

### DAILY POINTS

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### Contributors

#### Derek Holt

VP & Head of Capital Markets Economics  
Scotiabank Economics  
416.863.7707  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

On Deck for Monday, January 26 <sup>th</sup>							
Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01/26	08:30	Durable goods orders	Dec	5.0	3.8	-2.2
US	01/26	08:30	Capital goods orders ex-transportation	Dec	0.2	0.3	0.1
CA	01/26	09:00	Canada to announce affordability measures				

### KEY POINTS:

- **Gold keeps soaring on economic uncertainty**
- **Trump's tariff threat against Canada lacks details and credibility**
- **Canadian business: don't use this as another excuse to avoid investing**
- **Carney administration to announce limited affordability measures today**
- **US durable goods orders—strong headline, muted core?**
- **Global Week Ahead—Excuses, Excuses! ([reminder here](#))**

Gold is up by about US\$100/oz and closing in on US\$5,100. Silver is also up by about 6% and closing in on US\$110/oz. These are the stand-out moves across asset classes to start the week. Canadian markets are largely shaking off Trump's latest threat (see below) as CAD is slightly appreciating compared to Friday, TSX futures are outperforming US equity futures, Canadian government bond yields are only slightly outperforming US Ts and full-year BoC pricing is unchanged with markets still slightly leaning toward the next move being up by year-end.

The day's line-up is light with only two notable things. One is that Canada's government will announce affordability measures including increased GST credits at 9amET. The other is that the US updates durable goods orders that are expected to post a sharp headline gain on airplane orders, but muted growth in orders ex-air and defence (8:30amET).

### TRUMP'S LATEST TARIFF THREAT WON'T HAPPEN

Trump delivered [this](#) threat against Canada on Saturday and followed it up with more general attacks yesterday. I'll expand on arguments provided to staff and clients through chats on Saturday morning and that are embellished below.

What is Trump's threat? Sign a deal with China, and a 100% tariff will be applied to everything.

Before turning to why it would never see the light of day, here are some more practical issues.

It wasn't initially clear what deal Trump was referencing. The modest deal struck during PM Carney's visit to China? In other words, the one that swaps canola for low e-vehicle quotas and other vague intentions?

Treasury Secretary Bessent clarified yesterday that it was a threat levied should Canada strike a broader agreement than the one the Carney administration inked during a visit to China. Bessent also said the tariff threat would depend on evidence that Canada is allowing Chinese goods to be dumped into the US; there is no such evidence of this happening or likelihood of such with one example being that the US prohibits imports of Chinese e-vehicles.

In my opinion, Bessent's comments were an attempt at de-escalation, though it is often unclear the extent to which he speaks for Trump.

Carney also rightly pointed out that the US administration would be made aware ahead of time if a broader deal were being targeted since a 30-day notification of free trade deals with non-market economies is a requirement under the CUSMA/USMCA deal. Carney said

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no such notification has been made because "We have no intention of doing that with China or any other non-market economy." Why would the US administration have levied this threat, knowing full well it hadn't received such notification?

The added curiosity is that Trump had initially praised Carney for the deal with China and said it didn't bother him. The only developments since he said that have included PM Carney's aggressive speeches at Davos and at home, so perhaps this is about retribution through mere words. It may also be that the Ontario government's tactics to sharply criticize the Canada-China mini-deal through grossly exaggerated and politically hyped fears drew unwanted US attention.

Extra curious is that Canada's small deal with China merely winds back some of the protectionist measures each side took—such as banning Chinese e-vehicle imports, and China's tariffs against Canadian canola and beef—rather than truly advancing trade other than loose, unspecified intentions to allow more Chinese investment. The US did the exact same thing last Fall.

Naturally, we don't know details surrounding the threatened tariff, given the practice of leaving them out of social media posts. We don't know timelines, what tariff tool could be used especially with IEEPA under SCOTUS review, whether CUSMA/USMCA-compliant trade would be exempt, etc etc.

But here's why I think it's an empty threat.

First, it would be devastating to US businesses across multiple industries. For example, when far, far lower tariffs were threatened early last year, auto industry execs such as Linamar's CEO remarked that it would mean "it wouldn't be more than a week before we would see vehicle production in North America grind to a halt, and that means millions of people laid off, the majority of which would be in the U.S., and I can't see how that's a good thing for America."

Apply this reasoning across multiple industries. It could no longer be economical to supply oil and gas, hydro, any resources, or any manufactured product or service. Supply chains could freeze across multiple industries. Millions of American workers could be laid off. Millions of US consumers could find bare shelves, could be unable to heat their homes, and would be literally left in the dark.

Second, the market reaction to actual implementation could resurrect the "Liberation Day" trade after the April 2<sup>nd</sup>, 2025 tariff moves. Markets may lose faith in the US institutional framework, view it as having much higher country risk, and sell assets across the board toward a new equilibrium that reflects higher risk. That means dumping the dollar, dumping Treasuries, dumping credit and ditching equities. This is already a contributing factor to surging gold prices.

Third, such threats make it clear that the US administration is violating the original intent of pieces of legislation to impose tariffs. It further strengthens the case for SCOTUS to shoot down IEEPA tariffs although court observers suggest the next likely day on which court opinions may be offered is not until February 20<sup>th</sup>. Then to start the next round of challenges against the use of other tools. The entire tariff house of cards could come down in a striking rebuke.

Fourth, much of what is threatened never sees the light of day. Witness Greenland, European tariffs etc.

Fifth, if such a threat were actually carried out, then there would be enormous pressure to invoke major retaliation and that would include federal and provincial governments and consumers.

In conclusion, the thing about threats is that they have to be remotely credible. Nevertheless, instability only adds to the case to diversify away from the US. That has been underway for a while, as the share of total Canadian exports that go to the US has fallen from 85% about a quarter-century ago to 67% today and will likely keep falling over the next decade. Please also see my [weekly](#) that expands upon my view that USMCA/CUSMA risk is no excuse against investing in Canada after decades of such excuses have driven chronic under-investment.

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	Last		
U.S.	3.59	3.60	3.59	3.82	3.83	3.82	4.22	4.23	4.22	4.81	4.83	4.84	4.84	2.25	
CANADA	2.57	2.60	2.58	2.91	2.94	2.91	3.38	3.41	3.38	3.80	3.84	3.82	3.82	3.75	
GERMANY	2.11	2.13	2.08	2.47	2.50	2.44	2.88	2.91	2.84	3.49	3.51	3.46	3.46	3.75	
JAPAN	1.27	1.25	1.22	1.69	1.69	1.69	2.24	2.26	2.27	3.63	3.64	3.61	3.61	2.15	
U.K.	3.73	3.73	3.68	3.96	3.97	3.89	4.50	4.51	4.42	5.23	5.25	5.16	5.16	0.75	
Spreads vs. U.S. (bps):														Mexico - Banxico	
CANADA	-103	-100	-101	-91	-88	-91	-84	-81	-84	-101	-99	-102	-102	7.00	7.00
GERMANY	-149	-147	-151	-134	-132	-138	-134	-132	-138	-132	-131	-138	-138	3.60	3.60
JAPAN	-232	-234	-237	-213	-213	-213	-198	-197	-196	-119	-119	-123	-123	2.25	2.25
U.K.	14	14	9	15	15	7	28	29	19	42	43	32	32	3.75	3.75
Equities	Level						% change:							Next Meeting Date	
S&P/TSX	33145			142.3			0.4	0.3	3.6	30.1				Canada - BoC	Jan 28, 2026
Dow 30	49099			-285.3			-0.6	-0.7	0.8	10.5				US - Fed	Jan 28, 2026
S&P 500	6916			2.3			0.0	-0.4	-0.2	13.3				England - BoE	Feb 05, 2026
Nasdaq	23501			65.2			0.3	-0.1	-0.4	17.8				Euro zone - ECB	Feb 05, 2026
DAX	24849			-51.6			-0.2	-0.4	2.1	16.1				Japan - BoJ	Mar 19, 2026
FTSE	10155			11.1			0.1	-0.4	2.9	19.4				Mexico - Banxico	Feb 05, 2026
Nikkei	52885			-961.6			-1.8	-1.3	4.2	32.4				Australia - RBA	Feb 05, 2026
Hang Seng	26766			16.0			0.1	0.8	3.7	33.4				New Zealand - RBNZ	Feb 05, 2026
CAC	8118			-25.2			-0.3	0.1	0.2	2.4				Canada - BoC	Feb 05, 2026
Commodities	Level						% change:							Next Meeting Date	
WTI Crude	61.10			0.03			0.0	2.8	7.7	-18.2				US - Fed	Feb 05, 2026
Natural Gas	6.18			0.91			17.2	99.3	41.6	53.5				England - BoE	Feb 05, 2026
Gold	5090.28			102.79			2.1	9.0	12.3	83.7				Euro zone - ECB	Feb 05, 2026
Silver	99.00			5.62			6.0	9.0	42.0	224.9				Japan - BoJ	Feb 05, 2026
CRB Index	312.24			3.83			1.2	3.5	3.9	0.8				Mexico - Banxico	Feb 05, 2026
Currencies	Level						% change:							Australia - RBA	
USDCAD	1.3685			-0.0014			-0.1	-1.3	0.1	-4.8				New Zealand - RBNZ	Feb 05, 2026
EURUSD	1.1854			0.0026			0.2	1.8	0.7	13.0				Canada - BoC	Feb 02, 2026
USDJPY	153.92			-1.7800			-1.1	-2.7	-1.7	-0.4				US - Fed	Feb 17, 2026
AUDUSD	0.6922			0.0028			0.4	3.1	3.1	10.0				England - BoE	Feb 05, 2026
GBPUSD	1.3661			0.0018			0.1	1.8	1.2	9.3				Euro zone - ECB	Feb 05, 2026
USDCHF	0.7779			-0.0020			-0.3	-2.5	-1.5	-13.8				Japan - BoJ	Feb 05, 2026

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