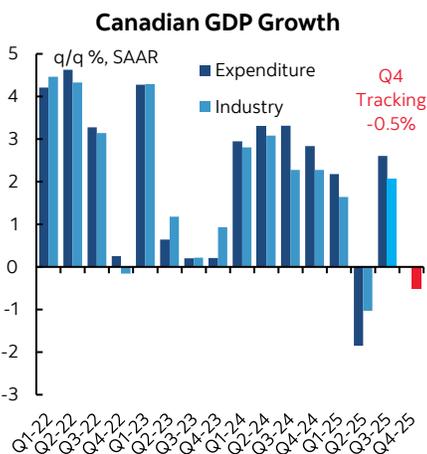


#### Contributors

##### Derek Holt

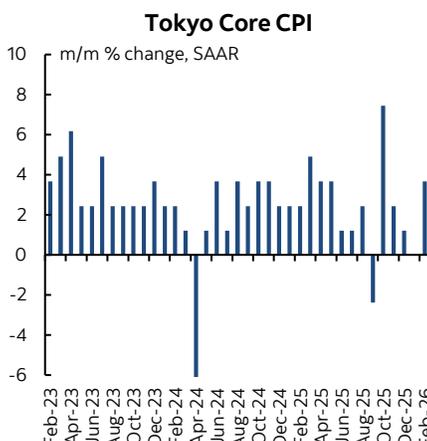
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Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

#### On Deck for Friday, February 27<sup>th</sup>

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	02-27	08:30	Real GDP (m/m)	Dec	0.1	0.1	0.0
CA	02-27	08:30	Real GDP (q/q a.r.)	4Q	-0.5	-0.2	2.6
US	02-27	08:30	PPI (m/m)	Jan	0.2	0.3	0.5
US	02-27	08:30	PPI ex. Food & Energy (m/m)	Jan	0.2	0.3	0.7
US	02-27	09:45	Chicago PMI	Feb	--	52.1	54.0
US	02-27	10:00	Construction Spending (m/m)	Dec	0.3	0.2	0.5

#### KEY POINTS :

- Markets seeking safe harbours to end the week
- Iran tensions driving oil futures higher
- The BoC may well yawn at Canadian GDP
- US producer prices to inform Fed’s preferred inflation gauge
- Eurozone CPI tracking softer than expected
- Japanese core inflation hits four-month high

Happy Friday! Unless you’re trading US equities this morning in which case my sympathies. US stock futures are gently lower by about ½%, TSX futures are slightly lower, and European benchmarks are flat on average. There is a safe haven bid into sovereign bonds across the US and Europe but it’s small. This is despite oil futures being up by about 2% partly as pressure on Iran builds into what could be a pivotal week; the US ambassador to Israel advised embassy workers to leave “TODAY” with his emphasis upon caps.

Overnight releases were neither here nor there in terms of market significance but included generally soft Eurozone inflation versus hotter Japanese inflation than some of the coverage indicated.

Canada updates GDP figures today which may provoke a yawn from the BoC, with the US updating producer prices to inform inflation risk.

#### TRACKING CANADA’S ECONOMY

Canada gets a trio of GDP readings this morning (8:30amET). Key will be how it relates to the BoC’s expectations for 0% Q4 growth and a 1.8% rebound in Q1.

Q4 GDP is expected to be soft with consensus at -0.2% q/q SA, Scotia at -0.5%, and estimates ranging from a low of -0.9% to a high of +0.5%. That would follow the trade-influenced surge in Q3 (chart 1). Details will matter in terms of drivers like underlying momentum in the domestic economy reflected in final domestic demand and particularly the consumption and investment components. Government and net international trade are expected to be positive drivers. There are likely to be upward revisions to trade contributions to Q3 growth given data since the estimates were offered, but it’s uncertain how this could affect other GDP components like inventories.

GDP for the month of December is expected to be up by 0.1% m/m SA based on Statcan’s preliminary ‘flash’ reading of about a month ago. That would extend a soft trend as two of the prior four months were down and one was flat.

The preliminary estimate for January GDP will help to inform early tracking for Q1 GDP growth when combined with how 2025 ended. We have little to go by in terms of advance readings.

Little impact on BoC thinking is expected from these readings given Governor Macklem’s message of general patience, but he’ll have an opportunity to comment on the figures next week.

### US PPI TO INFORM FED'S PREFERRED INFLATION GAUGE

On deck for the US is the January reading for producer prices (8:30amET). Recall that the prior month's strong 0.7% m/m SA rise (0.3% consensus) spooked markets about supply chain inflation pressures that may pass through to consumers. Most expect a reading of about 0.3% this time around. Select components will be used to firm up expectations for the Fed's preferred PCE inflation reading that isn't due out until March 13<sup>th</sup> given the ongoing data backlogs from the government shutdown.

### EUROZONE INFLATION TRACKING LOWER THAN EXPECTED

German inflation acted as a downward weight against upside surprises from France and Spain ahead of next Tuesday's Eurozone tally when Italy also releases. Consensus went into the releases thinking the Eurozone tally would be up by 0.5% m/m which now looks too high. None of it mattered as there is slight richening across sovereign bonds in Europe and elsewhere and expectations for a prolonged hold by the ECB remain intact.

- Germany's national print arrives at 8amET, but the individual states registered two readings of 0.4% m/m, one at 0.3%, and three at 0.2% which likely provides a weighted average well below consensus expectations for 0.5% on the add-up.
- France registered a CPI change of 0.8% (0.5% consensus).
- Spain's EU-harmonized reading was 0.4% m/m (0.3% consensus).

### TOKYO CORE INFLATION ACCELERATES

JGB bond yields rallied in bull flattener fashion despite firmer inflation figures. The fresh Tokyo core CPI reading for February was up by 3.7% m/m at a seasonally adjusted and annualized rate for the hottest print since October (chart 2). The year-over-year core inflation rate fell back to 1.8% (2% prior) excluding only food as per the Japanese convention, but ex-food and energy it accelerated to 2.5% (2.4% prior).

What probably dented the reaction to CPI was a mixed set of macro readings. Retail sales soared by 4.1% m/m (1.5% consensus), but industrial output grew 2.2% m/m (5.5% consensus). Both numbers were nevertheless quite strong.

### OTHER MACRO

Why is Canadian PM Mark Carney off to India? Here's a hint—GDP was up 7.8% y/y (7.6% consensus) as the economy remains one of the hottest on the planet. That's great, but Canada would get more of a lift from trade liberalization within its own country than anything a trade deal with India could offer.

French consumers were in a spending mood as inflation-adjusted spending climbed by 0.5% m/m SA during January but after two months of small declines through the holiday season.

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.	3.40	3.43	3.48	3.54	3.57	3.65	3.98	4.01	4.08	4.65	4.66	4.72	Canada - BoC	2.25
CANADA	2.42	2.43	2.44	2.70	2.71	2.74	3.16	3.17	3.21	3.66	3.67	3.70	US - Fed	3.75
GERMANY	2.03	2.04	2.05	2.28	2.30	2.34	2.68	2.69	2.74	3.36	3.35	3.40	England - BoE	3.75
JAPAN	1.23	1.25	1.26	1.59	1.61	1.62	2.12	2.16	2.12	3.35	3.38	3.34	Euro zone - ECB	2.15
U.K.	3.53	3.55	3.58	3.70	3.72	3.78	4.25	4.27	4.35	5.06	5.08	5.16	Japan - BoJ	0.75
	Spreads vs. U.S. (bps):												Mexico - Banxico	7.00
CANADA	-99	-100	-104	-84	-86	-90	-82	-83	-87	-98	-99	-102	Australia - RBA	3.85
GERMANY	-137	-139	-143	-126	-127	-131	-130	-131	-135	-129	-130	-132	New Zealand - RBNZ	2.25
JAPAN	-217	-219	-222	-195	-196	-203	-186	-185	-196	-130	-127	-139	Next Meeting Date	
U.K.	13	12	10	15	15	13	27	27	27	41	42	43	Canada - BoC	Mar 18, 2026
Equities	Level						% change:						US - Fed	Mar 18, 2026
	Last		Change		1 Day		1-wk		1-mo		1-yr		England - BoE	Mar 19, 2026
S&P/TSX	34502		374.6		1.1		2.7		4.2		37.3		Euro zone - ECB	Mar 19, 2026
Dow 30	49499		17.0		0.0		0.2		1.0		14.5		Japan - BoJ	Mar 19, 2026
S&P 500	6909		-37.3		-0.5		0.7		-1.0		17.9		Mexico - Banxico	Mar 26, 2026
Nasdaq	22878		-273.7		-1.2		0.9		-3.9		23.4		Australia - RBA	Mar 16, 2026
DAX	25327		37.8		0.1		0.3		1.7		12.3		New Zealand - RBNZ	2.25
FTSE	10892		45.7		0.4		1.9		6.7		24.4			
Nikkei	58850		96.9		0.2		2.4		10.3		53.8			
Hang Seng	26631		249.5		0.9		0.8		-1.8		12.3			
CAC	8608		-13.0		-0.2		1.1		5.6		6.2			
Commodities	Level						% change:							
WTI Crude	66.85		1.64		2.5		0.7		7.1		-5.0		Canada - BoC	Mar 18, 2026
Natural Gas	2.85		0.02		0.7		-6.5		-59.0		-27.6		US - Fed	Mar 18, 2026
Gold	5187.58		2.61		0.1		1.6		0.1		80.3		England - BoE	Mar 19, 2026
Silver	86.43		-4.28		-4.7		11.2		-21.1		172.5		Euro zone - ECB	Mar 19, 2026
CRB Index	310.03		-1.41		-0.5		0.3		-2.4		1.3		Japan - BoJ	Mar 19, 2026
Currencies	Level						% change:							
USDCAD	1.3668		-0.0013		-0.1		-0.1		0.7		-5.3		Mexico - Banxico	Mar 26, 2026
EURUSD	1.1806		0.0009		0.1		0.2		-2.0		13.5		Australia - RBA	Mar 16, 2026
USDJPY	155.85		-0.2800		-0.2		0.5		2.4		4.0		New Zealand - RBNZ	Apr 07, 2026
AUDUSD	0.7110		0.0005		0.1		0.4		1.4		14.0			
GBPUSD	1.3476		-0.0006		-0.0		-0.0		-2.7		6.9			
USDCHF	0.7719		-0.0023		-0.3		-0.5		1.4		-14.2			

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