

DAILY POINTS

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Chart 1

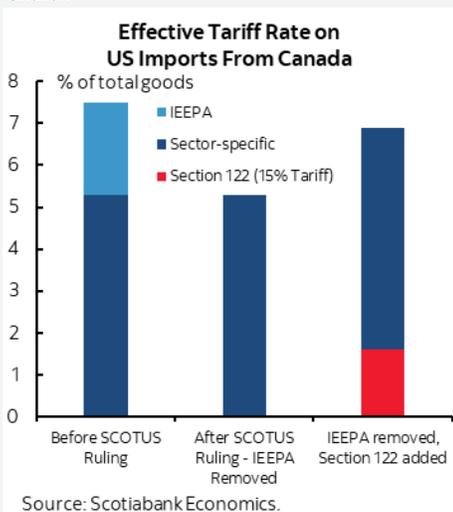
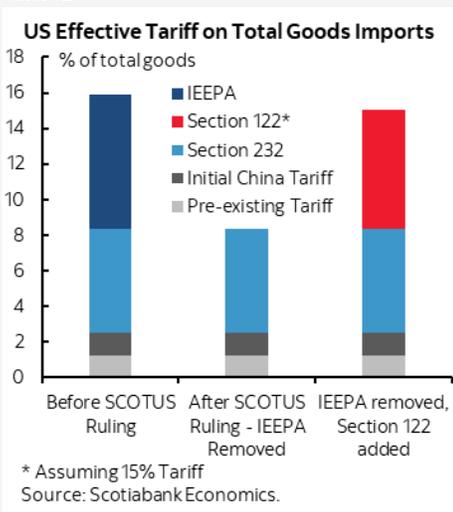


Chart 2



On Deck for Monday, February 23rd

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02-23	08:00	Fed's Waller Speaks on Economic Outlook				
US	02-23	10:00	Factory Orders (m/m)	Dec	1.0	1.0	2.7
US	02-23	10:30	Dallas Fed. Manufacturing Activity	Feb	--	--	-1.2

KEY POINTS:

- **Markets are largely shaking off trade turmoil for now...**
- **...although Japan and China are out**
- **EU to halt ratification of trade deal with US**
- **Updated tariff rate calculations for Canada, Mexico and the US**
- **German IFO surprises a bit higher**
- **Mexico's economic growth doubled consensus in December**
- **US factory orders, Dallas Fed's index, Fed's Waller on tap**
- **Team Canada showed class in an unfortunate loss**
- **Global Week Ahead — The State of the Union (reminder [here](#))**

Markets are little changed across broad asset classes despite ongoing spillover effects from policy turmoil in the United States. Much of the world's money is sidelined. China remains out for the Lunar New Year holiday. Japan's markets were shut overnight for the Emperor's birthday. US and Canadian equity futures are slightly negative with Europe mixed. Sovereign yields are little changed across most markets except underperformance by New Zealand's curve. Gold is up about \$45/oz, but oil is softer despite more weekend saber rattling about Iran.

The EU said this morning that it would halt ratification of its trade deal with the US, likely in no small part because the US administration's choice of tariff tools, levies and exemptions has been in turmoil.

A very light line up of calendar-based risk kicks off the week. German IFO business confidence surprised a bit higher in February's reading with both present and expected assessments rising. Mexico's economic activity index advanced by 0.4% m/m SA in December, roughly doubling consensus. The US updates factory orders for December that will struggle to stay in the black after durable goods orders fell 1.4% due to weaker transportation orders (10amET). Fed Governor Waller speaks on the economic outlook after the trade turmoil (8amET) before the Dallas Fed's manufacturing index (10:30amET).

NEW TARIFF RATES FOR CANADA, MEXICO AND THE US

After swapping Section 122 tariffs for IEEPA tariffs in Trump's press conference on Friday afternoon, the White House released the executive orders ([here](#) and [here](#)) and fact sheet ([here](#)) Friday evening after sending my weekly. At first it was a tentative plus for Canada and Mexico to see America—the developed world's most reluctant trading nation—easing off some of the charges for now.

Then on Saturday, Trump changed his mind in a social media post that lashed out at the Supreme Court again and raised the rate to 15%. There is, however, no accompanying executive order to go with that increase. It may not rise to 15% given that Trump threatens a great deal and executes a fraction of his threats.

Assuming that the rate does get officially changed to 15%, we can refresh our calculations for effective tariff rates. Key is that CUSMA/USMCA compliant goods from Canada and Mexico are exempt from the 15% section 122 tariff that Trump is using to replace IEEPA

tariffs. Also exempt from the 15% Section 122 tariff will be Section 232 tariffs. Furthermore, the Section 122 tariff will not stack on top of existing sector-specific tariffs.

Charts 1–3 show the results. Since almost 90% of Canada US trade is compliant and duty free, this means that around 13%+ of the potential 15 percentage points of the Section 122 tariff will not apply. Mexico’s compliance is lower and so more of the 15% rate will flow through (chart 4).

This means that the average effective tariff rate imposed on Canadian exports of goods to the US will drop from 7.5% to 6.9%. On exports of goods and services to the US it goes from 6.3% to 5.85%.

Canada’s overall average effective tariff rate on all exports to everywhere in the world dropped from 4.5% to 4.2% which is a rounding error. This is not a debilitating shock, folks. CAD at 1.37 from 1.20 coming out of the pandemic alongside last fall’s BoC insurance cuts, fiscal stimulus and supportive commodity prices (especially if turmoil escalates in the middle east) all help to insulate the economy from the effects as it adjusts to a more isolationist, protectionist and insular United States. The bigger risk to Canada than tariff rates is if the cracks in the outlook for the US economy continue to get bigger.

As for the US, the tariff rate imposed on its own imports of goods and services from around the world went from 12.9% (15.9% on goods) before the SCOTUS ruling and Trump’s changes to 12.3% (15.1% goods) after all was said and done.

And for Mexico, the ETRs went from 7.3% on all exports to the world (8.8% to the US) to 6.4% (and 7.8%).

There are two caveats in addition to whether the order actually does change to 15% from 10%. A minor one is that there were other targeted exemptions listed in the executive order, but their influence on the calculations is likely small.

The bigger caveat is that Trump has said he plans on launching section 301 investigations and this could give rise to more protectionist sector-specific measures. It can take months to conduct such ‘investigations’ at the behest of the USTR and the outcomes could be rather arbitrary.

Such arbitrariness adds to the arbitrary rationale for the Section 122 tariffs given that there is no balance of payments crisis in the US including no currency crisis in a flexible exchange rate regime that differs from the fixed rate change rate regime of the founding context for Section 122 tariffs. I’m sure affected companies have put their legal teams to work.

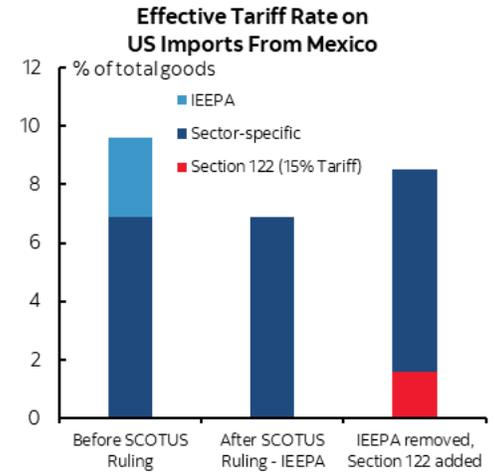
Overall, protectionist US trade policy remains ambiguous, chaotic and lacking merit. The costs will continue to be borne by Americans as at least five studies by global groups conclude.

TEAM CANADA SHOWED CLASS IN AND UNFORTUNATE LOSS

Kudos to the US team for their first Olympic gold in nearly half a century. Their win keeps the sport internationally competitive and resuscitates US hockey competitiveness after a long drought in international competition and that’s good for everyone who enjoys the sport. It inspires American kids to take up the sport and stick with it just as happens in my country and that’s a beautiful thing. It gives American kids of all ages something to celebrate about a game that is flourishing across much of the continent and world. The Americans have created their share of top talent as the NHL grew stateside. There were truly very talented players on their team who played well throughout the tournament.

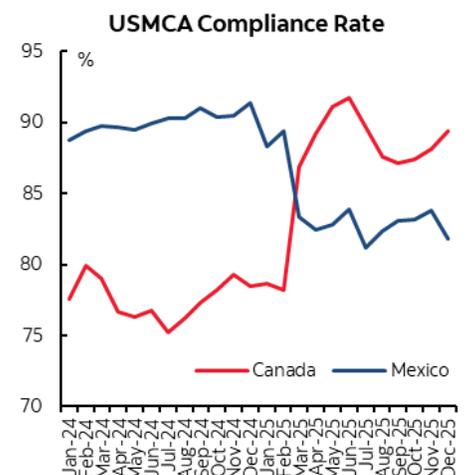
Yet hearts hang heavy as Canada lost at our game yesterday. Yes, *our* game, as no other country can claim that the sport permeates so much of their culture from backyard rinks to street games, from raucous arenas and bars to living rooms. Hockey here is like cricket in India, or football in many European and Latin American countries. You’ll never take it in spirit or exceed its share of our soul.

Chart 3



Source: Scotiabank Economics.

Chart 4



Sources: Scotiabank Economics, US Census Bureau

Both countries needed the win for different reasons. Only one could. America because of its deepening divisions at home. Canada needed it because of challenges at home and the relentless, unprovoked and unjust attacks upon it by the US administration.

Yet Canada has nothing to be ashamed of after consistently outplaying the opponent, outshooting them by a landslide, and having multiple great chances despite missing one of their best players. An overlooked too many men on the ice penalty was unfortunate. Olympic hockey's treatment of overtime is an absolute joke; 3 on 3 sudden death and then a shoot out if overtime is to no avail? Those are hockey rules created by bureaucrats who just want to get the game over with, not by people who truly love the sport.

Canada was not let down in terms of what really matters because the Canadian team showed grace and class. They took it like Canadian gentlemen.

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.	3.48	3.48	3.41	3.64	3.65	3.61	4.07	4.08	4.05	4.72	4.72	4.70	Canada - BoC	2.25
CANADA	2.44	2.44	2.47	2.74	2.74	2.79	3.21	3.21	3.25	3.70	3.70	3.73	US - Fed	3.75
GERMANY	2.05	2.05	2.04	2.33	2.34	2.34	2.74	2.74	2.75	3.41	3.40	3.43	England - BoE	3.75
JAPAN	1.26	1.26	1.27	1.62	1.62	1.67	2.12	2.12	2.21	3.34	3.34	3.49		
U.K.	3.58	3.58	3.59	3.78	3.78	3.81	4.35	4.35	4.40	5.16	5.16	5.21		
	Spreads vs. U.S. (bps):													
CANADA	-104	-104	-94	-89	-90	-82	-86	-87	-80	-102	-102	-97	Euro zone - ECB	2.15
GERMANY	-143	-143	-137	-130	-131	-127	-133	-135	-130	-131	-132	-126	Japan - BoJ	0.75
JAPAN	-222	-222	-214	-201	-203	-193	-195	-196	-184	-138	-139	-121		
U.K.	10	10	18	14	13	20	28	27	35	44	43	51	Mexico - Banxico	7.00
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	33818			222.5			0.7	4.2	2.0			34.5	Australia - RBA	3.85
Dow 30	49626			230.8			0.5	0.4	1.1			14.3		
S&P 500	6910			47.6			0.7	1.1	-0.1			14.9	New Zealand - RBNZ	2.25
Nasdaq	22886			203.3			0.9	1.3	-2.6			17.2		
DAX	25103			-157.7			-0.6	1.2	0.8			12.6	Next Meeting Date	
FTSE	10693			5.9			0.1	2.1	5.4			23.5	Canada - BoC	Mar 18, 2026
Nikkei	56826			-642.1			-1.1	-0.2	5.5			46.5	US - Fed	Mar 18, 2026
Hang Seng	27082			668.6			2.5	-0.7	1.2			15.4		
CAC	8501			-14.8			-0.2	2.2	4.4			4.2	England - BoE	Mar 19, 2026
Commodities	Level						% change:							
WTI Crude	66.63			0.15			0.2	5.9	9.1			-5.4	Euro zone - ECB	Mar 19, 2026
Natural Gas	3.12			0.08			2.5	-3.7	-40.8			-26.2	Japan - BoJ	Mar 19, 2026
Gold	5164.64			57.19			1.1	3.5	3.6			75.9		
Silver	80.51			2.76			3.5	4.1	-15.9			143.5		
CRB Index	311.02			1.92			0.6	1.6	-0.4			-0.1	Mexico - Banxico	Mar 26, 2026
Currencies	Level						% change:							
USDCAD	1.3696			0.0015			0.1	0.4	-0.0			-4.0	Australia - RBA	Mar 16, 2026
EURUSD	1.1778			-0.0006			-0.1	-0.6	-0.4			12.5		
USDJPY	154.96			-0.0900			-0.1	1.0	-0.5			3.5	New Zealand - RBNZ	Apr 07, 2026
AUDUSD	0.7062			-0.0019			-0.3	-0.1	2.4			11.2		
GBPUSD	1.3481			0.0001			0.0	-1.1	-1.2			6.8		
USDCHF	0.7764			0.0008			0.1	0.9	-0.4			-13.5		

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