

Contributors

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Chart 1

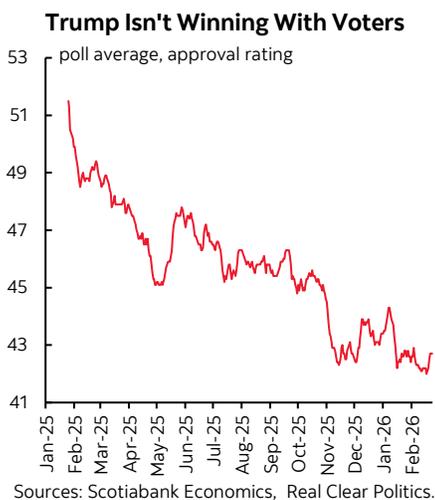
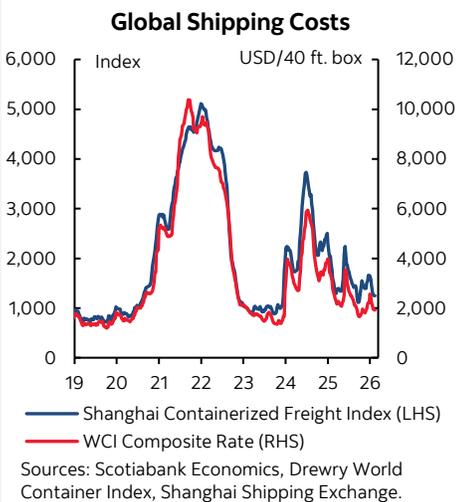


Chart 2



On Deck for Tuesday, February 24th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02-24	08:00	Fed's Goolsbee Speaks on Economy				
US	02-24	09:00	S&P/Case-Shiller Home Price Index (m/m)	Dec	0.3	0.3	0.5
US	02-24	09:00	S&P/Case-Shiller Home Price Index (y/y)	Dec	1.5	1.3	1.4
US	02-24	09:00	Fed's Collins Gives Opening Remarks				
US	02-24	09:00	Fed's Bostic in Moderated Discussion				
US	02-24	09:10	Fed's Waller Gives Keynote Address				
US	02-24	09:35	Fed's Goolsbee on Bloomberg TV				
US	02-24	09:35	Fed's Cook Speaks on AI				
US	02-24	10:00	Consumer Confidence Index	Feb	86.0	87.1	84.5
US	02-24	10:00	Richmond Fed Manufacturing Index	Feb	--	-5.0	-6.0
US	02-24	15:15	Fed's Barkin & Collins on Panel				

KEY POINTS:

- **Mixed markets are more stable this morning**
- **Scotiabank kicks off a strong start to Canada's bank earnings season**
- **Yen sinks on rift between PM Takaichi and the BoJ**
- **Light US data focused on consumer confidence—watch jobs plentiful**
- **Trump's SOTU speech is unlikely to win where it counts**
- **Iran could dominate risk at any moment**
- **Why shipping costs are not spiking on Iran risks so far**

Markets are mixed but generally more stable than they were yesterday. Sovereign yields are generally little changed except for JGBs that are rallying as they catch up from holiday and in reaction to optics of a tiff between PM Takaichi and the BoJ. Stocks are mixed with generally small movements in either direction across N.A. futures and European cash after Chinese and Japanese markets returned from holiday to drive stocks higher. The yen is depreciating after local press reports out of Japan indicated that PM Takaichi expressed concern about further rate hikes with BoJ Governor Ueda.

Otherwise the return of Japan and China from holidays may be a factor in helping to stabilize most markets. Maybe markets are shaking off a work of fiction on AI from a shop that nobody previously heard of and that was as believable as Trump being on hockey skates. Tensions around Iran remain in the mix. Scotiabank got off to a strong start to Canada's bank earnings season (see below) while light US data is on tap. Trump's SOTU speech is tonight.

STRONG START TO CANADA'S BANK EARNINGS SEASON

Scotiabank (my employer) kicked off the Q1 earnings season for banks this morning with a solid beat. Adjusted EPS was C\$2.05 (consensus \$1.95). ROE of 13% beat consensus at 12.2%. NII was higher than expected at C\$5.58B (\$5.5 consensus). Expenses were lower than expected at \$5.3B (\$5.46 consensus). Key was guidance that medium-term objectives can be delivered in 2027 which is a year ahead of Investor Day commitments.

LIGHT US DATA TO BE FOCUSED ON CONSUMER CONFIDENCE

Only light US data is on tap for today including weekly ADP private payrolls (8:15amET), US home prices for December (9amET), the Richmond Fed's manufacturing index for February (10amET) and US consumer confidence for February (10amET).

Of these, consumer confidence probably stands the best chance at being impactful to markets. Watch measures like 'jobs plentiful' that offers a consumer take on the tightness of the job market, as well as 1-year ahead inflation expectations.

Chart 3

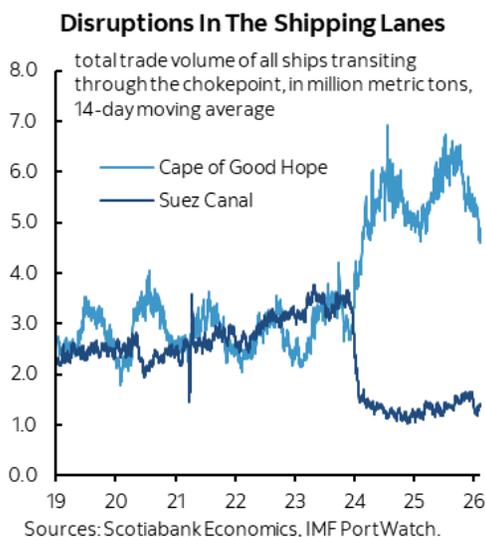
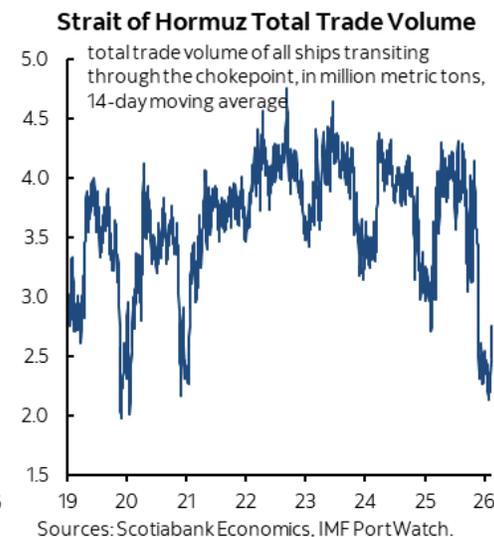


Chart 4



Chart 5



TRUMP'S SOTU SPEECH IS UNLIKELY TO WIN WHERE IT COUNTS

Trump has indicated that tonight's State of the Union speech (9pmET) will be long. Uh oh. Last year's clocked in at a record 100 minutes. His biggest challenge is how to appeal to voters without sounding out of touch and dismissive toward their concerns as his approval rating sinks (chart 1). I haven't seen signs of his willingness to do so and he's simply not winning where it matters. There is good reason for this and I went over an economist's take on the State of the Union in my weekly ([here](#)) that included a balanced take on a large variety of measures and also included comparisons across Presidents by several of those measures.

IRAN COULD DOMINATE RISK AT ANY MOMENT

Off-calendar risk could easily dominate at any moment should Trump put to work all the firepower gathered around Iran. Timing possible action is purely speculative, but the signs are building.

The US ordered the evacuation of its embassy in Lebanon yesterday afternoon due to fear of retaliation. The USS Gerald Ford is arriving near Israel's coast with another carrier off the coast of Oman along with thousands of US troops, dozens of fighter jets and over a dozen ships. Iran has moved ballistic missile launchers into position aimed at Israel and US bases.

All of that obviously invites speculation it's not just a bluff, yet US Joint Chiefs Chairman General Caine warned Trump today about a campaign against Iran. Plucking Maduro is one thing, Iran's Ayatollah Ali Khamenei is another especially with the reported multiple layers of leadership that have been created throughout the regime and military. There are plenty of geopolitical pundits arguing that Trump has left himself without an out which could prove to be a dangerous thing especially given his commitment in the election campaign to avoid forever wars.

Yet so far we're not seeing even so much as a hint that shipping costs are reacting as they did in past tensions and especially in the pandemic. Chart 2 shows shipping costs through the Suez canal as a route from Asia to Europe. Reasons why we are not seeing such a reaction include excess capacity in global shipping and route adjustments. Further, chart 3 shows that the Suez never recovered from the workaround the last time into 2024 as shipping companies took the long route around the Cape of Good Hope to dodge tensions with Iran and Houthis flinging missiles into shipping lanes. Chart 4 shows that the Panama Canal's rebound helps with shipping volumes versus the correlated problems with the Suez canal in 2024. So far this is all a good thing for shipping costs and inflation risk.

Yet chart 5 shows that the Strait of Hormuz has seen shipping volumes drop off recently. The Strait of Hormuz carries an estimated 20% of global oil production and a further 20% of LNG shipments. War risks shutting the Strait and hence clearly risks driving spikes in both prices which is very much opposed to Trump's constant desire to secure lower energy prices.

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.	3.45	3.44	3.44	3.59	3.58	3.62	4.03	4.03	4.06	4.69	4.70	4.69	Canada - BoC	2.25
CANADA	2.43	2.43	2.45	2.72	2.71	2.76	3.18	3.18	3.23	3.68	3.68	3.71	US - Fed	3.75
GERMANY	2.03	2.04	2.04	2.30	2.31	2.33	2.70	2.71	2.74	3.37	3.38	3.41	England - BoE	3.75
JAPAN	1.22	1.26	1.24	1.57	1.62	1.62	2.09	2.12	2.14	3.31	3.34	3.41		
U.K.	3.57	3.56	3.59	3.74	3.75	3.80	4.30	4.31	4.38	5.11	5.12	5.18		
	Spreads vs. U.S. (bps):													
CANADA	-102	-101	-99	-87	-87	-86	-85	-85	-83	-101	-102	-98	Euro zone - ECB	2.15
GERMANY	-142	-141	-140	-129	-128	-129	-133	-132	-132	-132	-132	-128	Japan - BoJ	0.75
JAPAN	-223	-218	-220	-202	-196	-200	-194	-191	-192	-138	-136	-128		
U.K.	12	12	15	15	16	18	27	28	32	41	42	49	Mexico - Banxico	7.00
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	33777			-41.0			-0.1	2.1	1.9			34.3	Australia - RBA	3.85
Dow 30	48804			-821.9			-1.7	-1.4	-0.6			12.3	New Zealand - RBNZ	2.25
S&P 500	6838			-71.8			-1.0	0.0	-1.1			14.3		
Nasdaq	22627			-258.8			-1.1	0.4	-3.7			17.3		
DAX	24984			-8.2			-0.0	-0.1	0.3			11.4		
FTSE	10680			-4.9			-0.0	1.2	5.3			23.3		
Nikkei	57321			495.4			0.9	0.9	6.5			47.8	Canada - BoC	Mar 18, 2026
Hang Seng	26590			-491.6			-1.8	-1.6	-0.6			13.9	US - Fed	Mar 18, 2026
CAC	8507			9.9			0.1	1.7	4.5			5.1		
Commodities	Level						% change:							
WTI Crude	66.43			0.12			0.2		6.6	8.8		-6.0	England - BoE	Mar 19, 2026
Natural Gas	2.93			-0.06			-1.9		-3.4	-44.5		-26.7	Euro zone - ECB	Mar 19, 2026
Gold	5154.57			-72.85			-1.4		5.7	3.3		74.6	Japan - BoJ	Mar 19, 2026
Silver	86.94			6.44			8.0		12.8	-12.2		164.0		
CRB Index	310.14			-0.88			-0.3		1.2	-0.7		0.5		
Currencies	Level						% change:							
USDCAD	1.3716			0.0019			0.1		0.6	0.1		-3.8	Mexico - Banxico	Mar 26, 2026
EURUSD	1.1775			-0.0010			-0.1		-0.7	-0.9		12.5	Australia - RBA	Mar 16, 2026
USDJPY	155.94			1.2900			0.8		1.7	1.1		4.2		
AUDUSD	0.7039			-0.0017			-0.2		-0.7	1.8		10.9		
GBPUSD	1.3484			-0.0008			-0.1		-0.6	-1.4		6.8	New Zealand - RBNZ	Apr 07, 2026
USDCHF	0.7746			-0.0001			-0.0		0.6	-0.3		-13.7		

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