

### DAILY POINTS

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On Deck for Monday, December 29								
Country	Date	Time	Indicator	Period	BNS	Consensus	Latest	
US	12-29	10:00	Pending Home Sales (m/m)	Nov	--	--	1.9	
US	12-29	10:30	Dallas Fed. Manufacturing Activity	Dec	--	--	-10.4	

### KEY POINTS:

- **Global markets are a touch nervous to start a light week**
- **A global round up of what you may have missed last week**
- **BoJ reinforces further hike risk**
- **Light US data on tap**
- **What's in store for this week**
- **Global Week Ahead — Two-Week Holiday Edition (reminder [here](#))**
- **Canadian Rates Outlook 2026 (reminder [here](#))**

Markets are kicking off the last few trading sessions of 2025 in cautious fashion. US and Canadian equity futures are a touch lower after a weak Asian trading session and with European exchanges slightly in the black so far. Sovereign bond yields are flat to slightly lower across major benchmarks. The dollar is a touch firmer against most major crosses except the yen.

Developments are very light. The Bank of Japan's summary of discussions in the lead up to the December 19<sup>th</sup> hike emphasized that some board members view the real policy rate as low and that further rate increases may be appropriate. The 10-year JGB yield edged up a basis point and the yen is slightly outperforming.

There is no breakthrough in Ukraine peace talks which should probably surprise no one; all I can say is Ukraine should have no trust whatsoever for any security guarantees that are worthless. China is doing some saber rattling around Taiwan in retaliation against the US sales of arms. The US will refresh minor readings today including pending home sales during November (10amET) and the Dallas Fed's manufacturing index for December (10:30amET).

### WHAT YOU MAY HAVE MISSED LAST WEEK

What follows is a review of what you may have missed last week when many folks were on holiday. It starts with markets and then global indicators. There was nothing material in terms of policy developments.

#### Markets—Hello, Santa

Markets were constructive as the Santa Rally held true to form. There was broad dollar weakness as all majors and semis gained. The S&P 500 gained 1.4% but futures are moving a touch lower this morning and with the TSX up +0.8%. The US 10s yield moved slightly lower by 2-3bps with the 2s yield unchanged. The Canada 10-year yield moved down about 7bps with 2s down 5bps. Gold gained US\$175/oz last week to temporarily move back above US\$4500 before slipping below it this morning. Bitcoin is down by just over US\$100.

BoC pricing for nearer term meetings was unchanged but moved about 3bps lower for next October's meeting to put pricing on the fence between a hold and a hike. Our view is unchanged in that nearer term meetings are unlikely to bring change with the next move likely up but not for quite a while. In the meantime, bidirectional noise will likely govern trading.

Fed pricing remains close to nothing for a change at the January 28<sup>th</sup> meeting followed by little change for about -15bps at the March meeting and a full cut not priced until June. I wouldn't pay much attention to market pricing given the market's poor track record.

### Global Indicators—GDP Tracking in Canada, the US and Mexico

Several global indicators were refreshed as follows.

**US**—US GDP solidly beat expectations, but its relevance is scant to none as a lagging reading that's too soon to reflect a multitude of policy developments in 2025 and amid forward-looking uncertainties not least of which a weakening job market, tariffs, tight immigration etc. Chart 1 shows that most of the growth came from services consumption and trade. Investment ex-AI related activity was weak (chart 2).

US core PCE inflation pick up to 2.9% q/q SAAR in Q3 from 2.6% the prior quarter but was on the screws. Chart 3 shows the persistent trend of elevated inflation readings.

US core durable goods orders continue to grow with another 0.5% m/m SA gain in December and upward revisions to the prior month for the fourth consecutive gain.

US factory output was flat in November after shrinking by -0.4% m/m in November and has been flat to lower in each of the past four months. No homecoming here.

US consumer confidence slipped entirely due to present situation, as expectations moved up. The 'jobs plentiful' reading edged lower.

Chart 1

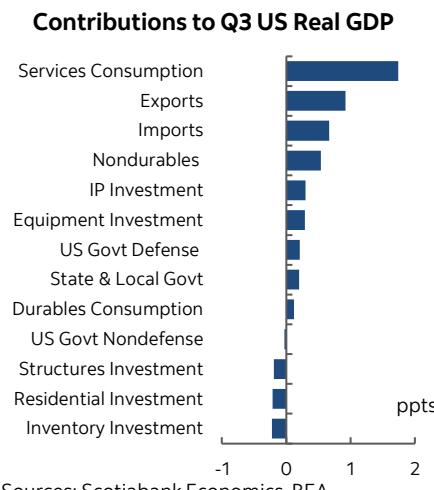


Chart 2

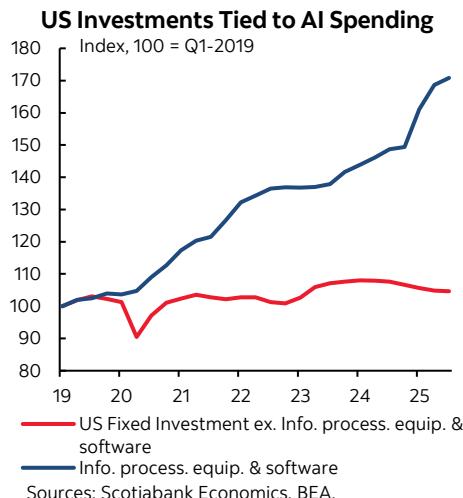
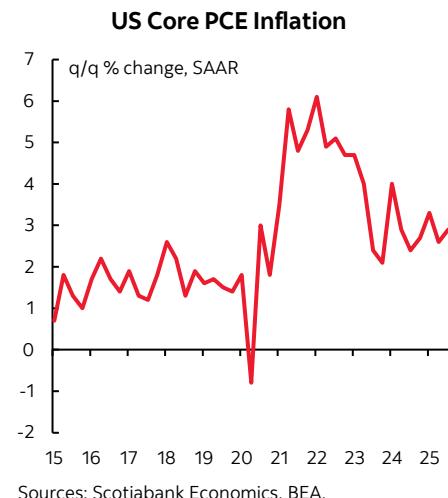


Chart 3



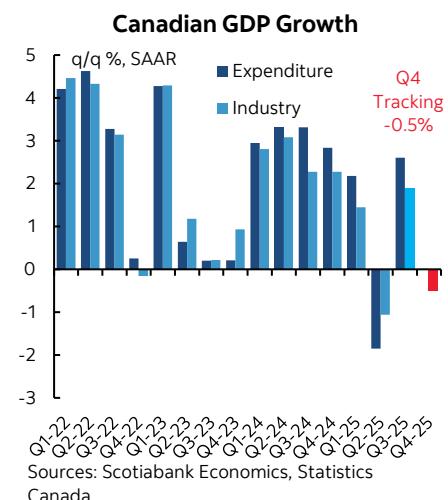
### Canada—GDP on the Screws, Inflation Warning, BoC Cautious

Canadian GDP was in line with expectations. The economy shrank by -0.3% m/m SA in October (consensus -0.3%, Scotia -0.2%) and was guided to have grown by a paltry 0.1% in November on a tentative basis without details. That leaves tracking tentatively at about -0.5% q/q SAAR using monthly, production-side GDP accounts after expenditure-based GDP grew by 2.6% in Q3 and production-based GDP grew 2.1% which was revised up from +1.9% previously (chart 4). What was more important to Canada in my opinion was strong US GDP during Q3, albeit how that holds up going forward will be the key. Chart 5 shows what drove October GDP.

Canadian industrial prices point to a coming inflation surge (chart 6). Industrial prices were up 0.9% m/m in November after jumping by an upwardly revised 1.7% in October. Industrial prices have been up sharply ever since June. How much gets passed through to end consumers is uncertain, but the chart shows the evidence on how industrial price changes lead consumer price changes.

Statcan issued preliminary flash readings for manufacturing and wholesale sales during November that don't materially impact Statcan's preliminary estimate of +0.1% m/m GDP

Chart 4



growth that month. Manufacturing was guided to have fallen by -1.1% m/m in November which follows a -1.0% m/m drop in October after a large 3.6% gain in September. Wholesale sales were guided to have been flat in November (+0.1% m/m) after a similarly flat reading the prior month.

The BoC's Summary of Deliberations leading up to the policy decision on December 10th ([here](#)) contained little by way of added consequence. They did acknowledge more clearly than they did on statement day that GDP figures including revisions mean "there is likely somewhat less economic slack than previously assessed." They said CUSMA/USMCA negotiations were a bidirectional risk going forward which wouldn't shock anyone other than folks tempted to go to only one side of the potential outcomes. In reference to the impact of structural changes affecting global trade, they emphasized that "fiscal and industrial policy measures were the appropriate tools to address this structural transition given that monetary policy cannot restore lost supply." On the policy rate, the BoC reiterated that it was "at about the right level" to keep inflation close to 2% going forward and that "it was difficult to predict when and in which direction the next change in the policy rate would be." That reinforces expectations for a waiting period during which no change is expected before the BoC then reassesses developments.

### Mexico's Economy Doubled Consensus

Mexico's economy surged in October. The monthly economic activity index serves as a GDP proxy and was up by 1.0% m/m SA which doubled consensus, while the prior month's contraction was revised to be smaller (-0.4% instead of the original -0.6%).

### Japan—Bah Humbug

Japan dumped a series of readings on Christmas Day when global markets were shut. Apart from the fact Christians are a tiny single digit share of Japan's population, it may have been just as well to release that day when no one elsewhere was watching. Industrial output cratered (-2.1% m/m SA, consensus -2%) but retail sales slightly beat (0.6% m/m, 0.4% consensus). Housing starts fell more than expected. Tokyo core CPI edged lower to 2.6% y/y from 2.8% on an ex-food and energy basis.

### This Week—China PMIs Shine on an Otherwise Light Calendar

The rest of this week will be very light in terms of calendar-based developments.

### Asia-Pacific—China PMIs On Tap

China will refresh the state's purchasing managers indices with December readings tomorrow night. South Korea refreshes industrial output for November tomorrow and CPI for December the next day.

### LatAm—Peru's CPI the Main Highlight

Several releases are due out across Latin American markets. The main one will be Peru's CPI for December on New Year's Day to which I can only say 'wth??!'. Chile updates several November readings including the unemployment rate (tomorrow), retail sales (Wednesday), industrial production (Wednesday) and the monthly economic activity index (Friday). Colombia updates the unemployment rate (Wednesday). Mexico will update S&P's manufacturing PMI (Friday).

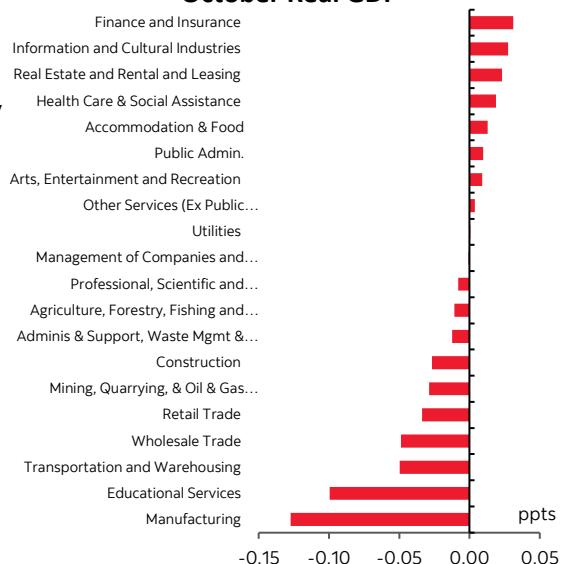
### Europe—Spain Kicks Off Eurozone CPI Tracking

The only thing to watch will be Spain's CPI for December (Tuesday) that will kick off the march to the rest of the major countries and the Eurozone tally next week.

### Canada—Quiet

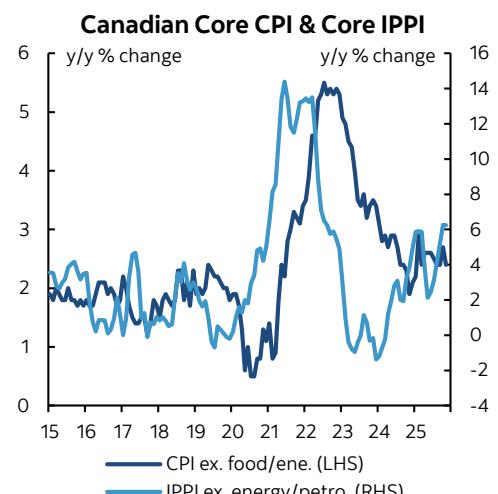
Enjoy your week. Canada only has S&P's manufacturing PMI for December (Friday) to consider. Bonds will shut early at 1:30pmET on Wednesday and will be closed for New Year's Day before business as usual on Friday for anyone who is around.

### Chart 5 Weighted Contributions from Sectors to October Real GDP



Sources: Scotiabank Economics, Statistics Canada.

### Chart 6 Canadian Core CPI & Core IPPI



Sources: Scotiabank Economics, Statistics Canada.

## US—Stale Fed Minutes

We'll get ADP's weekly private payrolls measure on Tuesday along with house prices during October. FOMC minutes are due tomorrow but are likely to be stale on arrival in light of two rounds of nonfarm payrolls and inflation readings. The January 28<sup>th</sup> policy decision continues to rest on key data and developments between now and then. Weekly jobless claims land on Wednesday. Bonds will shut early at 2pmET on Wednesday and will be shut for New Year's but will be fully open on Friday.

Fixed Income	Government Yield Curves (%):												Central Banks	
	2-YEAR			5-YEAR			10-YEAR			30-YEAR				
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
U.S.	3.47	3.48	3.51	3.68	3.70	3.71	4.11	4.13	4.16	4.80	4.81	4.84	Canada - BoC	
CANADA	2.57	2.57	2.60	2.93	2.93	2.98	3.40	3.40	3.46	3.82	3.81	3.88	US - Fed	
GERMANY	2.13	2.14	2.15	2.44	2.46	2.49	2.84	2.86	2.90	3.47	3.49	3.53	England - BoE	
JAPAN	1.12	1.11	1.12	1.52	1.52	1.54	2.05	2.04	2.09	3.43	3.39	3.44	Euro zone - ECB	
U.K.	3.72	3.73	3.75	3.95	3.97	3.98	4.50	4.51	4.54	5.22	5.24	5.27	Japan - BoJ	
Spreads vs. U.S. (bps):														
CANADA	-90	-91	-91	-75	-77	-73	-71	-73	-70	-98	-100	-96	Mexico - Banxico	
GERMANY	-134	-134	-136	-124	-123	-123	-127	-127	-127	-133	-133	-131	Australia - RBA	
JAPAN	-235	-237	-238	-215	-218	-217	-206	-209	-208	-137	-142	-140	New Zealand - RBNZ	
U.K.	25	25	24	27	28	26	38	38	37	43	42	43	Canada - BoC	
Equities	Level			% change:										
S&P/TSX	Last		Change		1 Day		1-wk		1-mo		1-yr		US - Fed	
Dow 30	32000		-59.0		-0.2		2.4		2.0		29.1		England - BoE	
S&P 500	48711		-20.2		-0.0		1.6		2.1		13.3		Euro zone - ECB	
Nasdaq	6930		-2.1		-0.0		2.3		1.2		16.1		Japan - BoJ	
DAX	23593		-20.2		-0.1		2.6		1.0		19.6		Canada - BoC	
FTSE	24318		-21.9		-0.1		1.5		2.0		21.7		US - Fed	
Nikkei	9874		3.4		0.0		0.4		1.6		21.2		England - BoE	
Hang Seng	50527		-223.5		-0.4		0.2		0.5		26.7		Euro zone - ECB	
CAC	25635		-183.7		-0.7		0.5		-0.9		27.6		Japan - BoJ	
CRB Index	8110		6.7		0.1		-0.5		-0.2		10.3		Canada - BoC	
Commodities	Level			% change:										
WTI Crude	58.26		1.52		2.7		2.8		-0.5		-17.5		US - Fed	
Natural Gas	4.43		0.06		1.4		11.1		-8.7		26.0		England - BoE	
Gold	4456.82		-76.39		-1.7		2.7		5.1		70.0		Euro zone - ECB	
Silver	72.18		2.44		3.5		9.5		44.2		144.8		Japan - BoJ	
CRB Index	300.43		-0.99		-0.3		2.5		-0.4		3.1		Canada - BoC	
Currencies	Level			% change:										
USDCAD	1.3687		0.0015		0.1		-0.5		-2.2		-4.7		US - Fed	
EURUSD	1.1766		-0.0006		-0.1		0.0		1.3		13.1		England - BoE	
USDJPY	156.33		-0.2400		-0.2		-0.5		0.6		-0.3		Euro zone - ECB	
AUDUSD	0.6692		-0.0024		-0.4		0.5		2.3		7.6		Japan - BoJ	
GBPUSD	1.3484		-0.0013		-0.1		0.2		2.1		7.4		Canada - BoC	
USDCF	0.7897		0.0002		0.0		-0.3		-1.9		-12.6		US - Fed	

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