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GLOBAL ECONOMICS

DAILY POINTS

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Contributors

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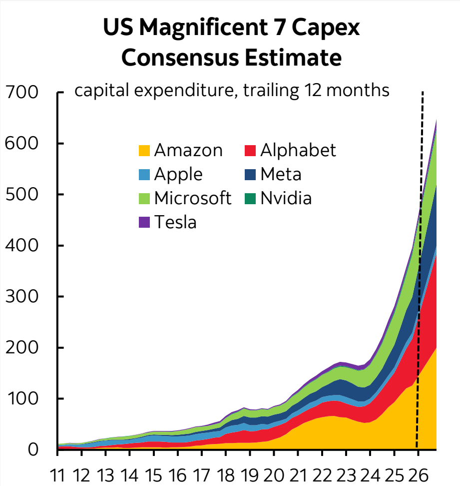
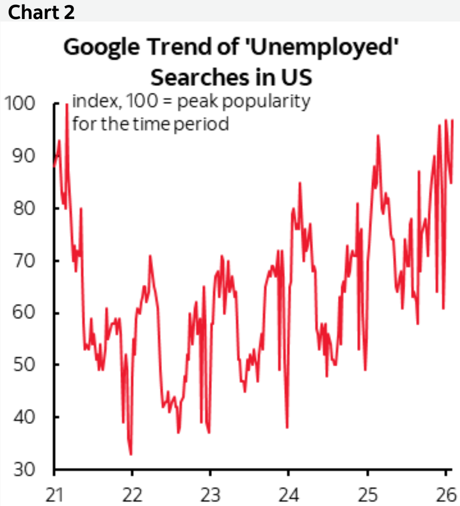
Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Google Trends.

On Deck for Friday, February 6th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	02-06	08:30	Employment (000s m/m)	Jan	15.0	5.0	10.1
CA	02-06	08:30	Unemployment Rate (%)	Jan	6.8	6.8	6.8
US	02-06	10:00	U. of Michigan Consumer Sentiment	Feb P	56.0	55.0	56.4
US	02-06	12:00	Fed's Jefferson Speaks on the Economy				
US	02-06	15:00	Consumer Credit (US$ bn m/m)	Dec	--	8.0	4.2

KEY POINTS:

- **Markets seeking a better end to a rough week**
- **Canadian jobs — fifth time lucky?**
- **BoC's Macklem reminds markets of the supply side's constraints…**
- **…and beseeches firms to rise to the occasion**
- **RBI holds, indicates neutral bias**
- **US UofM sentiment, Fed's Jefferson speaks**

Risk appetite is a touch more constructive so far this morning; let's hope it ends the week that way. Stock futures and cash markets are broadly higher across N.A. and Europe except Italy which almost seems rude as the Milan Olympics arrive today. The gain in US futures is despite Amazon's plunge following release of its earnings in yesterday's after-market as weakness spills over. Markets are pushing back on the massive cap-ex plans of the Mag7 including Amazon's US$200B guidance for this year that adds to the tally in chart 1. Sovereign bonds are mixed with US Ts broadly cheaper while European yields are broadly lower. The dollar is mixed but with a bit of a soft under belly. Cyber currencies are mostly higher after yesterday's plunge. Modest gains are being registered by gold and silver prices.

My main focus will be upon Canadian jobs and related metrics for the month of January (8:30amET) while US data could be a follow-up wild card.

Canadian Jobs — Spin the Wheel Time

Will it be a fifth time lucky for Canada, or about payback? Most within consensus think it will be another mild gain but no one should have much confidence in the estimates. Eventually the bears will be right like a stopped clock twice a day. Yet so far, Canada has surprisingly created almost 200k jobs over the past four months of consecutive gains. I think part of the reason is despite trade uncertainty as the capital:labour ratio shifts more toward labour to achieve output plans while business investment continues to shrink. See my **weekly** for a further preview and, well, good luck!

Watch the trend, not any one particular month. Beware of confirmation bias that overreacts to a drop or a large gain among some who have seemingly been longing for some bad news to support their hate on Canada. Ideal would be a modest change.

Light Overnight — German Data, RBI Hold

German data was mixed overnight. Exports were up by a whopping 4% m/m SA (1.1% consensus) in December after falling by 2.5% the prior month. Industrial output fell by 1.9% m/m (-0.3% consensus) during the same month after rising by 0.7%. The previous day's massive back-to-back gains in factory orders during November (5.7%) and December (7.8%) will likely lift industrial output in coming months.

India's central bank held its repurchase rate unchanged at 5.25% as most had anticipated. The RBI described its current rate as "appropriate" with a "neutral stance" while noting that trade deals support the economic outlook and inflation risk through the soft rupee and commodity prices remain material. India's bond yields rose slightly overnight.

Amazon's earnings in the after-market may dominate the rest of the global line-up unless UofM rattles some cages.

US UofM Sentiment

US markets face a light calendar. UofM consumer sentiment for February (10amET) is more driven by markets and cash flow than the Conference Board's consumer confidence reading. That means that it will be less sensitive to deteriorating job markets but more sensitive to wavering market conditions. Watch expected unemployment over the coming year as a highly correlated predictor of eventual unemployment. Do so while noting that clearly Americans have rising worries on their minds toward the state of the labour market (chart 2).

The Fed's Vice Chair Jefferson then speaks on the economic outlook and the supply side inflation dynamics at 12pmET. Too bad nonfarm was delayed by the government shutdown until next Wednesday, otherwise he might have been looked to for a reaction.

BoC's Macklem Emphasizes the Supply Side, Beseeches Firms to Rise to the Occasion

Bank of Canada Governor Macklem's **speech** yesterday didn't materially impact markets or offer new information to a policy rate forecast. Nevertheless, it's worth reading as it more clearly enunciates the BoC's views on the uncertainty surrounding the future direction of the policy rate by doing a better job than previously of explaining the dance between demand and supply.

Key were the two following passages.

"We have to be careful not to misdiagnose economic weakness. Monetary policy should not try to compensate for lost supply. Lowering interest rates in the face of weak economic activity risks stoking future inflation if the weakness is due to lower productive capacity rather than a cyclical downturn in demand. And there is also a risk that overstimulating demand when the problem is structural could delay needed structural change."

and

"Second, by its nature, structural change will affect different sectors and workers differently. We can't just look at the average impacts. US tariffs are already hitting the economy very unevenly. AI is poised to disrupt some industries and occupations more than others. Experience has taught us that these sectoral differences are important to understand inflation. For example, strong demand in some sectors may boost inflation by more than weakness elsewhere lowers it."

Overall, the speech is basically a primer on supply and demand 101 that constantly—in differing ways—reinforces the point that demand variables are likely to be on the soft side with some growth but monetary policy has to also consider the structural and cyclical factors that are restraining the supply side. That's a point that still gets lost in a lot of dialogue despite having just gone through the granddaddy of all supply side shocks.

Macklem also took a subtle poke at businesses in Canada, beseeching them to "lean into" structural change. If the economy fails to restructure by adopting new tech, pursuing new markets and products and investing then:

"…productivity and GDP growth do not recover. Canada becomes a less attractive place to invest. Businesses become less competitive. Job and wage growth are weak, our incomes don't recover, and affordability worsens. That's what we really can't afford. That's why we need to lean into this structural change."

Good for you, Governor. This is kind of a different but complementary angle to what I argued back **here**. Too many Canadian businesses always say it's too uncertain and risky to invest, so they don't. Some do, but Canada lags way back on the capital stock share of GDP, on R&D rankings, on adopting new tech etc.

I don't subscribe to CUSMA/USMCA falling to pieces. Further, the tariff shock is commonly overstated. Almost 90% of US-bound Canadian exports are tariff free according to US Customs data itself. USDCAD is about 1.37 from 1.20 coming out of the pandemic with about a zero real cost of short-term borrowing, and a low cost to longer term financing. Relative tariffs favour Canada over America's other trade partners. The lion's share of Canadian exporters have seen an improvement in their terms of trade and financing conditions. What do you want, a silver platter to go with it?

Fixed Income — Government Yield Curves (%):

	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.	3.48	3.45	3.52	3.74	3.72	3.79	4.20	4.18	4.24	4.86	4.84	4.87
CANADA	2.56	2.54	2.55	2.91	2.90	2.92	3.40	3.39	3.42	3.86	3.85	3.87
GERMANY	2.08	2.10	2.09	2.40	2.42	2.42	2.83	2.84	2.84	3.50	3.50	3.49
JAPAN	1.29	1.29	1.24	1.69	1.69	1.66	2.23	2.24	2.25	3.57	3.57	3.64
U.K.	3.63	3.66	3.72	3.90	3.94	3.95	4.52	4.56	4.52	5.33	5.37	5.29
Spreads vs. U.S. (bps):												
CANADA	-93	-91	-97	-83	-82	-87	-80	-79	-82	-100	-99	-101
GERMANY	-141	-136	-144	-135	-130	-137	-138	-134	-139	-136	-134	-138
JAPAN	-220	-216	-229	-206	-203	-213	-197	-194	-199	-129	-127	-123
U.K.	14	21	19	16	22	16	32	38	28	48	53	41

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	31995	-576.9	-1.8	-3.1	-1.3	25.3
Dow 30	48909	-592.6	-1.2	-0.3	-1.1	9.3
S&P 500	6798	-84.3	-1.2	-2.4	-2.1	11.8
Nasdaq	22541	-364.0	-1.6	-4.8	-4.3	13.9
DAX	24614	123.0	0.5	0.3	-1.1	12.4
FTSE	10326	16.9	0.2	1.0	2.0	18.3
Nikkei	54254	435.6	0.8	1.7	3.3	38.9
Hang Seng	26560	-325.3	-1.2	-3.0	-0.6	27.1
CAC	8234	-3.8	-0.0	1.3	-0.0	2.8
Commodities	**Level**		**% change:**			
WTI Crude	63.10	-0.19	-0.3	-3.2	10.4	-10.6
Natural Gas	3.56	0.05	1.5	-18.2	6.3	4.5
Gold	4888.79	109.74	2.3	-0.1	8.8	71.2
Silver	78.71	-11.88	-13.1	-33.6	4.8	143.9
CRB Index	309.36	-3.57	-1.1	-4.4	2.4	0.6
Currencies	**Level**		**% change:**			
USDCAD	1.3677	-0.0035	-0.3	0.5	-1.0	-4.4
EURUSD	1.1790	0.0013	0.1	-0.5	0.9	13.6
USDJPY	157.08	0.0400	0.0	1.5	0.3	3.7
AUDUSD	0.6985	0.0058	0.8	0.3	3.7	11.2
GBPUSD	1.3584	0.0053	0.4	-0.7	0.6	9.2
USDCHF	0.7781	-0.0001	-0.0	0.7	-2.2	-14.0

Central Banks

Current Rate	
Canada - BoC	2.25
US - Fed	3.75
England - BoE	3.75
Euro zone - ECB	2.15
Japan - BoJ	0.75
Mexico - Banxico	7.00
Australia - RBA	3.85
New Zealand - RBNZ	2.25

Next Meeting Date	
Canada - BoC	Mar 18, 2026
US - Fed	Mar 18, 2026
England - BoE	Mar 19, 2026
Euro zone - ECB	Mar 19, 2026
Japan - BoJ	Mar 19, 2026
Mexico - Banxico	Mar 26, 2026
Australia - RBA	Mar 16, 2026
New Zealand - RBNZ	Feb 17, 2026