

### DAILY POINTS

February 26, 2026 @ 9:30 EST

#### Contributors

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Chart 1

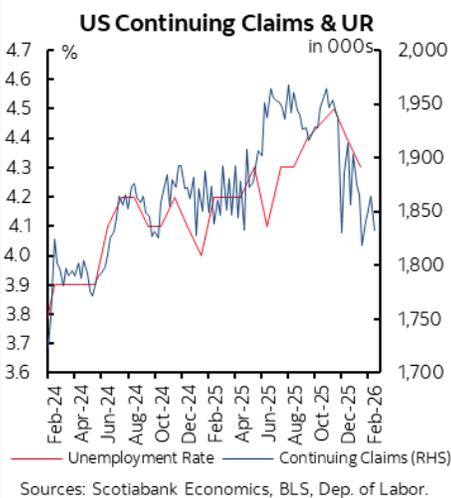
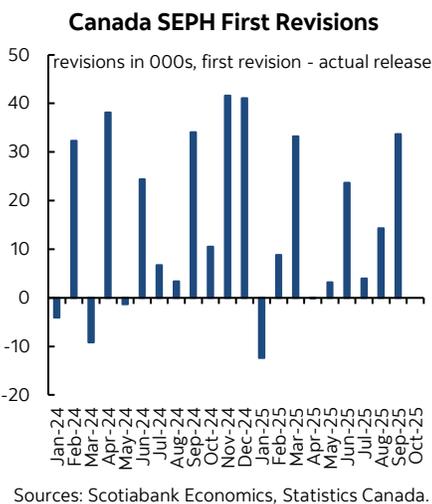


Chart 2



### On Deck for Thursday, February 26<sup>th</sup>

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	02-26	08:30	Current Account (C\$ bn a.r.)	4Q	--	-8.2	-9.7
US	02-26	08:30	Initial Jobless Claims (000s)	Feb 21	230	216.0	206.0
US	02-26	08:30	Continuing Claims (000s)	Feb 14	1870	1858.0	1869.0
US	02-26	10:00	Fed's Bowman Testifies Before Senate Banking on Regulation				

#### KEY POINTS:

- **Global markets little changed**
- **US continuing claims point to lower UR**
- **Canadian small businesses are feeling rather good these days**
- **Canada's unreliable payrolls report**
- **Alberta's budget to spill a little more red ink**
- **All 'big six' Canadian banks beat expectations**
- **BoK holds and guides an extended pause**
- **USTR demands on Canada — Keep calm, we've seen this movie**
- **What Canada's #1 demand in trade negotiations should be**

Markets are mixed in the absence of fresh unifying catalysts. US equity futures are little changed following Nvidia's earnings release in yesterday's after-market that somehow turned an overwhelming set of beats into scepticism about the future. Canadian futures are slightly in the red despite three more bank earnings beats. European stocks are mostly up. Sovereign bond yields are marked by very slight outperformance across gilts and Canada bonds plus Down Under, with slight underperformance across JGBs. The dollar is a touch stronger except against the yen as JGB yields slightly retraced the prior day's rally.

#### CANADIAN BANKS ALL BEAT

Every one of the 'big six' Canadian banks beat expectations for earnings per share but with mixed details and market exposures. This morning started with CIBC beating with adjusted EPS of C\$2.76 (consensus \$2.38). Then RBC beat expectations with adjusted EPS of \$4.08 (consensus \$3.84). Last out was TD Bank that also beat with adjusted EPS of C\$2.44 (consensus \$2.25). They add to prior beats by BNS (my employer) and BMO.

#### LIGHT N.A. DATA

US initial jobless claims were little changed last week (212k, 208k prior) and continuing claims eased lower to 1.83 million from 1.86. The are the conclusion of the reporting through the nonfarm reference period and household survey reference week ahead of next Friday's job market readings. The continuing claims trend suggests a downtick in next week's US unemployment rate for February (chart 1).

Canada refreshed the lagging and unreliable payrolls survey for December and payroll jobs fell by 35k. (8:30amET). That contrasts with the Labour Force Survey's +3.9k rise in payrolls that month (and +10k for total jobs). The payrolls survey is too lagging to matter as we'll get the more complete February LFS report on March 13<sup>th</sup>. It's also subject to wickedly high revision risk every month versus annual benchmarking revisions to the LFS survey. Chart 2 shows how much SEPH gets revised on the first revision and there can be further revisions to every month. #unreliable.

Chart 3 shows exploding business optimism among Canadian small businesses according to the February reading from the folks at the Canadian Federation of Independent Business. On net, they plan on increasing staffing, and raising prices and wages by a little

more than the BoC's 2% inflation target. Smaller businesses have less direct exposure to tradeables and hence tariffs. Also don't forget that about 75% of Canada's economy is in services that are not immune to trade risks but better insulated than more export-oriented goods.

**ALBERTA'S BUDGET TO SPILL MORE RED INK**

Alberta will release its 2026–27 budget at around 5:15pmET this afternoon. Mitch Villeneuve will be covering it and shares his thoughts in what follows. While the province recorded a sizeable surplus of \$8.3 bn (1.8% of GDP) in 2024–25, lower oil prices and higher spending on health and education have pushed the province into the red this year. Alberta's mid-year update estimated a deficit of \$6.4 bn for 2025–26, up from the initial estimate of \$5.2 bn in Budget 2025 (chart 4).

Budget 2026 is likely to increase projected deficits further—especially for future years, given that oil prices trended lower rather than the expected higher over most of the past year (though a narrower WTI-WCS differential is providing an offset). The Premier of Alberta has warned people to “brace themselves” for deficits in this budget, and over the last week the government has announced that the budget will include a 22% increase (\$1.4 bn) in pay for doctors and a 7% increase in education funding (\$0.7 bn). However, the Premier has also said that there will be some spending reductions, including through cuts to “unnecessary bureaucracy” and new income testing for some benefits. She has also announced an October referendum that will seek public guidance on a variety of proposals, including limiting the access of temporary residents to the health system.

Alberta's current fiscal rules limit the allowable 2026–27 deficit to around \$7 bn and require a plan to balance the budget by 2028–29, though rules of thumb indicate that the revenue shortfalls alone could push the 2026–27 deficit to close to \$10 billion. Despite the fiscal headwinds, Alberta is likely to continue to have the lowest provincial debt burden, and contingency buffers in the budget and recent increases to oil prices provide some upside risk to overperform on the deficit projections.

**BOK HOLDS WITH DOVISH GUIDANCE**

The Bank of Korea held its base rate unchanged at 2.5% as widely expected by consensus and markets. Neutral guidance included a central projection for no rate change over the coming six months. Stability issues remain significant with the BoK still monitoring house price gains in Seoul and spillover into household debt markets. The South Korean yield curve rallied by 6–7bps at the front-end and a little more at the longer end.

**USTR DEMANDS — WE'VE SEEN THIS MOVIE BEFORE**

So, US Trade Representative Jamieson Greer said yesterday that Canada will simply have to buckle to US demands and accept higher tariffs and more access to the local market by US firms. Well bully for him.

My first piece of advice to market participants is not to litigate trade negotiations on a daily basis. I get that markets need to manage trading books and portfolio positions in real time, but this horizon is fundamentally at odds with the patient nature of complex trade negotiations that evolve very gradually over time and reach a frenzied rush late in the game. It's a long process that starts with asks aplenty and gradually migrates toward crunch time when the executive level of power makes the final decisions on what they're prepared to live with.

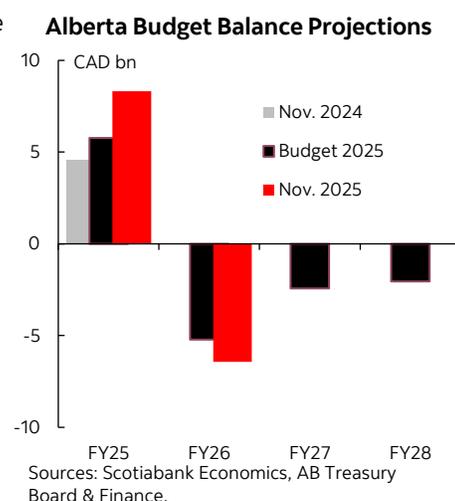
Recall 1988 when Reagan and Mulroney made the key decisions leading to a deal after a prolonged stalemate held up by logjams related to unrealistic US demands. Recall 2018 when Trudeau/Freeland dug in and reached a deal with Trump in the late stages after tense negotiations amid a long wish list of demands; CUSMA/USMCA turned out to be a minor refresh of the original NAFTA agreement at least in Canada's case and with a little more by way of changes in Mexico's case (higher effective wage floor in autos, higher N.A. content etc).

In short, we've seen [this](#) movie before. It's full of high drama, bad acting, and with significant risk of forgetting to craft a plot until one gets slapped together at the end just when the budget runs out. By 'this' movie I mean demanding everything from Canada including higher tariffs and more market access and giving nothing. The sequel isn't any better than the original from about eight years ago, but we're long past being surprised by the Trump administration's tactics. Enter game theory in which the players learn more about each other like how

Chart 3



Chart 4



there's no real 'art' to the art of the deal. For that matter, we've seen these issues, demands and threats dating back to the 1980s with the birth of the original Canada-US Free Trade Agreement before Mexico joined and made it NAFTA. In my 3+ decade career and as a student monitoring the developments before then, I've always found that the only trade negotiation that matters is the one immediately before the ink hits the page.

Canada has plenty of seasoned negotiators who were around long before Mr. Greer and have dealt with these same issues over and over. So does the US. So does Mexico. They're all sovereign nations with lots of expertise and plenty of policy options. We know that threatening higher tariffs and simultaneously demanding more access to Canada's market while offering no concessions of your own is a pure negotiating tactic. We well remember Robert Lighthizer's tactics. Concessions on both sides could leave consumers better off everywhere if well played, but my concern is that the US administration is subjugating the interests of its consumers to the whims of political preference and on that let's see how voters feel about it on November 7th.

It's called a negotiation. In a negotiation, you come in big, offer little to nothing, threaten to hold your breath until mommy gives you what you want, test your opponent's mettle, and then eventually exhale and get on with things.

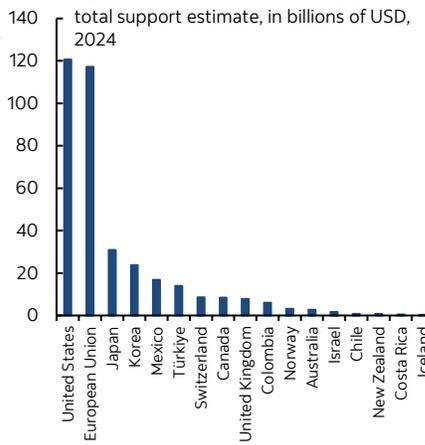
And there's another word I'd like to introduce. It's spelled n-o.

As in no, Canada won't be pressed into a bad deal. As in no, it's not true that Canada has no negotiating leverage of its own. As in no, it's not true Canada has no demands of its own. As in no, nothing should be off the table from Canada's standpoint. Like, oh, forget about your golden dome that a) is a flawed concept, b) easily bypassed as evidenced by Israel's porous 'iron dome' or by a boat on the Hudson River, and c) extraordinarily expensive by taking the CBO's hundreds of billions estimate and probably multiplying by 2-3 times by the time it's operational ages from now when it won't matter. Like forget about our critical minerals and other resources. Try coffee grounds instead of potash and see what your crop yields are like. Like how damaging Canada boomerangs right back at the US economy through tightly integrated supply chains. Like retaliatory tariff measures. Like excluding US firms from Canadian procurement as hundreds of billions—possibly trillions—get spent on defence and infrastructure. Like Gripens over F-35s for the same reason that doing one's weekend errands doesn't really require a Ferrari but it would be fun. Subs from the Koreans or the German-Norwegian consortium.

The one difference this time, however, is the growing evidence that US isolationism is taking its toll on the US job market that is losing jobs on a trend basis in terms of private nonfarm payrolls ex-health sector hiring, falling US investment ex-AI, US inflation, and US economy and with midterms coming. The courts are challenging tariffs and more challenges likely lie ahead. Pushing it further yet would only raise that cost into the midterms and then 2028. The economic and political cost of tariffs to the US economy and the Trump administration's sagging poll numbers should give Canada more confidence to stand firm amid the very real prospect of a lame duck US administration next January.

Chart 5

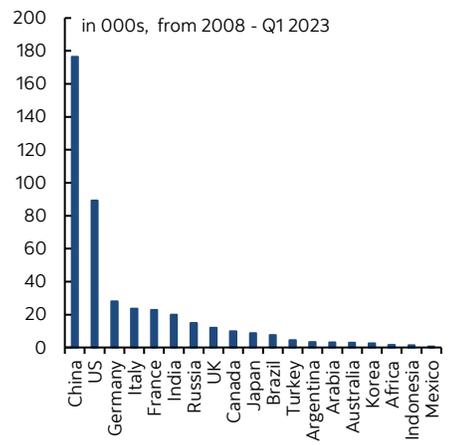
**Agricultural Financial Support**



Sources: Scotiabank Economics, OECD.

Chart 6

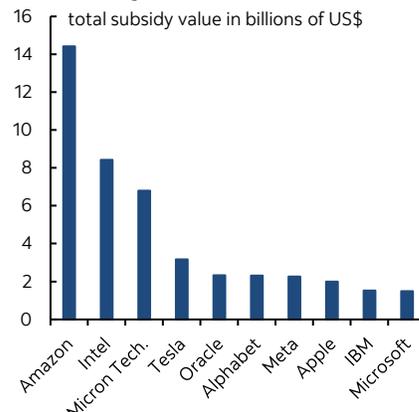
**Number of Subsidy Distortions**



Sources: Scotiabank Economics, The Hinrich Foundation.

Chart 7

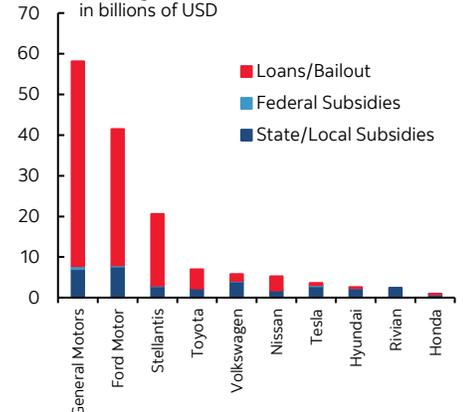
**Support for the Tech Industry By US Governments**



Sources: Scotiabank Economics, Good Jobs First.

Chart 8

**Support for the Auto Industry by US Governments**



Sources: Scotiabank Economics, Good Jobs First.

I'll repeat what I said over and over throughout the last time in 2018—it's better to be stuck with uncertainty by digging in than to sign a bad agreement you could be stuck with for decades. That was the playbook in 2018 and the playbook in 1988.

As for what Canada can demand, at the top of my list would be more effectively bringing the US addiction to subsidies into the framework. Canada's no saint either, but the US tops the world in the use of subsidies. That's true for agricultural subsidies (chart 5) along with the Europeans including but not limited to the hundreds of billions granted annually to rich corporate farms through the US Farm Bill as they're not the mom-and-pop farms of the 1930s. The US is right up there with China in the number two spot for total subsidies to all businesses (chart 6).

Large US corporations get [handouts](#) in spades.

The US attracts data centers with dollops of taxpayer funded money. Chart 7 shows the massive subsidies granted to US tech firms.

For decades the Midwest and southern states siphoned off investment from the northern US states and Canada by spending billions on subsidies to attract auto plants. Chart 8 provides one depiction of subsidies handed to auto firms. Now the US wants to pull away investment by making American firms and American consumers pay for tariffs as just another tax paid to Washington. US auto policy ripped off the northern states for decades and now the goal is to rip off US consumers; it doesn't get better than that in terms of own goals.

Or try GFC-era bailouts.

There's also my personal fave, the "chicken tax", a 25% tariff on light truck imports into the US that was born out of trade disputes with France in 1964 and which exists to this day while protecting the US auto companies against competition from foreign truck makers. Again, Americans pay the price for this protectionist measure.

My second personal fave is all the subsidies granted hockey teams to locate in southern US markets. Like the allure of no state income tax in Florida for multimillionaire puck passers, or heavy subsidies to build arenas, the combined effects serving to buy talent from Canada to win Stanley Cups in the US.

The US military-industrial complex is a notorious swamp of taxpayer funded subsidies.

So is the US fossil-fuel industry with estimates pointing to a doubling of subsidies since the beginning of Trump's first term ([here](#)).

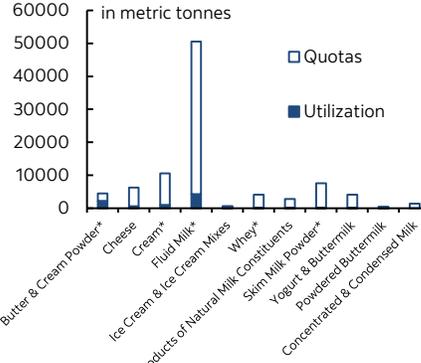
As for dairy, US producers don't use their existing export quotas into Canada above which tariffs apply (charts 9–10) and the US has the same system!

You see, the reason why developing economies use tariffs and other measures is because they don't have the resources to play the subsidy racket the way Uncle Sam does. Canada, however, is no different from the US on tariffs (chart 11) or nontariff barriers (chart 12).

We could go on and on to include the Chips Act, the Inflation Reduction Act and other examples of subsidy frameworks employed by various administrations over time.

Chart 9

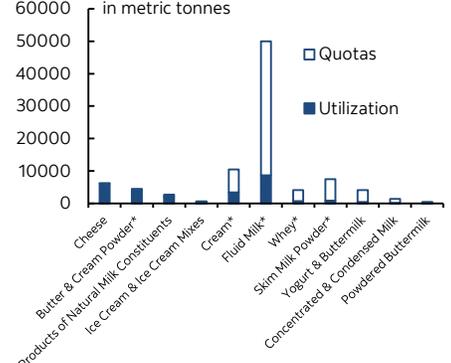
USMCA Utilization of Canadian Dairy Tariff Quotas for 2025-2026



\* for the period: 2025/08/01 - 2026/07/31  
Sources: Scotiabank Economics, GoC.

Chart 10

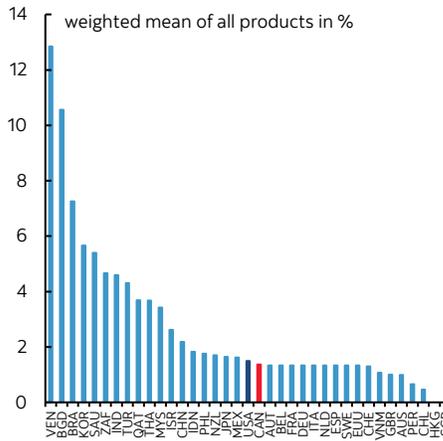
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Sources: Scotiabank Economics, GoC.

Chart 11

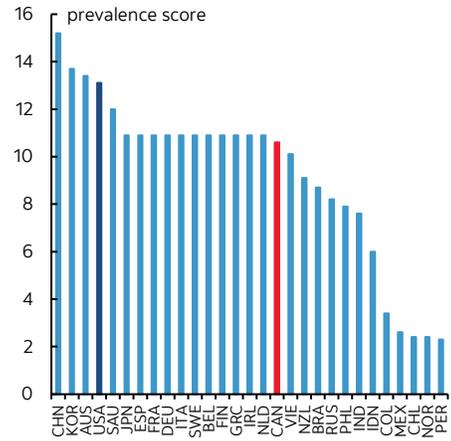
Applied Tariff Rate By Country



Sources: Scotiabank Economics, World Bank.

Chart 12

Non-Tariff Measures By Country



Sources: Scotiabank Economics, UNCTAD.



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