

DAILY POINTS

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Chart 1

China's Loan Growth

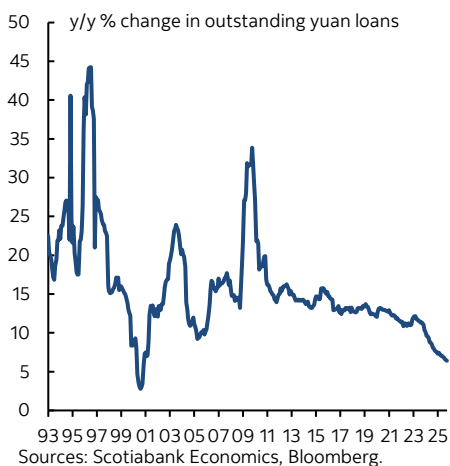
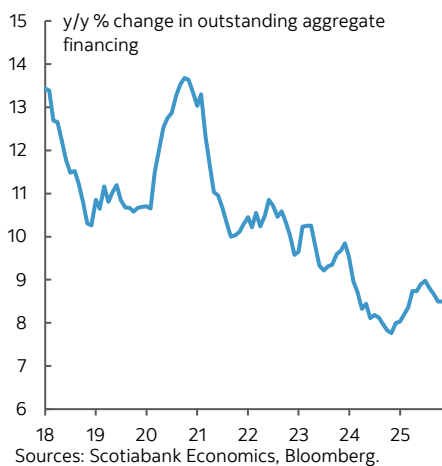


Chart 2

China's Aggregate Financing Growth



On Deck for Friday, December 12

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12-12	08:00	Fed's Paulson Speaks on Economic Outlook				
CA	12-12	08:30	Building Permits (m/m)	Oct	-	-1.4	4.5
CA	12-12	08:30	Capacity Utilization (%)	3Q	-	79.5	79.3
CA	12-12	08:30	Wholesale Trade (m/m)	Oct	-0.1	-0.1	0.6
US	12-12	08:30	Fed's Hammack Speaks at Real Estate Roundtable Series				
US	12-12	10:35	Fed's Goolsbee Speaks at Economic Outlook Symposium				

KEY POINTS:

- Reasonably calm markets, light calendars to end an active week
- China's domestic currency loan growth is at a quarter-century low
- Gilts outperform after weak UK data
- Hats off to the Fed's brilliant Board of Governors!
- Canadian trade revisions may drive Q3 GDP growth over 3%

There are no major catalysts behind fairly small moves in global sovereign bond yields to end the week. Equities are mixed with US futures tracking a touch lower while Europe rallies after a solid overnight Asian session. The dollar is mixed as it gains on European crosses while CAD and MXN hold their own. China's credit challenges remain acute, UK data was rather uninspiring, and there is little that's noteworthy on the North American calendar today beyond light Fed-speak. Canada is quiet other than digesting the move of another turncoat that brings the Liberal government one seat away from a majority.

CHINA'S INELASTIC DEMAND FOR MONEY

Chip wars heated up again overnight. China's move to throw up to US\$70 billion in additional support to its chips sector was the show stealer. Maybe that deliberate in order to mask weak credit figures as a sign of deepening problems.

China's credit cycle continues to slow. Aggregate financing across all products in 2025 has been roughly tied with two earlier peaks in 2020 and 2023 on a flow basis but if not for government bond issuance it would be slower yet as this has represented 40% of total financing in 2025. Core new domestic-currency loan originations are tracking the weakest year since 2018. China is suffering from inelastic demand for money particularly given falling property prices over the past four years and general malaise in the property market that dates back further than that.

Chart 3

China's Year-to-Date Aggregate Financing

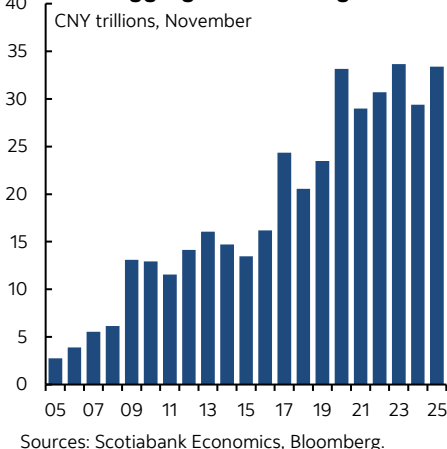


Chart 4

China's Year-to-Date New Yuan Loans



Witness charts 1–4. Chart 1 shows that the growth in the total stock of outstanding domestic currency loans is at a quarter-century low. Chart 2 shows that growth in the outstanding stock of all financing products (bonds, equities, yuan denominated and foreign currency loans, bills, trust loans, and shadow products) is also tracking relatively softly. Charts 3 and 4 depict the flow of total aggregate financing and core domestic currency loans.

GILTS OUTPERFORM ON SOFT UK DATA

UK data came in softly and motivated slight outperformance by the gilts front-end versus EGBs. GDP unexpectedly shrank by -0.1% m/m in October (+0.1% consensus) as services fell (-0.3% m/m, 0% consensus). Industrial output was up 1.1% (1% consensus) but not due to manufacturing (0.5%, 1.1% consensus). Construction was down -0.6% (-0.1% consensus).

The UK economy has been weak over several months now (chart 5). Cue next week's BoE cut.

CANADIAN GDP TO BE REVISED HIGHER. AGAIN.

Canadian trade revisions will add to Q3 GDP growth. This view was shared with clients through chats yesterday. Instead of 2.6% q/q SAAR GDP growth in Q3 we may be crossing 3% the next time Statcan takes a swing at the numbers. As charts 6 and 7 demonstrate, the main issue is that what was revealed in the export figures yesterday up to September came in materially stronger than the GDP accounts had assumed. The charts compare export and import growth on a quarterly basis using the monthly trade figures against the trade figures in the GDP accounts; exports were materially stronger and imports were slightly softer than initially estimated. Both of these observations add to GDP—exports for obvious reasons, and weaker imports mean less of an import leakage effect from GDP accounts which in an accounting sense boosts GDP. What GDP had assumed was on a lark in the absence of September data given the US government shutdown and the important of sharing data between the countries to the overall trade position.

What we don't know, however, are the implications of the trade figures for other parts of the GDP accounts like inventories. Still, the BoC would welcome better trade figures than initially estimated in Q3 GDP.

FED BOARD 1. TRUMP ADMIN 0.

Brilliant. Absolutely brilliant. Hats off to the Fed's Board of Governors for pre-empting MAGA's ruinous plan to harm the Fed's independence. Trump and Bessent must have smoke coming out of their ears; maybe MAGA shouldn't have advertised its plans so loudly. [This](#) announcement after yesterday's close reappointed regional Fed presidents and vice presidents to five-year terms starting on March 2026. This avoids the fracas around their expirations on February 28th. Recall that blogs and former Fed officials like Lael Brainard had been warning that the Trump administration might use the five-year review as an opportunity to meddle in the affairs of the district banks by indirectly setting in motion developments that could have replaced some of them. Bessent amplified such concerns with comments about how the regional Presidents should live in their districts. I actually agree with that given the spirit of intent behind the district banks to represent their regions which one might think would require someone who is intimately familiar with local economies and business.

The administration can't appoint regional Presidents that are put in place by the regional boards and approved by the BoG, but can influence their appointment through BoG appointments and votes on the regional committees they control. [This](#) post explains how the reserve bank boards are structured. It's the 'class C' directors of the regional Boards that are appointed by the Fed's BoG. Class B directors

Chart 5

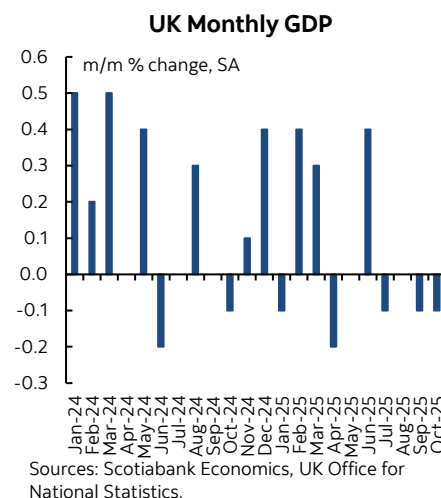


Chart 6

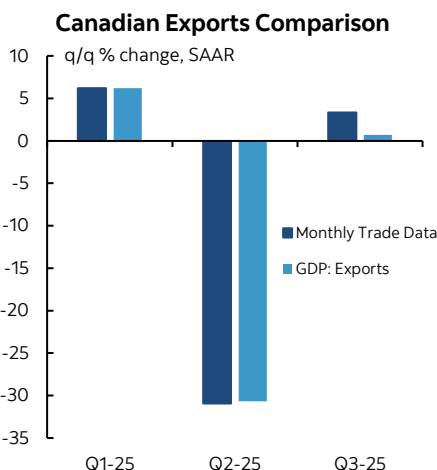
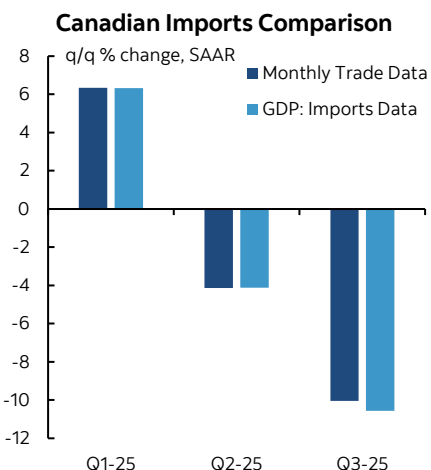


Chart 7



are non-bankers. Class B and C directors vote for the regional President (not class 'A' directors that are bankers with potential conflicts of interest). The chair of each regional board is a 'C' class director and so is the deputy. So, stack the 'C' class and you are on your way to meddling with who is chosen as the district President. Not any more!

Chart 8, however, shows that there are still spots on the BoG that can be appointed by the administration. Chair Powell will give way to a new chair after the April decision. Powell is likely to step down from the Board in my opinion, versus lingering and second-guessing his successor. Jefferson's term expires next year. Something has to be done about Miran whose term expires next month because he filled in for Kugler who resigned under controversy.

Chart 8

US Federal Open Market Committee (FOMC) Members 2025 & 2026			
Board Members			
Name	Term Expires	Chair & Vice Chair Term Expires	Appointed By:
Jerome Powell (C)	January 2028	May 2026	Obama - Board (2012), Trump, Biden - Chair (2018, 2022)
Philip Jefferson (VC)**	January 2036	September 2027	Biden - Board (2022) & Vice Chair (2023)
Michelle Bowman (VC)	January 2034	June 2029	Trump - Board (2018, 2020) & Vice Chair (2025)
Stephen Miran**	January 2026		Trump - Board (2025)
Christopher Waller**	January 2030		Trump - Board (2020)
Michael Barr**	January 2032		Biden - Board (2022)
Lisa Cook	January 2038		Biden - Board (2022, 2024)
Presidents of Regional Bank - Members of FOMC for 2025		Presidents of Regional Bank - Members of FOMC for 2026	
Name	Bank	Name	Bank
John Williams	New York	John Williams	New York
Susan Collins	Boston	Anna Paulson	Philadelphia
Austan Goolsbee	Chicago	Beth Hammack	Cleveland
Alberto Musalem	St. Louis	Lorie Logan	Dallas
Jeffrey Schmid	Kansas City	Neel Kashkari	Minneapolis

C & VC denotes Chair and Vice Chair of the Board of Governors of Federal Reserve System.
 ** Filling an unexpired term, so could be reappointed.
 Sources: Scotiabank Economics, Brookings, Bloomberg.

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	2.25			
	3.54	3.54	3.56	3.74	3.74	3.71	4.18	4.16	4.14	4.83	4.80	4.79					
	2.64	2.63	2.64	3.02	3.01	3.01	3.44	3.43	3.41	3.87	3.85	3.85			US - Fed	3.75	
	2.17	2.16	2.10	2.48	2.46	2.40	2.86	2.84	2.80	3.48	3.45	3.43					
	1.07	1.06	1.05	1.44	1.42	1.44	1.95	1.93	1.95	3.36	3.39	3.37					England - BoE
3.76	3.77	3.78	3.96	3.96	3.93	4.50	4.48	4.48	5.24	5.21	5.19						
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):												Euro zone - ECB	2.15			
-90	-91	-92	-72	-73	-70	-74	-73	-72	-97	-95	-94						
-137	-138	-147	-126	-127	-131	-132	-131	-134	-135	-135	-136	Japan - BoJ			0.50		
-247	-248	-251	-230	-231	-228	-222	-223	-219	-147	-141	-143						
U.K.	22	23	22	22	22	22	33	33	34	41	41	40	Mexico - Banxico	7.25			
Equities	Level						% change:										
	Last	Change			1 Day	1-wk	1-mo	1-yr	Australia - RBA	3.60							
S&P/TSX	31661	169.9			0.5	0.6	2.7	24.6									
Dow 30	48704	646.3			1.3	1.8	0.9	10.9	New Zealand - RBNZ	2.25							
S&P 500	6901	14.3			0.2	0.6	0.7	14.0									
Nasdaq	23594	-60.3			-0.3	0.4	0.8	18.5	Next Meeting Date								
DAX	24320	25.3			0.1	1.2	-0.3	19.1	Canada - BoC	Jan 28, 2026							
FTSE	9711	7.4			0.1	0.5	-2.0	16.8									
Nikkei	50837	687.7			1.4	0.7	-0.4	27.6	US - Fed	Jan 28, 2026							
Hang Seng	25977	446.3			1.7	-0.4	-3.5	27.4									
CAC	8124	38.4			0.5	0.1	-1.4	9.5	England - BoE	Dec 18, 2025							
Commodities	Level						% change:										
WTI Crude	57.48	-0.12			-0.2	-4.3	-1.7	-17.9	Euro zone - ECB	Dec 18, 2025							
Natural Gas	4.22	-0.01			-0.4	-20.3	-7.0	22.0									
Gold	4330.33	50.14			1.2	3.2	3.2	61.5	Japan - BoJ	Dec 19, 2025							
Silver	62.12	1.08			1.8	7.9	21.2	95.9									
CRB Index	300.78	-0.60			-0.2	-1.0	-0.6	2.6	Currencies	Level		% change:					
USDCAD	1.3769	-0.0002			-0.0	-0.3	-1.7	-3.2	Mexico - Banxico	Dec 18, 2025							
EURUSD	1.1724	-0.0014			-0.1	0.7	1.1	12.0									
USDJPY	155.99	0.4000			0.3	0.4	0.8	2.2	Australia - RBA	Feb 02, 2026							
AUDUSD	0.6663	-0.0001			-0.0	0.3	1.9	4.6									
GBPUSD	1.3371	-0.0017			-0.1	0.3	1.8	5.5	New Zealand - RBNZ	Feb 17, 2026							
USDCHF	0.7957	0.0003			0.0	-1.1	-0.3	-10.8									

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