

DAILY POINTS

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Contributors

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Chart 1

Comparing UK Core CPI for All Months of January

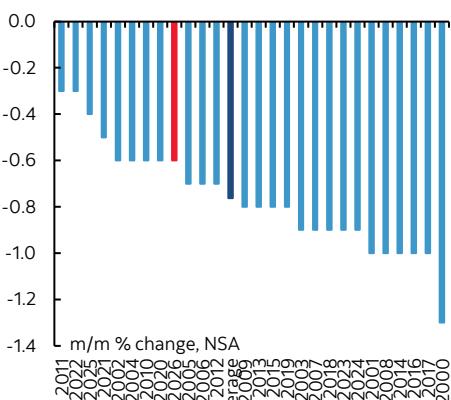


Chart 2

UK Service Inflation



On Deck for Wednesday, February 18th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	02-18	05:00	Existing Home Sales (m/m)	Jan	--	--	-2.7
US	02-18	07:00	MBA Mortgage Applications (w/w)	Feb 13	--	--	-0.3
US	02-18	08:30	Building Permits (000s a.r.)	Dec P	--	1400	1411
US	02-18	08:30	Durable Goods Orders (m/m)	Dec P	-1.5	-2.0	5.3
US	02-18	08:30	Durable Goods Orders ex. Trans. (m/m)	Dec P	0.2	0.3	0.4
US	02-18	08:30	Housing Starts (000s a.r.)	Dec	--	1304	1246
US	02-18	08:30	Housing Starts (m/m)	Dec	--	--	-4.6
US	02-18	09:15	Capacity Utilization (%)	Jan	76.5	76.5	76.3
US	02-18	09:15	Industrial Production (m/m)	Jan	0.4	0.4	0.4
US	02-18	10:00	Leading Indicators (m/m)	Jan	--	-0.3	-0.3
US	02-18	13:00	Fed's Bowman Speaks in Washington				
US	02-18	14:00	FOMC Meeting Minutes				
US	02-18	16:00	Total Net TIC Flows (US\$ bn)	Dec	--	--	212.0
US	02-18	16:00	Net Long-term TIC Flows (US\$ bn)	Dec	--	--	220.2

KEY POINTS:

- Stocks up ahead of Fed minutes, data
- Bland UK CPI adds a touch to BoE March cut pricing
- The RBNZ's curious mixture of communications and how markets took it
- Modest US data risk to bring IP, durables and starts
- FOMC minutes to extend the patience message
- Peru tosses President José Jerí
- Aussie wage growth remains firm
- Winter-walloped Canadian home sales creating pent-up demand into Spring
- US tax refund tracking & why refunds may be saved

Stocks are broadly higher to start the day. US and Canadian equity futures are pushing higher and Europe is up by about half a percent to over 1%. Sovereign yields are mostly little changed except for large outperformance by New Zealand's curve (RBNZ, see below). Watch Peruvian assets this morning amid more political turmoil. Dismiss Canadian home sales and watch US data and FOMC minutes as potential market catalysts.

FOMC Minutes and Modest US Data Risk

Modest US data risk arrives this morning. It will be important to separate utilities out of industrial production given cold, wet, snowy and slushy but otherwise lovely weather (9:15amET). Durable goods orders are likely to drop but strip out planes to evaluate momentum in core orders ex-air and defence (8:30amET). Housing starts are due out for both November and December (8:30amET) as data continues to catch up following the shutdown; there is no consensus for November but curiously a consensus for December.

Minutes to the January 27th–28th FOMC meeting (2pmET) are likely to add further colour to the debate over developments in the dual mandate and hence the Committee's appetite for future easing. A recap of the decision and communications is [here](#). I would particularly monitor discussion around the decision to de-emphasize labour market risks given the trend declines in US nonfarm payrolls ex-health care and the made-up dip in the unemployment rate with explanations for both [here](#) and [here](#).

Watch Peruvian Assets

Peru's Congress tossed President José Jerí last evening. The sol and local assets will be vulnerable to ongoing political instability. An election is due in April.

UK Core CPI Softens

UK core CPI added slightly to pricing for a cut at the March 19th BoE decision that now has about 21bps baked in. Core CPI edged lower to 3.1% y/y (3.2% prior) but was a tick higher than consensus expectations for 3.1% because it was slightly firmer than a normal January in month-over-month terms (chart 1) while services inflation edged lower but remains high (chart 2).

Aussie Wage Growth Lands On Consensus

Australian wage growth landed on consensus at 0.8% q/q SA nonannualized. Annualized q/q growth is shown in chart 3. On a year-over-year basis wages are up 3.4%. The A\$ is slightly softer this morning but the Australian rates curve cheapened by 3–4bps across maturities.

The RBNZ's Curious Communications

The RBNZ held its official cash rate unchanged at 2.25% as universally expected. It was an odd set of communications. On the one hand the headlines from the statement were taken by markets as a touch on the dovish side. Risks to the inflation outlook were described as balanced with headline inflation expected to return to the 1–3% band this quarter and hit the 2% midpoint “over the next 12 months.”

On the other hand, forward rate guidance was slightly raised over the projection horizon compared to November (chart 4). The RBNZ sees the possibility of raising the cash rate before year-end and then hiking by 50bps or so in total by the end of 2027. The RBNZ went from previously forecasting a return to 2% inflation by mid-2026 and now says within 12 months. Not to nitpick but I'll nitpick about the fact their projections don't show 2% being achieved until 2027Q2 which is more than 12 months away.

So, is that dovish, less dovish, hawkish, less hawkish, or neutral? I view it as slightly more hawkish. Markets clearly saw it differently by driving NZ 2s 10bps lower in a bull steepener curve move.

Weak Canadian Home Sales Are Building Pent-Up Demand

Canadian home sales fell 5.8% m/m SA in January. That's the biggest seasonally adjusted drop since last Winter when they fell by about 10% in February 2025 (chart 5). That's no surprise to folks who live here given it's one of the worst winters in years as defined by extreme cold and lots of snow. Listings were up 7.3% m/m. The sales to new listings ratio fell to 45% from 51.3% that would normally be interpreted as close to if not in a sellers' market if not for the weather effect. Months' supply increased by three-tenths to 4.9 months.

As sales fall, Canada is creating more momentum toward the Spring housing market. A combination of pent-up demand from first-time home buyers, pent-up demand from weather effects, lagging effects of trend job and income gains, low inflation-adjusted borrowing costs and cheaper homes could be powerful catalysts for a rebound. Immigration policy tightening offers mixed effects. Rental and condo markets suffer the loss of temporary residents (international students, temp foreign workers, asylum seekers) but permanent resident immigration continues.

Tracking US Tax Refunds—And Why They're Overhyped

It's very early—so early, in fact, that there isn't terribly much to make of it—but US tax refunds are off to a slow start. The IRS reported yesterday that the average amount refunded has been US\$2,290 so far which is up 10.9% from the same period last year but only just over US\$200 more than last year's tracking. That's a far cry from the ballyhooed surge of refunds. Chart 6 shows this year is tracking slightly higher than prior same periods.

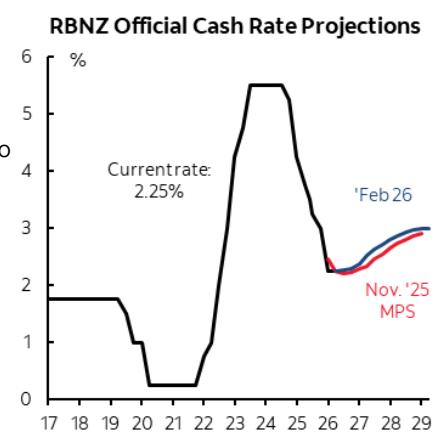
The IRS notes [here](#) that the “refund numbers do not include millions of EITC and ACTC refunds to these taxpayers” and that refund numbers for the week ending February 20th to be released on February 27th may move higher as a result.

Chart 3



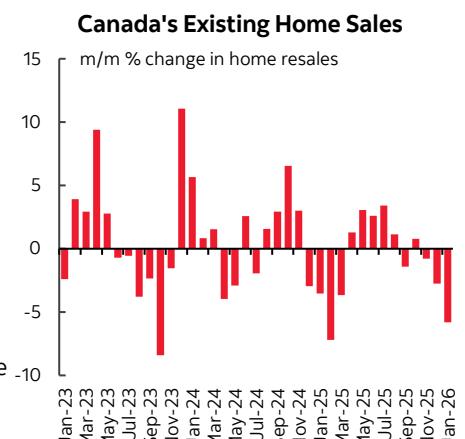
Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 4



Sources: Scotiabank Economics, Reserve Bank of New Zealand.

Chart 5



Sources: Scotiabank Economics, Canadian Real Estate Association.

Another plausible explanation—other than simple misestimation—is that perhaps the early filers are the most desperate for cash and probably lower income filers with smaller refunds.

Still, as argued in my weekly, the refund surge and its impact on consumption is an overhyped argument.

1. We need to look at the numbers for the refunds that are above seasonal norms, not the raw amounts. It's early for that.

2. It's not clear that consumers will spend the refunds. That's not necessarily some Ricardian equivalence argument since Americans never really expect their government to make them pay through fiscal reforms in future versus enduring fiscal profligacy that abuses the country's reserve currency status. It's more likely that tax refunds could be saved due to economic uncertainty and to offset the estimated tariff tax hike and ACA insurance cuts. The US saving rate is approaching nothing in real terms so precautionary rebuilding wouldn't be a surprise.

On net, there is a solid argument for no tax cut benefits on net whatsoever. See my weekly for the arguments and math.

3. Even if consumers do spend refunds, then it's just a transitory fillip to growth. Up one quarter when the proceeds are blown, then down the next. There is no narrative change from an inter-quarter change in spending.

Canadians know this full well. Think Trudeau bucks, Klein bucks, Ford bucks etc that all had the same transitory effects.

In short, the markets never learn with these games. Folks hop on the refunds or stimulus cheque bandwagon and then stand there with mouths agape when the effects reverse. Spending gets pulled forward.

My whole point, however, is that I'm not even sure we get to there anyway since on net there is a large tax hike (tariffs paid for by Americans) to pay for a modest income tax cut. Charts 7&8 show the math in aggregate and by income cohort. To repeat, it's the biggest fiscal policy con job in the history of US fiscal policy actions to tout an income tax cut that is funded by a tariff tax hike.

Chart 6

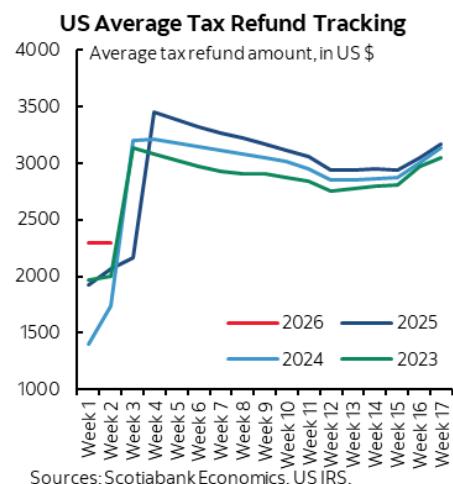


Chart 7

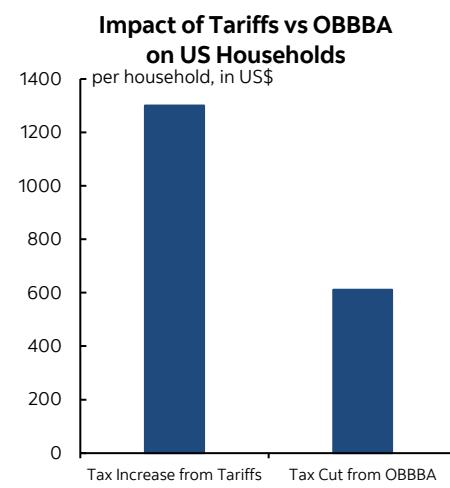
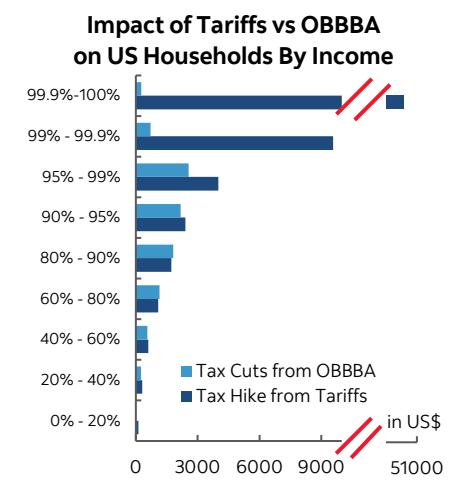


Chart 8



Government Yield Curves (%):												Central Banks				
Fixed Income	2-YEAR										5-YEAR		10-YEAR			Current Rate
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	
U.S.	3.45	3.44	3.51	3.64	3.62	3.74	4.07	4.06	4.17	4.69	4.69	4.81	Canada - BoC	2.25		
CANADA	2.45	2.45	2.52	2.77	2.76	2.86	3.23	3.23	3.34	3.71	3.71	3.79	US - Fed	3.75		
GERMANY	2.05	2.04	2.07	2.34	2.33	2.38	2.75	2.74	2.79	3.42	3.41	3.46	England - BoE	3.75		
JAPAN	1.25	1.24	1.31	1.63	1.62	1.71	2.15	2.14	2.24	3.39	3.41	3.51				
U.K.	3.58	3.59	3.62	3.80	3.88	4.37	4.38	4.48	5.17	5.18	5.29					
Spreads vs. U.S. (bps):																
CANADA	-100	-99	-99	-87	-86	-88	-83	-83	-84	-98	-98	-102	Euro zone - ECB	2.15		
GERMANY	-140	-140	-145	-130	-129	-137	-132	-132	-138	-127	-128	-135	Japan - BoJ	0.75		
JAPAN	-220	-220	-220	-201	-200	-204	-192	-192	-193	-130	-128	-130				
U.K.	13	15	11	16	18	13	31	32	30	48	49	48	Mexico - Banxico	7.00		
Equities	Level			% change:												
S&P/TSX	Last	Change		1 Day	1-wk	1-mo	1-yr						Australia - RBA	3.85		
Dow 30	32897	-177.2		-0.5	-0.4	-0.4	28.3						New Zealand - RBNZ	2.25		
S&P 500	49533		32.3	0.1	-1.2	0.4	11.2						Next Meeting Date			
Nasdaq	6843		7.1	0.1	-1.7	-1.4	11.6						Canada - BoC	Mar 18, 2026		
DAX	22578		31.7	0.1	-2.8	-4.0	12.7						US - Fed	Mar 18, 2026		
FTSE	25245		246.4	1.0	1.6	-0.2	10.5						England - BoE	Mar 19, 2026		
Nikkei	10669		112.5	1.1	1.9	4.2	21.7						Euro zone - ECB	Mar 19, 2026		
Hang Seng	57144		577.3	1.0	-0.9	5.9	45.5						Japan - BoJ	Mar 19, 2026		
CAC	26706		138.8	0.5	-1.2	0.8	18.3						Mexico - Banxico	Mar 26, 2026		
Commodities	Level			% change:												
WTI Crude	64.14		1.81	2.9	0.3	7.9	-10.7						Australia - RBA	Mar 16, 2026		
Natural Gas	3.00		-0.04	-1.2	-3.9	-3.5	-25.3						New Zealand - RBNZ	Apr 07, 2026		
Gold	4920.81		42.92	0.9	-3.2	7.1	67.6						Canada - BoC	Mar 19, 2026		
Silver	74.65		-2.45	-3.2	-9.3	-17.8	129.8						US - Fed	Mar 19, 2026		
CRB Index	302.14		-4.40	-1.4	-2.9	0.0	-4.2						England - BoE	Mar 19, 2026		
Currencies	Level			% change:												
USDCAD	1.3641		0.0005	0.0	0.5	-1.6	-3.9						Mexico - Banxico	Mar 26, 2026		
EURUSD	1.1842		-0.0013	-0.1	-0.3	1.7	13.4						Australia - RBA	Mar 16, 2026		
USDJPY	153.63		0.3200	0.2	0.2	-2.8	1.0						New Zealand - RBNZ	Apr 07, 2026		
AUDUSD	0.7072		-0.0014	-0.2	-0.8	5.3	11.3						Canada - BoC	Mar 19, 2026		
GBPUSD	1.3576		0.0008	0.1	-0.4	1.1	7.6						US - Fed	Mar 19, 2026		
USDCNH	0.7705		0.0004	0.1	-0.1	-3.4	-14.7						England - BoE	Mar 19, 2026		

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