Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

March 23, 2026 @ 7:20 EST

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Chart 1

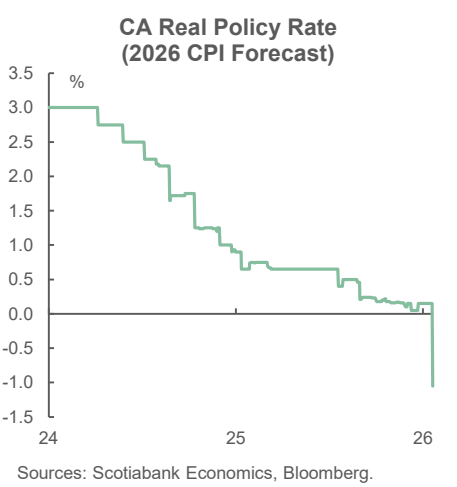
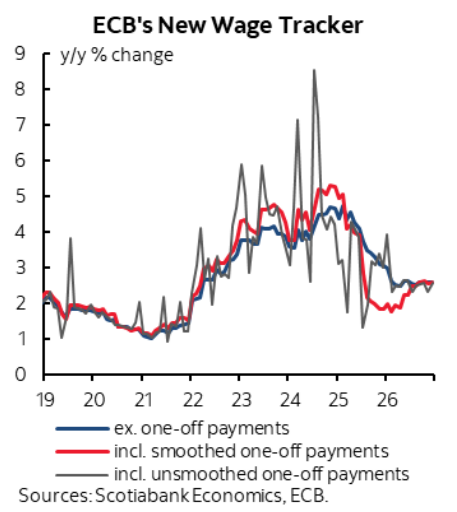


Chart 2



On Deck for Monday, March 23rd

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-23	10:00	Construction Spending (m/m)	Jan	0.2	0.1	0.3

KEY POINTS:

- **Wild market volatility is being caused by Trump's social media posts**
- **Trump escalates, then stands down**
- **A round-up of central bank pricing**
- **The BoC's real policy rate is inappropriately plunging**
- **Two inexcusable behaviours**
- **ECB's wage tracker points to pick-up**
- **Very light data US, Mexican data on tap**
- **Global Week Ahead — Inflation Insurance (reminder here)**

Broad asset classes were selling off into a fresh trading week until moments ago. The driver of the negative sentiment was Trump's Saturday night **ultimatum** to Iran to "fully" reopen the Strait of Hormuz by about 7:45pmET tonight "without threat" or the US will "obliterate their various power plants, starting with the biggest one first" which is presumably a reference to the 2,900 megawatt Damavand plant. Iran responded by threatening to indefinitely close the Strait, to attack "all energy, information technology, and desalination infrastructure" across the region as well as financial entities, and by escalating missile strikes against Israel. Markets were left pricing a game of chicken.

Then **this** post from Trump hit just moments ago. Trump claims that the US and Iran have had talks and deescalation is in order as he has "instructed the department of war to postpone any and all military strikes" against the targets he laid out earlier.

As a result, markets swung from double digit basis point increases in sovereign debt yields across major markets to notable rallies in the high single digit declines in basis points to double digits. Oil prices went from slightly higher to double digit percentage point declines at the time of writing. Market moves are likely being overstated on position swings.

I'll leave you to decide whether it's true that talks have evolved in such fashion, or whether Trump chickened out perhaps upon seeing markets or seeing Iran's response, or whether someone benefited from the market swings etc. To say that US foreign and domestic policy are in a state of utter chaos would be an understatement as uncertainty is being driven through the roof to the detriment of the economy and markets.

Market pricing is in turmoil at the moment here was market pricing across many central banks just before Trump's latest post:

- **Fed:** OIS markets are leaning toward a mostly priced 25bps hike by year-end.
- **BoC:** Markets have about 100bps of hikes priced by year-end. This includes a one-in-four chance at a hike in April and a mostly priced June hike.
- **ECB:** A 25bps hike in April is fully priced followed by another fully priced hike in June and then a path toward nearly a cumulative 100bps of hikes by year-end.
- **BoE:** A 25bps hike in April is mostly priced and so is another in June on the path toward nearly 100bps of hikes by year-end.
- **BoJ:** Markets are on the fence between an April and June hike toward 50bps by year-end.

- **RBA:** 75–100bps of hikes are priced by year-end including two-thirds pricing of an April hike.
- **RBNZ:** Almost 100bps of hikes are priced by year-end starting as soon as May which is a clear affront to the central bank's stale guidance.
- **RBI:** A hike is priced for the April 8th meeting with about 75bps of hikes within one year.
- **Banxico:** Markets would be surprised to see a cut this week with nothing priced until 25bps+ by Fall along a continued tightening path into 2027.

Many of these central banks are easing in real terms if the energy price shock persists even at materially lower prices than at present and they don't raise their policy rates.

One example is shown in chart 1 for the Bank of Canada. Using our tentative CPI inflation forecast toward year-end as the measure of inflation expectations the BoC's real policy rate has dropped by about 100bps. It would be unusual for the central bank to allow this to happen into a durable energy shock against which the BoC would tend to invoke a more restrictive stance. It's the real policy rate that governs how monetary policy works through the economy and financial system.

Which leads to the first of two inexcusable behaviours on the street: the closed minds among the doves after their disastrous forecast errors throughout the pandemic.

The second inexcusable behaviour today involves believing in and reacting to every word that President Trump and his obsequious administration offer to markets. Late Friday, Trump said the war was going to end soon and he was leaning toward deescalation which drove oil prices lower into the close. And then there was Saturday night and then there's today.

OTHER STUFF

There is nothing material by way of releases or anything other than the war to consider.

The ECB said last Thursday that it would be closely monitoring wages. Its Wage Tracker of expected wage changes accelerated in March to 2.6% for 2026Q4 and 2.5% for 2026Q3. That's up from expected wage adjustments in the first half of this year (chart 2).

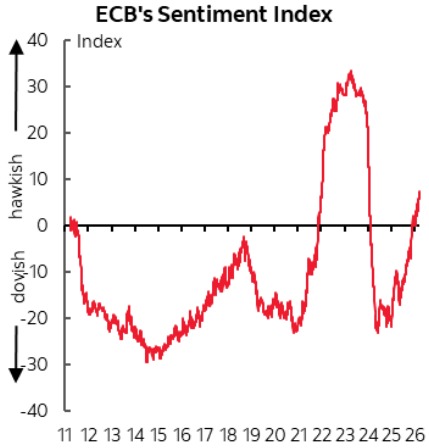
Hawkish ECB talk is continuing this morning as VP Luis de Guindos posted **this** interview and said "we are ready to respond as necessary" and "at the next Governing Council meeting in April, we will have more data on the conflict, which is the main source of uncertainty, and we will decide from there." ECB Governing Council Member and Slovakian central bank Governor Peter Kazimir said in a blog post that if inflation risks remaining above the ECB's target for a prolonged period, "we will act with appropriate forcefulness to bring inflation back down to our target." He concluded: "People can rest assured we will not waver in delivering our mandate. If the path ahead gets harder, we will say so. If it requires bold action, we will not hesitate."

Sentiment among policy officials is clearly shifting (charts 3, 4).

The US only updates the Chicago Fed's national activity index for February (8:30amET) and construction spending for January (10amET). Both will be treated as stale on arrival.

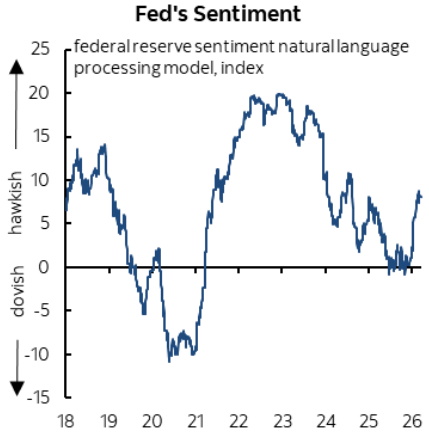
Ditto for Mexico that updates retail sales for January (8:30amET).

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

Fixed Income	Government Yield Curves (%):											
	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk
U.S.	3.89	3.90	3.67	3.99	4.01	3.80	4.35	4.38	4.22	4.91	4.94	4.87
CANADA	3.04	3.06	2.70	3.21	3.23	3.03	3.54	3.55	3.43	3.94	3.94	3.88
GERMANY	2.66	2.67	2.40	2.73	2.77	2.60	3.01	3.04	2.95	3.51	3.53	3.52
JAPAN	1.30	1.27	1.28	1.72	1.68	1.69	2.31	2.28	2.28	3.58	3.54	3.57
U.K.	4.54	4.57	4.10	4.55	4.58	4.29	4.97	4.99	4.77	5.55	5.57	5.44
	Spreads vs. U.S. (bps):											
CANADA	-85	-84	-97	-79	-78	-77	-81	-83	-79	-97	-100	-99
GERMANY	-123	-123	-127	-126	-124	-120	-134	-134	-127	-140	-141	-135
JAPAN	-258	-263	-239	-227	-233	-210	-204	-210	-194	-133	-140	-130
U.K.	65	66	43	56	57	50	62	61	55	64	63	57

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	31317	-537.6	-1.7	-3.8	-7.3	25.4
Dow 30	45577	-444.0	-1.0	-2.1	-6.6	8.6
S&P 500	6506	-100.0	-1.5	-1.9	-4.8	14.8
Nasdaq	21648	-443.1	-2.0	-2.1	-4.3	21.7
DAX	22561	180.5	0.8	-4.3	-9.7	-1.4
FTSE	9863	-55.6	-0.6	-4.4	-7.7	14.1
Nikkei	51515	-1857.0	-3.5	-4.3	-9.3	36.7
Hang Seng	24382	-894.8	-3.5	-5.6	-10.0	2.9
CAC	7720	54.1	0.7	-2.7	-9.1	-4.0
Commodities	Level		% change:			
WTI Crude	88.47	-9.76	-9.9	-5.4	33.4	29.6
Natural Gas	3.00	-0.10	-3.2	-0.9	0.4	-24.7
Gold	4365.97	-126.45	-2.8	-12.8	-16.5	45.0
Silver	72.37	2.67	3.8	-13.5	-10.1	117.3
CRB Index	367.12	2.92	0.8	0.4	18.4	20.1
Currencies	Level		% change:			
USDCAD	1.3737	0.0014	0.1	0.4	0.3	-4.1
EURUSD	1.1546	-0.0026	-0.2	0.4	-2.0	6.9
USDJPY	158.92	-0.3100	-0.2	-0.1	2.8	5.5
AUDUSD	0.6976	-0.0047	-0.7	-1.4	-1.1	11.0
GBPUSD	1.3325	-0.0016	-0.1	0.0	-1.2	3.1
USDCHF	0.7903	0.0023	0.3	0.3	2.0	-10.5

Central Banks	
Current Rate	
Canada - BoC	2.25
US - Fed	3.75
England - BoE	3.75
Euro zone - ECB	2.15
Japan - BoJ	0.75
Mexico - Banxico	7.00
Australia - RBA	4.10
New Zealand - RBNZ	2.25
Next Meeting Date	
Canada - BoC	Apr 29, 2026
US - Fed	Apr 29, 2026
England - BoE	Apr 30, 2026
Euro zone - ECB	Apr 30, 2026
Japan - BoJ	Apr 28, 2026
Mexico - Banxico	Mar 26, 2026
Australia - RBA	May 05, 2026
New Zealand - RBNZ	Apr 07, 2026

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