

### DAILY POINTS

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On Deck for Monday, January 12 <sup>th</sup>				
Country	Date	Time	Indicator	Period
US	01-12	12:30	Fed's Bostic Moderates Discussion with CEO of Intercontinental	
US	01-12	12:45	Fed's Barkin Participates in Fireside Chat	
US	01-12	18:00	Fed's Williams Delivers Keynote Remarks	
				BNS
				Consensus
				Latest

### KEY POINTS:

- **Markets rebel against Trump administration's latest assault of the Fed**
- **Trump administration delivers subpoena to Powell's Fed...**
- **...and Powell's forceful counter is right on the mark**
- **How the Senate acts upon Trump's eventual nominee for Fed chair could be key**
- **How Trump's credit card rate caps would backfire**
- **Global Week Ahead — War is Peace (reminder [here](#))**

Markets are rebelling against President Trump's attack on Chair Powell and the Federal Reserve. Gold is up by about US\$75/oz to nearly US\$4,600. Longer-end Treasury yields are punching higher with the 10-year up 3bps and 30s up 4bps. The USD is broadly weaker against major crosses. Crypto currencies are hardly serving as a hedge against political meddling in the dollar as they're mostly down as well. S&P equity futures are down by about -3/4%.

The assault on the Fed is dominating markets but the reaction may be limited thus far by virtue of the fact it's a national holiday in Japan and so Asian market reaction was constrained overnight. Let's see the full reaction in the North American session, though I wouldn't be surprised to see a consolidation of the early reaction and a pivot toward other developments on tap for the week like tomorrow's US CPI, US bank earnings, geopolitical risks etc.

Other overnight developments were light. Australian household spending beat expectations (1% m/m, 0.6% consensus) which is driving mild underperformance of Australia's front-end. India's CPI was softer than expected (1.3% y/y, 1.6% consensus) which had no effect on the 50-50 market pricing for a quarter point cut by the RBI on February 6<sup>th</sup>.

### TRUMP ADMINISTRATION EXPLICITLY THREATENS THE FED

At issue is the move by the Trump administration's Department of Justice under Pam Bondi—and possibly an extension of efforts by FHFA head Bill Pulte—to serve a grand jury subpoena that threatens a criminal indictment of Chair Powell for what he allegedly said about renovations during his testimony before Congress in June. And if you believe it has anything to do with that, then in my opinion, there's no hope for further understanding.

Chair Powell's unprecedented and brave counter of the allegation was released last evening ([here](#)) and stated "This new threat is not about my testimony last June or about the renovation of the Federal Reserve buildings. The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the president." Good for you. He perhaps wisely resisted the opportunity to point the finger at other famous renovations. I haven't always agreed with Powell's judgement—including the aftermath of the pandemic—but I'd be vastly more concerned about a scenario in which the administration of the day is calling the shots on monetary policy.

Would it fly legally? I would think not, but the often-complicit Supreme Court raises doubts should it go that far and of course I'm no lawyer, let alone a lawyer well versed in

the specific matters at hand. The move comes before the administration's other case against Fed Governor Cook one week from Wednesday before the Supreme Court that is unlikely rule in favour of the administration, although this is not assured. One would hope the US legal system can see through the true motives of the subpoena.

The risks could cut deeper. Republican Senator Tom Tillis bluntly stated he would not approve any fed chair nominees "until this legal matter is fully resolved." On his own, he cannot be effective. But the GOP has a slim majority in the Senate with 53 seats to the Dems' 45 and 2 independents who caucus with the Dems. One scenario could be if there are three other principled GOP Senators who may join him in, say, rejecting a Fed Chair candidate who is deemed to be too close to the administration. Trump 1.0 set precedent for this administration with rejected candidates.

### WHY CREDIT CARD INTEREST RATE CAPS WOULD BACKFIRE

On Friday evening, Trump delivered this social media post stating that he is "calling for a one-year cap on credit card interest rates of 10%" effective January 20<sup>th</sup> which he wasn't shy about noting is the anniversary of his inauguration day. It may never see the light of day or be sustained given industry lobbying around arguments shared below.

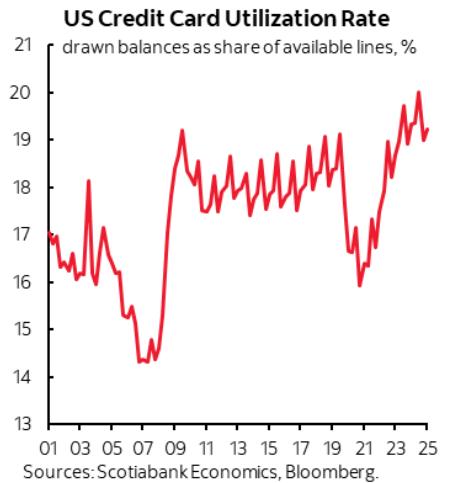
The motive for such action is political and not rooted in any market failure. The credit card industry is a hotly competitive one in which borrowers have choices. They have choices not only across competing cards, but they can also choose to borrow on cheaper lines of credit—secured and unsecured—or installment loans or mortgages. Americans do a lot of the latter because of mortgage interest deductibility that tilts borrowing preferences more toward mortgages than elsewhere in the world. Ill-advised auto loan interest deductibility would have the same effect of altering the after-tax costs of different types of debt.

Here's why such a move to cap credit card rates could spectacularly backfire:

- **The end of free credit for most:** A May 2025 NY Fed study showed only 46% of American credit card holders carried a credit card balance at least once in the past year, the so-called extender rate (p.56, chart 28 [here](#)). The other 54% who manage their money wisely got free money for the grace period which can be several weeks. Only less than 20% of available credit card lines are utilized (chart 1). Set a cap on credit card rates for the rest and the grace period for the ones who get free credit would likely collapse.
- **Buh-bye minimum monthly payments:** The folks who do carry a balance would likely have to pay higher minimum monthly payments for card companies to recoup the effects.
- **Other borrowing costs would rise:** Card companies would have no choice but to raise other fees like annual fees, FX conversions and scale back loyalty programs etc.
- **Card issuance would suffer:** Perhaps existing card holders would be cancelled which is within the rights of the companies and new card issuance would be curtailed for all but the most credit worthy customers.
- **Choice:** There are substitutes for prudent money management. Eg. lines, mortgages, installment loans. You would have to prove market failure to demonstrate that people have no choice than to borrow on cards.
- **Financial stability could suffer:** The impact upon firms that rely relatively more on card revenues—like monolines—could be destabilizing to the financial system.

In short, education and efforts to raise financial literacy may be more effective than rate caps and so could efforts to address severe income disparities within the US economy that are not the fault of the cards industry.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Government Yield Curves (%):												Central Banks	
Fixed Income	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.	3.54	3.53	3.45	3.77	3.75	3.71	4.19	4.17	4.16	4.85	4.81	4.85	2.25
CANADA	2.56	2.55	2.57	2.93	2.92	2.94	3.40	3.38	3.42	3.85	3.82	3.88	3.75
GERMANY	2.10	2.11	2.13	2.41	2.42	2.45	2.85	2.86	2.87	3.44	3.46	3.51	3.75
JAPAN	1.15	1.15	1.20	1.56	1.56	1.60	2.10	2.10	2.13	3.42	3.42	3.47	2.15
U.K.	3.66	3.64	3.72	3.85	3.84	3.94	4.39	4.37	4.51	5.13	5.12	5.25	0.75
Spreads vs. U.S. (bps):													
CANADA	-98	-99	-88	-84	-83	-76	-80	-78	-74	-101	-99	-97	Mexico - Banxico
GERMANY	-144	-143	-132	-136	-133	-125	-135	-130	-129	-142	-135	-134	Australia - RBA
JAPAN	-238	-238	-225	-221	-219	-211	-210	-207	-204	-144	-140	-138	New Zealand - RBNZ
U.K.	12	11	27	8	8	23	19	21	34	27	31	40	Canada - BoC
Equities	Level			% change:									
	Last	Change		1 Day	1-wk	1-mo	1-yr						Jan 28, 2026
S&P/TSX	32613	234.3		0.7	2.3	3.4	31.7						Feb 05, 2026
Dow 30	49504	238.0		0.5	2.3	2.2	18.0						Feb 05, 2026
S&P 500	6966	44.8		0.6	1.6	2.0	19.6						Feb 05, 2026
Nasdaq	23671	191.3		0.8	1.9	2.1	23.5						Feb 05, 2026
DAX	25377	114.9		0.5	2.0	4.9	25.5						Feb 05, 2026
FTSE	10126	1.0		0.0	1.2	4.9	22.8						Feb 05, 2026
Nikkei	51940	822.6		1.6	3.2	2.2	32.5						Feb 05, 2026
Hang Seng	26608	376.7		1.4	1.0	2.4	39.6						Feb 05, 2026
CAC	8353	-8.7		-0.1	1.7	3.5	12.4						Feb 05, 2026
Commodities	Level			% change:									
WTI Crude	58.58	-0.54		-0.9	0.4	2.0	-23.5						Feb 05, 2026
Natural Gas	3.26	0.09		2.8	-7.5	-20.8	-18.3						Feb 05, 2026
Gold	4581.75	72.25		1.6	3.0	6.6	70.3						Feb 05, 2026
Silver	78.14	2.94		3.9	5.3	33.3	158.0						Feb 05, 2026
CRB Index	301.47	-0.91		-0.3	1.2	1.1	-1.5						Feb 05, 2026
Currencies	Level			% change:									
USDCAD	1.3881	-0.0032		-0.2	0.8	0.8	-3.5						Feb 05, 2026
EURUSD	1.1683	0.0046		0.4	-0.3	-0.5	14.0						Feb 02, 2026
USDJPY	157.85	-0.0400		-0.0	0.9	1.3	0.2						Feb 17, 2026
AUDUSD	0.6705	0.0018		0.3	-0.1	0.8	8.5						Feb 17, 2026
GBPUSD	1.3466	0.0062		0.5	-0.6	0.7	10.4						Feb 17, 2026
USDCHF	0.7975	-0.0037		-0.5	0.7	0.2	-13.0						Feb 17, 2026

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