

DAILY POINTS

January 8, 2026 @ 8:10 EST

Contributors

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Chart 1

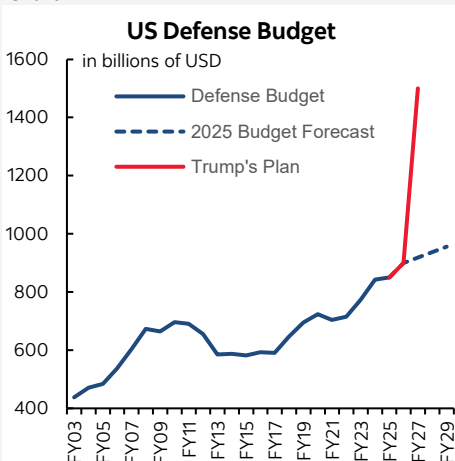
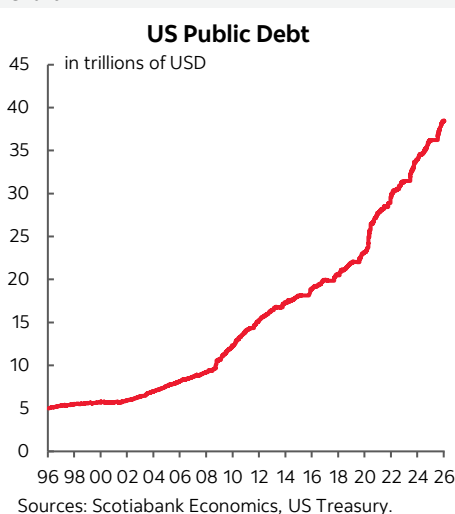


Chart 2



On Deck for Thursday, January 8th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01-08	07:30	Challenger Job Cuts Total	Dec	--	--	71321.0
US	01-08	08:00	Fed's Miran on Bloomberg TV				
US	01-08	08:30	Initial Jobless Claims (000s)	Jan 03	220	212.4	199.0
US	01-08	08:30	Continuing Claims (000s)	Dec 27	1900	1900.0	1866.0
CA	01-08	08:30	Merchandise Trade Balance (C\$ bn)	Oct	--	-1.5	0.2
US	01-08	08:30	Productivity (q/q a.r.)	3Q P	5.0	5.0	3.3
US	01-08	08:30	Trade Balance (US\$ bn)	Oct	--	-58.5	-52.8
US	01-08	08:30	Unit Labor Costs (q/q a.r.)	3Q P	0.0	0.0	1.0
US	01-08	10:00	Wholesale Inventories (m/m)	Oct F	--	0.2	0.5
US	01-08	10:00	Fed's Miran Speaks in Athens				
US	01-08	15:00	Consumer Credit (US\$ bn m/m)	Nov	--	10.1	9.2

KEY POINTS:

- **Equities and bonds slip on policy developments**
- **Trump gives with one hand to defence cos...**
- **...and takes with the other...**
- **...as many important details need to be addressed for markets**
- **Why banning investors from the US housing market could backfire badly**
- **Why US data quality has become so bad**
- **German factory orders soar to a two-year high on capital goods**
- **US job cuts were in a normal range for December**
- **US Q3 productivity, Revelio, lagging trade, claims on tap**
- **Canadian trade could inform Q4 GDP tracking, Q3 revisions**
- **Swedish rates outperform after soft CPI**
- **BCRP expected to remain on hold**

Stocks are broadly, but gently lower across global benchmarks this morning. Ditto for most sovereign bond prices. The dollar is little changed on an overall weighted basis. Oil prices are up a bit as Trump admits the US will be involved in Venezuela for years including attempting to manage its oil industry long-term. Gold is down a bit.

Why the long faces in bonds and equities? There are three reasons, some of which have embedded knock-on uncertainties. One is Trump's loose guidance that defence spending is to be jacked up and what that may signal. Two is his edict that defence companies must adjust capital management plans. Three is Trump's announcement against investors in new homes. Each of which is covered below.

TRUMP PLEDGES MASSIVE DEFENCE SPENDING SURGE

Psst, hey buddy, can I bum a half a trillion off ya?

Trump's social media post late yesterday raised more questions than answers ([here](#)). In it he said he wants to jack up defence spending by an extra half a trillion dollars in 2027. Chart 1 shows what that would mean relative to history and the budget baseline.

A first question is, well, how? It's just a social media post, with no details as usual. There is no bill, no appropriations, and he often goes back on his words. So, maybe markets will take a show-me-proof attitude which may explain why there is a fairly limited reaction in Treasury yields. Maybe the odd fiscal hawk or two that's left in Congress might have a thing or two to say about it and if the midterms are a setback then it could be tough to pass a bill unless an attempt is made beforehand.

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A second question is how would this be financed? Through further offsetting non-defence cuts? Through tax hikes? Through further tariff increases whether through IEEPA tariffs or other tactics if the Supreme Court shoots down IEEPA tariffs? If debt financed, then the US\$38½ in public debt outstanding would assuredly breach US\$40 trillion even sooner than otherwise (chart 2). US fiscal policy is already on an unsustainable path that would risk further challenges from bond markets.

Third, why?? The world is a dangerous place indeed, as Trump correctly notes, and his administration is playing a role. What signal is behind ramping up defence spending? Planning something? What foreign incursions are next?

Fourth, would it be just a one-off, or a permanent annual boost? US defence spending was already budgeted to be on a path toward US\$1 trillion per year and Trump's post would send it vertically. We need to know if that's a sustained target.

Fifth, how would the FOMC react? You can't just dump half a trillion more spending in the US economy and not expect knock-on effects. There is less import leakage from US defence spending than there is in other countries, so the domestic economy would get a lift. And you want rate cuts, do you? That would be harder to envision as a motive for a possible forecast change and raising our yield forecasts across the curve.

TRUMP SLAMS DEFENCE, HOUSING STOCKS

A second weight against risk appetite this morning is derived from a pair of Trump posts.

[This](#) one said he'll "ban large institutional investors from buying more single-family homes." Investors have been major buyers of new homes. Industry estimates point to between a quarter and a third of new homes being bought by investors. I'd offer a proxy method of showing this in chart 3 that shows the breakdown in the historical connection between visits to model homes as a leading indicator of sales. The gap that has emerged since 2022 is principally due to investors.

It's overly simple to vilify investors for America's housing affordability challenges. Investors play a useful role in the housing market and can drive rental availability as one example. Eliminating them could weigh heavily on prices. That could carry knock-on effects on resale prices through arbitrage and substitutability. It could jeopardize the credit worthiness of mortgages originated in recent years that could suddenly be under water. Addressing affordability is laudable, but this isn't the way to do it.

A key uncertainty remains that, as always, so far we only have a social media post as opposed to something more formal and there could be implementation challenges even if there is a more formal step.

And then [this](#) one directed defence companies to halt dividend payments and stock buybacks while setting a cap on executive pay. Defence and aerospace has about a one-quarter weight on the S&P500. Multiple stocks sold off sharply late yesterday into the close with the sector down about 3% late yesterday and we'll see how they behave today.

A clear caveat is that, as usual, we don't have any specifics to inform whether it's just a wish or something substantive in the works. How feasible it is to direct companies in such fashion is unclear.

WHY US DATA QUALITY IS POOR

A Bloomberg article late yesterday added to my longstanding arguments about the sharp deterioration in US data quality by reporting on an email from the Bureau of Labor Statistics to Benzinga about agency staffing. According to the BLS, staffing is down "by about 25% over the last year, and approximately 40% of leadership positions are currently vacant."

Chart 4 shows how this has happened over time. Severe budget cuts under Trump 1.0 and Trump 2.0 have had damaging effects on the data agencies. Biden attempted to repair some of the damage, but the lagging effects of Trump 1.0 cuts and then Trump 2.0 have been damaging.

Charts 5-10 shows various examples of how this has impacted data quality. Job survey response rates have fallen sharply over this period with the lagging influences of Trump 1.0 cuts and then

Chart 3

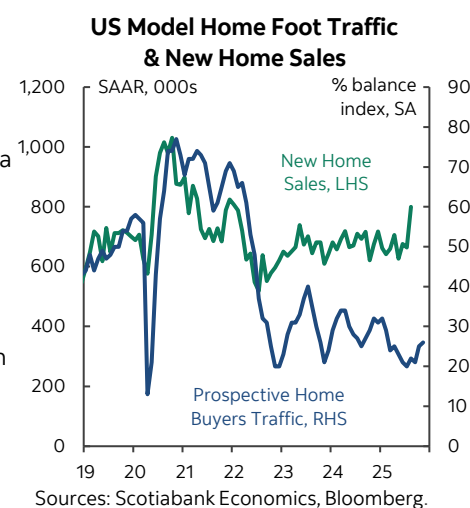
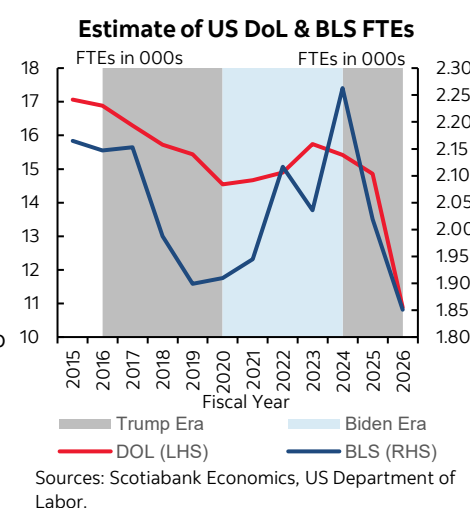


Chart 4



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Chart 5

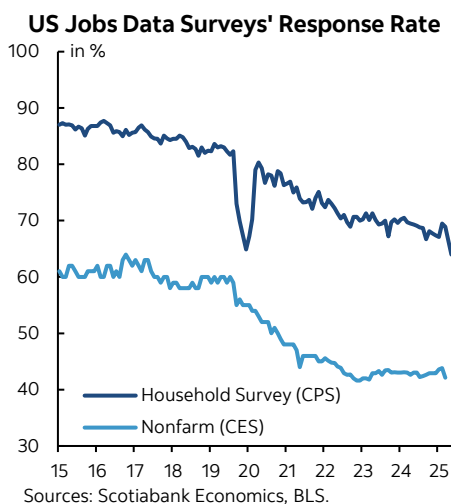


Chart 6

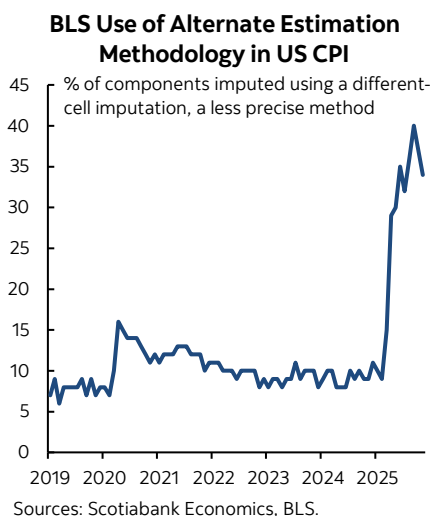


Chart 7

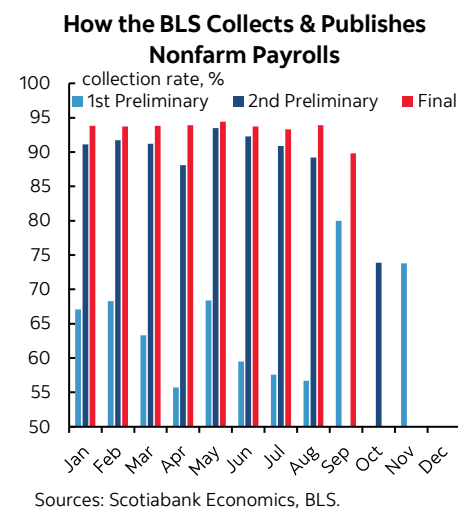


Chart 8

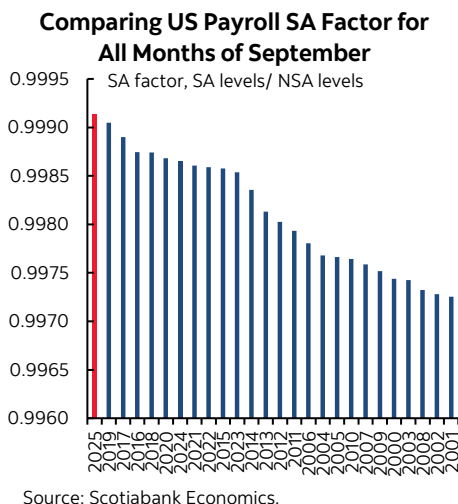


Chart 9

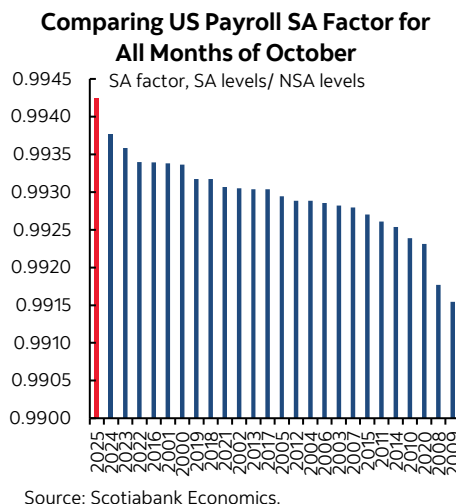
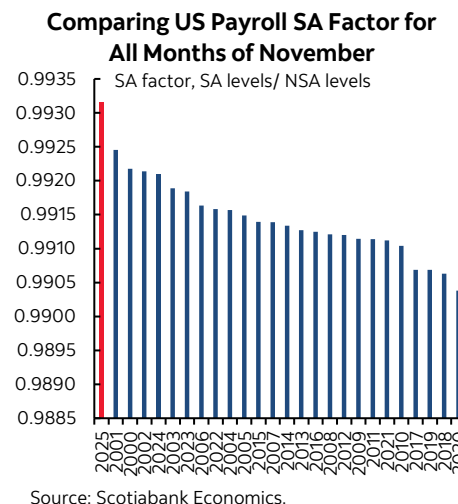


Chart 10



Trump 2.0 effects (chart 5). Other drivers of falling response rates have included folks' reticence to answer phones given spammers, telemarketers, and crooks on the other end. The data agencies could have done better in terms of pivoting toward other data collection methods.

Chart 6 also shows the record share of the CPI basket that is being guesstimated through proxy methods in lieu of hard price data. Chart 7 shows weak first response rates for nonfarm payrolls that gets made up with more complete data on subsequent revisions, but less so in recent months. Charts 8–10 show the curious move toward record high seasonal adjustment factors for nonfarm payrolls in each of the past three months following when President Trump fired the BLS Commissioner. These high SA factors may overstate payrolls and raise questions about the degree to which they are because of seasonal adjustment models that may be questioned, or other less pure motives. Given the sharp criticism they have endured and the sagging job prospects, maybe they're all afraid of telling Trump that jobs have been tanking.

DATA RELEASES

Challenger job cuts landed at 35.6k in December in seasonally unadjusted terms. That's the lowest reading since July of last year. Even if it were seasonally adjusted, the print would be broadly within the readings of the past decade's December readings except for the pandemic's hit in 2020.

German factory orders were massive in November. Orders grew by 5.6% m/m SA (-1.0% consensus) after a prior 1.6% gain and a rise of 2.1% before that. Capital goods are driving the strength with orders up by 7.9% in November after a 5.3% surge. The result lifts total orders to their highest level since a temporary peak two years prior.

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Sweden's short-term rates market is outperforming most others this morning after CPI came in weaker than expected. CPI was flat in December (consensus 0.2% m/m) with underlying inflation at 0.1% (0.3% consensus) and underlying ex-energy up 0.3% (0.6% consensus). 2s rallied by about 2–3bps this morning, but markets still expect nothing from the Riksbank throughout this year.

On tap this morning will be several US and Canadian releases. US Q3 productivity growth should be quite strong with a gain of around 5% expected in the wake of the strong beat for US Q3 GDP, albeit with question marks around data quality that may spawn revisions. We'll get trade figures from the US and Canada for the month of October and possible revisions that could impact initial Q3 GDP estimates (8:30amET). Revelio issues its nonfarm gauge for December (8:30amET). US initial and continuing claims are also due (8:30amET).

Tonight, Peru's central bank is widely expected to remain on hold at 5.25% (6pmET).

Fixed Income	Government Yield Curves (%):												Central Banks	
	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		
U.S.	3.47	3.47	3.48	3.71	3.71	3.73	4.16	4.15	4.17	4.85	4.83	4.84	Canada - BoC	2.25
CANADA	2.57	2.56	2.59	2.94	2.93	2.97	3.41	3.39	3.43	3.86	3.85	3.86	US - Fed	3.75
GERMANY	2.10	2.09	2.12	2.42	2.40	2.45	2.88	2.81	2.86	3.48	3.45	3.48	England - BoE	3.75
JAPAN	1.13	1.17	1.18	1.54	1.58	1.55	2.08	2.12	2.07	3.50	3.51	3.40		
U.K.	3.68	3.68	3.74	3.86	3.86	3.93	4.41	4.42	4.48	5.16	5.16	5.21		
	Spreads vs. U.S. (bps):													
CANADA	-91	-91	-89	-77	-78	-76	-76	-76	-74	-99	-99	-99	Euro zone - ECB	2.15
GERMANY	-137	-138	-135	-129	-131	-128	-129	-134	-131	-137	-139	-137	Japan - BoJ	0.75
JAPAN	-234	-230	-230	-218	-212	-218	-208	-203	-210	-135	-132	-144		
U.K.	21	21	26	15	16	20	25	27	31	31	32	36	Mexico - Banxico	7.00
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	32135			-271.5			-0.8	0.8	3.1	28.3			Australia - RBA	3.60
Dow 30	48996			-466.0			-0.9	1.3	2.6	14.9			New Zealand - RBNZ	2.25
S&P 500	6921			-23.9			-0.3	0.4	1.1	16.9			Next Meeting Date	
Nasdaq	23584			37.1			0.2	0.7	0.2	21.1			Canada - BoC	Jan 28, 2026
DAX	25049			-73.1			-0.3	2.3	4.2	23.2			US - Fed	Jan 28, 2026
FTSE	10019			-29.1			-0.3	0.9	3.9	21.4			England - BoE	Feb 05, 2026
Nikkei	51117			-844.7			-1.6	1.2	0.9	29.1			Euro zone - ECB	Feb 05, 2026
Hang Seng	26149			-309.6			-1.2	2.0	1.5	35.6			Japan - BoJ	Jan 23, 2026
CAC	8210			-23.5			-0.3	0.7	1.3	10.2			Mexico - Banxico	Feb 05, 2026
Commodities	Level						% change:							
WTI Crude	56.80			0.81			1.4	-1.1	-3.5	-22.5			Australia - RBA	Feb 02, 2026
Natural Gas	3.45			-0.08			-2.2	-6.5	-29.8	-5.6			New Zealand - RBNZ	Feb 17, 2026
Gold	4419.54			-36.93			-0.8	2.3	5.5	66.0				
Silver	78.99			0.51			0.6	9.7	35.9	161.2				
CRB Index	300.16			-1.91			-0.6	-0.5	-0.4	0.9				
Currencies	Level						% change:							
USDCAD	1.3861			0.0000			0.0	1.0	0.0	-3.6			Mexico - Banxico	Feb 05, 2026
EURUSD	1.1675			0.0000			0.0	-0.6	0.3	13.2			Australia - RBA	Feb 02, 2026
USDJPY	156.70			-0.0600			-0.0	-0.0	0.5	-1.0				
AUDUSD	0.6698			-0.0023			-0.3	0.4	1.1	7.8				
GBPUSD	1.3441			-0.0017			-0.1	-0.1	0.9	8.7				
USDCHF	0.7976			-0.0001			-0.0	0.6	-1.1	-12.5				

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