

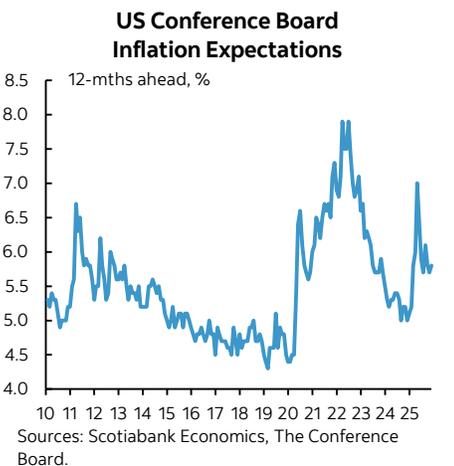
DAILY POINTS

January 27, 2026 @ 7:20 EST

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Chart 1



On Deck for Tuesday, January 27th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01-27	09:00	S&P/Case-Shiller Home Price Index (m/m)	Nov	0.2	0.2	0.3
US	01-27	09:00	S&P/Case-Shiller Home Price Index (y/y)	Nov	1.3	1.2	1.3
US	01-27	10:00	Consumer Confidence Index	Jan	88.0	91.0	89.1
US	01-27	10:00	Richmond Fed Manufacturing Index	Jan	--	-5.0	-7.0

KEY POINTS:

- **Markets are biding their time before developments heat up**
- **Party time for Canadian consumers this summer?**
- **South Korean markets ignored Trump’s tariff threat**
- **US consumer confidence leads a light data calendar**
- **BCCh likely to hold with cut risk**

A very light session is on tap in terms of calendar-based risk before things heat up tomorrow with central banks and earnings. Today brings just a handful of second- or third-tier US macro releases and Chile’s central bank decision after nothing of note overnight.

Markets are largely in wait-and-see mode. Stocks are generally a little higher across US equity futures and most European cash indices, but with TSX futures a touch lower. Sovereign bonds are mostly just treading water. Gold is up by over US\$60 to US\$5,075 after starting off strongly yesterday morning but then losing momentum. The dollar is broadly softer against all major crosses.

SOUTH KOREAN MARKETS IGNORE TARIFF THREAT

Korea’s Kospi rallied by 2¾% as traders assume Trump’s threat to raise tariffs against the country from 15% to 25% due to stalled progress passing a bad deal with the US will merely die on social media like many other tariff threats. The won is flat but slightly underperforming on a day of general dollar weakness, but not by much. South Korea’s front-end is outperforming others with the 2s yield down 3bps which is another big whoop-di-doo on tariff threats. Raise the price of giant screen TVs before the Super Bowl? Jack up cell phone bills? Brilliant.....

BCCH EXPECTED TO HOLD WITH CUT RISK

Chile’s central bank makes another rate decision at 4pmET. All but one in consensus expect a hold (Scotia’s Santiago-based Jorge Selaive expects a 25bps cut). Doves can point to the appreciating Chilean peso. CLP has rallied by just under 10% to the dollar since October. Inflation has fallen back to 3½% with core at 2.8% compared to the inflation target of around 3%. BCCh expects inflation to drop further to 3% over 2026H1.

CONSUMER CONFIDENCE HEADLINES US DATA

The US updates a series of second- and third-tier releases this morning.

- It starts with weekly ADP private payrolls (8:15amET) that will further inform tracking for next Wednesday’s monthly gauge.
- House prices have been showing some signs of life with the too-long-of-a-name-to-mention measure of repeat sale home prices (9amET) posting small gains in the past three months, but still only tracking just above 1% y/y in nominal terms and falling in inflation-adjusted terms which implies a negative housing wealth effect.
- Consumer confidence in January (10amET) will be the main release. It has been on a falling trend and is inches away from the lowest reading in about five years. Watch the measure of short-term inflation expectations (chart 1) with caution as consumers

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fundamentally don't understand inflation. Consumers judge inflation by pointing to high frequency purchases like groceries and gas, they emphasize price levels (not inflation) instead of rates of change (inflation) and they fall prey to the representative agent problem that looks at spending patterns of all consumers and not individuals. The latter matters because it means even though individual consumers don't buy cars, tvs, phones, concert tickets etc every day, someone somewhere is doing so and all prices therefore need to be taken into account.

- The Richmond Fed's manufacturing index during January (10amET) will update tracking of ISM-manufacturing that is due out next week. So far, we know that the Empire, Philly and Dallas Fed measures improved over the prior month but the KC Fed's measure was little changed. That could imply a small improvement in the ISM-manufacturing measure but still in contraction territory.

CANADA'S GST HAND-OUT SURE SMELLS LIKE ELECTION PRIMING

What will be the impact of Canada's curiously named "Groceries and essentials benefits" that has absolutely nothing whatsoever to do with groceries? I'll share what I wrote in staff/client chats yesterday.

The biggest of the effects stems from the one-time 50% boost to the GST credit by no later than June. The smaller effect stems from raising the existing GST credit amount by 25% for 5 years.

It could be party time in Canada this summer folks.

The combination of the announcements should boost nominal growth in disposable (after-taxes and transfers) income to about 6% q/q at a seasonally adjusted and annualized rate (SAAR) which is around double the run rate. That's mainly due to the one-time GST hand-out. Afterward, disposable income growth drops back to around 3% to 3½% q/q SAAR which is still healthy. The amounts are tax-free so they flow through 100% to disposable income.

Given past tendencies for the amounts to be spent and the fact that there are no strings attached to what people do with the money, that could mean consumption growth pops higher toward 5–6% q/q SAAR with the timing depending upon a) exactly when the payments go out in Q2 especially the one-time gift that is supposed to be sometime in Spring but no later than June, and b) how their saving behaviour changes.

Will households save it by putting the extra amounts toward funding spending on essentials they were going to consume in any event, or will they boost spending outright by purchasing all manner of other goodies? If they do the latter, then call it outright stimulus, or pump-priming, with or without an election call waiting in the wings. If they do the former, then it's more about assistance. I suspect folks will boost total spending with a bit of a recognition lag after they see the extra funds in their accounts.

Another uncertainty is how much of this will drive higher prices versus higher volumes of spending. Only the latter counts toward GDP growth. Giving people more money to spend won't drive lower inflation including lower grocery prices, or lower borrowing costs. I thought we learned that lesson.

To the doves, priming consumption in Spring is another nail in the coffin of BoC rate cut hopes. Other economists are misrepresenting our views, however, in that we're not calling for 2026H1 rate hikes and are instead very clear about hikes being a late year expectation.

The good part is that we're not looking at GST/HST rate cuts like we did the last time from mid-Dec 2024 to mid-February 2025. Over that period, measures of core inflation soared in m/m SAAR terms as the incidence effects of the cut were partly captured by retailers. From December to February, traditional core jumped to 3.2% to 5.6% m/m SAAR in each of the months, weighted median CPI jumped to 2.8%–4.0%, and trimmed mean jumped to 3.5% in each month.

Is it part of a ploy to prime the pump on the path to an election call? PM Carney got somewhat visibly testy in response to being questioned on this. He sort of denied it, which one would expect, but not explicitly. If poll aggregator sites that convert to seat projections like [this](#) one are on the mark, then the federal Liberals still have their work cut out for them in order to retain the party's existing seats, let alone pick up a couple for a majority that would make it worth an election call.

Also keep an eye on what measures come out of yesterday afternoon's meeting between PM Carney and Ontario's Premier Ford. Colour me suspicious. Ford went from slamming the Canada-China mini-deal over the very low quotas set for Chinese e-vehicles last week, to suddenly singing the praise of the Federal government's auto initiatives as a joint review was pledged. Industry Minister Joly indicated there would be further developments over coming weeks on an auto sector strategy. Cha-ching. Someone's support likely got bought behind closed doors with the means and ways pending further announcements.

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.	3.59	3.59	3.60	3.82	3.82	3.86	4.22	4.21	4.29	4.81	4.80	4.92	Canada - BoC	2.25
CANADA	2.57	2.57	2.59	2.91	2.91	2.94	3.37	3.37	3.42	3.80	3.80	3.87	US - Fed	3.75
GERMANY	2.14	2.10	2.07	2.48	2.47	2.44	2.88	2.87	2.86	3.49	3.48	3.48	England - BoE	3.75
JAPAN	1.28	1.27	1.22	1.72	1.69	1.71	2.29	2.24	2.36	3.67	3.63	3.88		
U.K.	3.74	3.74	3.68	3.98	3.97	3.91	4.51	4.50	4.46	5.24	5.24	5.22		
	Spreads vs. U.S. (bps):													
CANADA	-102	-102	-101	-91	-91	-92	-85	-84	-87	-101	-101	-105	Euro zone - ECB	2.15
GERMANY	-144	-149	-153	-135	-136	-142	-134	-135	-143	-132	-132	-144	Japan - BoJ	0.75
JAPAN	-230	-232	-238	-210	-213	-215	-193	-198	-193	-114	-118	-104		
U.K.	15	15	8	15	14	5	28	28	16	43	43	30	Mexico - Banxico	7.00
Equities	Level						% change:							
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	33093	-51.7		-0.2	0.0	3.4	30.9							
Dow 30	49412	313.7		0.6	0.1	1.4	10.5							
S&P 500	6950	34.6		0.5	0.1	0.3	15.6							
Nasdaq	23601	100.1		0.4	0.4	0.0	22.0							
DAX	24930	-3.4		-0.0	0.9	2.4	17.1							
FTSE	10190	40.7		0.4	0.6	3.2	19.8							
Nikkei	53334	448.3		0.8	0.6	5.1	34.8							
Hang Seng	27127	361.4		1.4	2.4	5.1	34.3							
CAC	8157	25.6		0.3	1.2	0.7	3.2							
Commodities	Level						% change:							
WTI Crude	60.60	-0.03		-0.0	0.4	6.8	-17.2							
Natural Gas	6.42	-0.38		-5.6	64.3	47.0	73.7							
Gold	5078.67	69.97		1.4	6.6	12.0	85.3							
Silver	109.61	10.61		10.7	17.8	51.8	255.4							
CRB Index	315.11	2.87		0.9	4.3	4.9	3.2							
Currencies	Level						% change:							
USDCAD	1.3698	-0.0009		-0.1	-1.0	0.1	-4.7							
EURUSD	1.1910	0.0030		0.3	1.6	1.2	13.5							
USDJPY	153.48	-0.7000		-0.5	-3.0	-1.7	-0.7							
AUDUSD	0.6940	0.0023		0.3	3.0	3.7	10.3							
GBPUSD	1.3724	0.0044		0.3	2.1	1.6	9.8							
USDCHF	0.7726	-0.0043		-0.6	-2.2	-2.1	-14.3							
													Next Meeting Date	
													Canada - BoC	Jan 28, 2026
													US - Fed	Jan 28, 2026
													England - BoE	Feb 05, 2026
													Euro zone - ECB	Feb 05, 2026
													Japan - BoJ	Mar 19, 2026
													Mexico - Banxico	Feb 05, 2026
													Australia - RBA	Feb 02, 2026
													New Zealand - RBNZ	Feb 17, 2026

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