of the move has been in a very short period of time concentrated around the jobs report last Friday. Large GDP revisions since 2022 that slashed estimates of slack could have motivated the market to have this view, but it took the third strong employment gain in a row to spark the move. A great deal of uncertainty lies ahead into 2026 which cuts in both directions to our expectations.

Expect a shorter statement than the last one which was accompanied by an MPR. Expect the second last paragraph to repeat reference to how they view "the current policy rate at about the right level to keep inflation close to 2%." Expect references to a surprisingly strong trend for job gains and possibly to reduced economic slack (chart 4).

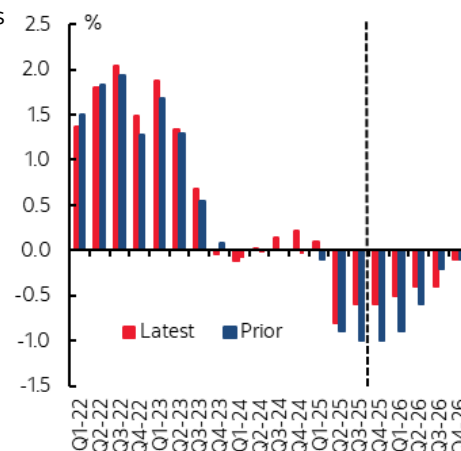
The latter may be statement-codified or referenced in the press conference. A hawkish signal would be a sign the BoC views upside risk to its prior inflation projection in the October MPR. They may choose to hold off on any such perspective until the next chance to launch a wholesale review of data, developments and fresh forecasts at the end of January.

A POSSIBLE SCOTUS DECISION?

Also, some believe that the SCOTUS IEEPA tariff ruling could come as early as today which is the last argument day of the session. If so, then Trump is sure to react and possibly fire off a bunch of social media posts about plan 'B'. That could make this an extra lively market session but it's highly uncertain when SCOTUS will rule.

Chart 4

Canada's Output Gap Revisions



Source: Scotiabank Economics.

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		
	3.62	3.62	3.49	3.80	3.79	3.63	4.20	4.19	4.06	4.81	4.81	4.73	Canada - BoC	2.25
	2.69	2.64	2.46	3.07	3.01	2.80	3.46	3.42	3.24	3.88	3.84	3.70		
	2.18	2.15	2.06	2.49	2.47	2.34	2.87	2.85	2.75	3.46	3.46	3.39	US - Fed	4.00
	1.07	1.08	1.02	1.44	1.45	1.39	1.96	1.97	1.89	3.40	3.39	3.43		
	3.80	3.79	3.75	4.01	3.97	3.90	4.53	4.51	4.45	5.23	5.20	5.20	England - BoE	4.00
	Spreads vs. U.S. (bps):													
	-93	-98	-102	-73	-77	-83	-73	-77	-82	-93	-96	-103	Euro zone - ECB	2.15
	-144	-146	-143	-131	-132	-129	-133	-134	-132	-135	-135	-134		
-255	-254	-247	-235	-234	-224	-224	-222	-217	-141	-142	-130	Japan - BoJ	0.50	
18	17	26	21	18	27	34	32	38	42	39	47			
Equities	Level						% change:						Mexico - Banxico	7.25
	Last	Change				1 Day	1-wk	1-mo	1-yr					
S&P/TSX	31244	74.4				0.2	0.6	3.1	22.5			Australia - RBA	3.60	
Dow 30	47560	-179.0				-0.4	0.2	0.4	7.5					
S&P 500	6841	-6.0				-0.1	0.2	0.1	13.3			New Zealand - RBNZ	2.25	
Nasdaq	23576	30.6				0.1	0.7	0.2	19.8					
DAX	24053	-109.3				-0.5	1.5	0.4	18.3					
FTSE	9667	25.4				0.3	-0.3	-1.2	16.8					
Nikkei	50603	-52.3				-0.1	1.5	-0.6	28.5			Canada - BoC	Dec 10, 2025	
Hang Seng	25541	106.5				0.4	-0.9	-4.2	25.7					
CAC	8020	-32.1				-0.4	-0.8	-0.4	8.5			US - Fed	Dec 10, 2025	
Commodities	Level						% change:							
WTI Crude	58.60	0.35				0.6	-0.6	-2.5	-14.6			England - BoE	Dec 18, 2025	
Natural Gas	4.47	-0.10				-2.2	-10.5	3.1	41.4					
Gold	4196.30	-11.94				-0.3	-0.2	2.0	55.8			Euro zone - ECB	Dec 18, 2025	
Silver	58.63	0.26				0.4	2.1	20.4	85.4					
CRB Index	299.63	-1.85				-0.6	-0.4	-1.8	3.2			Japan - BoJ	Dec 19, 2025	
Currencies	Level						% change:							
USDCAD	1.3848	0.0002				0.0	-0.7	-1.2	-2.3			Mexico - Banxico	Dec 18, 2025	
EURUSD	1.1633	0.0006				0.1	-0.3	0.7	10.5					
USDJPY	156.76	-0.1200				-0.1	1.0	1.7	3.2			Australia - RBA	Feb 02, 2026	
AUDUSD	0.6646	0.0004				0.1	0.7	1.7	4.2					
GBPUSD	1.3303	0.0006				0.0	-0.4	1.0	4.2			New Zealand - RBNZ	Feb 17, 2026	
USDCHF	0.8053	-0.0010				-0.1	0.7	0.0	-8.8					

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