

DAILY POINTS

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Chart 1

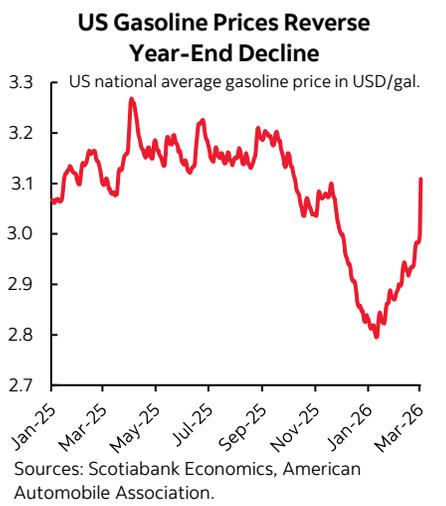
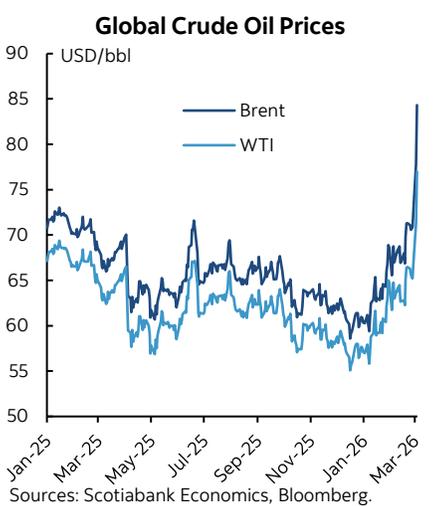


Chart 2



On Deck for Tuesday, March 3rd

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-03	09:55	Fed's Williams Gives Keynote Remarks				
US	03-03	11:55	Fed's Kashkari Speaks at 2026 Bloomberg Invest Conference				
US	03-03		Total Vehicle Sales (mn a.r.)	Feb	15.2	15.2	14.9

KEY POINTS:

- **Middle East energy production disruptions drive energy prices higher...**
- **...hitting Europe the hardest, given dependency on imports**
- **Fed, BoC forecast revisions depend critically on the longevity of the energy shock**
- **RBA's Bullock puts March hike on the table, Aussie bond yields soar**
- **Stale Eurozone CPI took a backseat...**
- **...to soaring European energy prices in driving EGB yields higher**
- **Canada, US to update vehicle sales**
- **Fed-speak may react to Iran developments today**

It's all about Iran and all things related to Iran. Trump warned yesterday that "the big one is coming soon" in reference to the potential for escalated attacks on Iran as energy infrastructure is taking hits across the Middle East and adding to energy price spikes. Vague guidance pointed to this happening in a roughly 24 hour window which is keeping markets on edge toward what may transpire.

Overnight we also had hawkish talk from the RBA that drove Australian bond yields skyward. European energy prices are soaring as major production facilities for oil and natural gas are being impacted across the Middle East and that is driving EGB yields much higher while paying little heed to Eurozone CPI that surprised higher only in relation to a stale consensus. There will also be some Fed-talk—Williams 9:55amET, Kashkari 11:45amET—and light data out of the US and Canada with both countries releasing vehicle sales figures for February toward the end of the day.

US Treasury yields are up by about 7bps in 2s and a little less at the longer-end. OIS markets have reduced full-year Fed cut pricing to about 40bps or so, having removed almost a quarter point cut since Friday. The duration of the conflict and hence the permanent or temporary nature of an energy price spike is directly tied to how far markets should go in repricing the Fed outlook over the longer term. Emotions can't take over central bank calls. So far, US gasoline prices have reversed the year-end decline and are 'only' back to where they were in the fall (chart 1). As crude prices spike (chart 2) there could be more of a lift to gasoline prices given customary estimates that about half of the rise in crude flows through to gasoline prices with a lag. Key would be any persistence of this shock into the summer driving season which brings us right back to your guess versus mine versus anyone else's about how long this lasts.

Bank of Canada pricing has shifted toward half of a quarter-point hike being priced by December. The BoC usually reacts hawkishly to a sustained rise in energy prices given the terms of trade pass through to domestic incomes and related spending. Canada 2s are up about 9bps with similar moves across much of the curve. Here too, what the BoC does is going to be critically dependent upon the longevity of the energy price spike.

Stocks are broadly lower with N.A. futures down by around 1½% – 2% across the benchmarks. European cash markets are down by roughly 2½% – 4% across major indices. This follows declines in overnight Asian equity markets of about 3% in Tokyo and as much as 7% in Seoul.

Oil prices are up by another 7% with Brent at about US\$83 and WTI at about US\$76.

Gold is down US\$113/oz to \$5,205.

Dollar debasement? Yeah, not. The dollar is capturing the safe haven flows and is up against every major cross once more with CAD in second place outperforming most others.

RBA’S BULLOCK WARNS OF BACK-TO-BACK HIKE RISK

Australia’s bond curve lit up after comments by RBA Governor Bullock. She said “I’m not making a prediction about March, but it will be a live meeting.” ‘Live’ is a term used to describe an open possibility of a policy move that in that in this case would be a hike after the RBA hiked in January. Bullock went on to say:

“We have inflation at 3.8% headline, and we have unemployment at 4.1. The board will be actively looking at whether or not it needs to move more quickly. So I would discourage people from thinking that we necessarily only meet every quarter.”

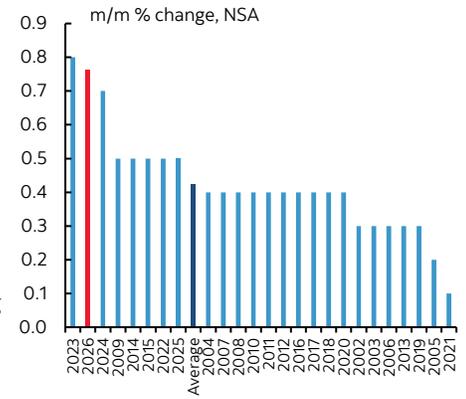
As a result, Australia’s bond yields jumped by 11bps in 2s as the curve bear flattened.

ENERGY PRICES MATTERED MORE THAN EUROZONE CPI TO EGBS

Eurozone CPI surprised a touch higher than expected within a stale consensus. February’s reading was 0.7% m/m NSA (0.5% consensus) which boosted the y/y rate up to 1.9% relative to 1.7% prior and consensus. Core CPI was up 2.4% y/y (2.2% prior and consensus) as the month-over-month seasonally unadjusted reading was among the hottest on record compared to like months of February over time (chart 3). European government bond yields were already on an upswing before the data that was probably a surprise because consensus was stale. We’ve had CPI from several major Eurozone countries since Friday and yet most of Bloomberg’s consensus was dated before then.

What mattered more was forward-looking inflation risk. European natural gas prices are soaring (chart 4) as inventories are low in seasonally normal fashion. Europe imports about 90% of its natural gas via pipelines and natural gas with the main sources being Norway, the US Algeria and Russia. Europe also imports about 95% of its oil. Middle East production is being significantly impeded as evidenced by a fire at the UAE’s Fujairah oil hub, and suspended output at a large oil refinery in Saudi Arabia and Qatar’s LNG plant. The Strait is now basically shut (chart 5).

Chart 3
Comparing Eurozone Core CPI for All Months of February



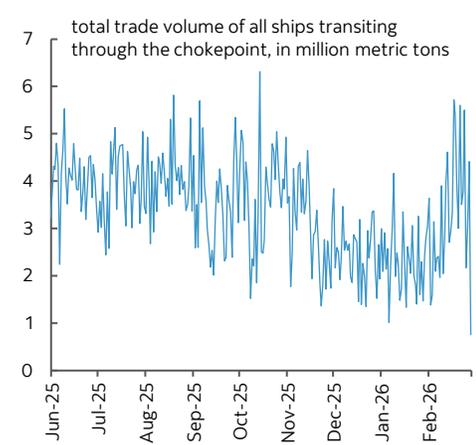
Sources: Scotiabank Economics, Eurostat.

Chart 4
Europe’s Natural Gas Price



Sources: Scotiabank Economics, Bloomberg.

Chart 5
Strait of Hormuz Total Trade Volume



Sources: Scotiabank Economics, IMF PortWatch.

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.	3.55	3.48	3.46	3.68	3.61	3.60	4.09	4.04	4.03	4.72	4.68	4.68	Canada - BoC	2.25
CANADA	2.57	2.48	2.44	2.84	2.75	2.73	3.29	3.21	3.19	3.76	3.69	3.68	US - Fed	3.75
GERMANY	2.17	2.09	2.05	2.41	2.33	2.31	2.78	2.71	2.71	3.40	3.36	3.38	England - BoE	3.75
JAPAN	1.26	1.23	1.22	1.60	1.55	1.57	2.14	2.09	2.09	3.35	3.31	3.31		
U.K.	3.79	3.64	3.58	4.01	3.88	3.75	4.51	4.37	4.31	5.20	5.08	5.11		
	Spreads vs. U.S. (bps):													
CANADA	-97	-100	-102	-84	-86	-87	-80	-83	-84	-96	-99	-100	Euro zone - ECB	2.15
GERMANY	-137	-139	-142	-127	-128	-129	-131	-132	-132	-132	-132	-131	Japan - BoJ	0.75
JAPAN	-229	-225	-224	-208	-206	-202	-195	-195	-194	-137	-137	-138		
U.K.	24	16	12	33	26	15	42	34	28	48	40	43	Mexico - Banxico	7.00
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	34541		201.3		0.6		2.3		6.6		38.2		Australia - RBA	3.85
Dow 30	48905		-73.1		-0.1		0.2		-0.7		13.2		New Zealand - RBNZ	2.25
S&P 500	6882		2.7		0.0		0.6		-0.5		17.6			
Nasdaq	22749		80.7		0.4		0.5		-2.2		24.0			
DAX	23820		-817.9		-3.3		-4.7		-3.9		2.9			
FTSE	10507		-272.8		-2.5		-1.6		1.9		18.4			
Nikkei	56279		-1778.2		-3.1		-1.8		2.8		48.9		Canada - BoC	Mar 18, 2026
Hang Seng	25768		-291.8		-1.1		-3.1		-4.0		12.0		US - Fed	Mar 18, 2026
CAC	8165		-229.2		-2.7		-4.2		-0.2		-0.4			
Commodities	Level						% change:							
WTI Crude	76.09		4.86		6.8		15.9		20.4		11.3		England - BoE	Mar 19, 2026
Natural Gas	3.10		0.14		4.6		6.2		-6.5		-24.9		Euro zone - ECB	Mar 19, 2026
Gold	5207.30		-114.82		-2.2		1.2		5.3		80.0		Japan - BoJ	Mar 19, 2026
Silver	94.62		4.65		5.2		8.8		15.4		203.9			
CRB Index	320.55		7.88		2.5		3.4		3.4		6.8			
Currencies	Level						% change:							
USDCAD	1.3692		0.0016		0.1		-0.1		0.4		-5.5		Mexico - Banxico	Mar 26, 2026
EURUSD	1.1608		-0.0080		-0.7		-1.4		-1.8		10.7			
USDJPY	157.70		0.3100		0.2		1.2		1.3		5.5		Australia - RBA	Mar 16, 2026
AUDUSD	0.7030		-0.0063		-0.9		-0.4		0.1		12.9			
GBPUSD	1.3317		-0.0090		-0.7		-1.3		-2.8		4.9		New Zealand - RBNZ	Apr 07, 2026
USDCHF	0.7852		0.0060		0.8		1.4		1.3		-12.4			

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