

DAILY POINTS

April 29, 2026 @ 8:00 EST

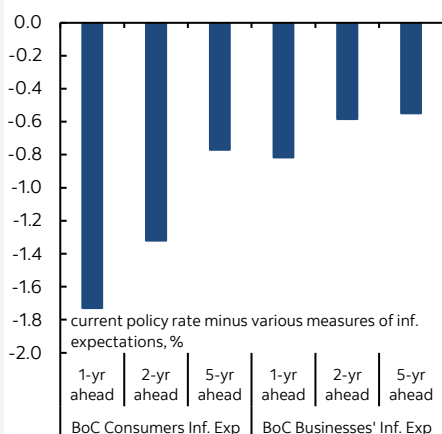
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Chart 1

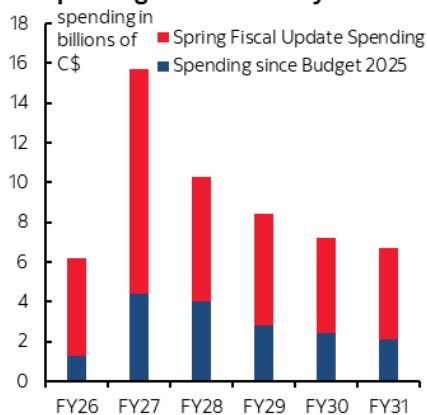
BoC's Real Policy Rate is Deeply Negative



Sources: Scotiabank Economics, BoC.

Chart 2

Spending the Commodity Bonus



Sources: Scotiabank Economics, Spring Fiscal Update - 2026.

On Deck for Wednesday, April 29th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	04-29	07:00	MBA Mortgage Applications (w/w)	Apr 24	--	--	7.9
US	04-29	08:30	Building Permits (000s a.r.)	Feb	--	--	1376.0
US	04-29	08:30	Building Permits (000s a.r.)	Mar P	--	1390.0	1376
US	04-29	08:30	Durable Goods Orders (m/m)	Mar P	0.5	0.5	-1.3
US	04-29	08:30	Durable Goods Orders ex. Trans. (m/m)	Mar P	0.1	0.4	0.9
US	04-29	08:30	Housing Starts (000s a.r.)	Feb	1415	--	1487
US	04-29	08:30	Housing Starts (m/m)	Feb	-4.8	--	7.2
US	04-29	08:30	Housing Starts (000s a.r.)	Mar	--	1380	--
US	04-29	08:30	Housing Starts (m/m)	Mar	--	-0.5	--
US	04-29	08:30	Wholesale Inventories (m/m)	Mar P	--	0.4	0.8
CA	04-29	09:45	BoC Interest Rate Announcement (%)	Apr 29	2.25	2.25	2.25
CA	04-29	10:30	BoC Holds Press Conference				
US	04-29	14:00	FOMC Interest Rate Meeting (%)	Apr 29	3.75	3.75	3.75
US	04-29	14:30	Fed Holds Press Conference				

KEY POINTS:

- Oil continues to surge on US-Iran stalemate
- BoC may deliver a hawkish hold...
- ...as surging commodities and Ottawa's spending add to rate hike risk
- FOMC to bide its time...
- ...and bid adieu to Chair Powell
- US updates durables, trade and housing
- Aussie rates overreact to CPI
- EGBs largely ignored German, Spanish CPI
- Chile, BoT held...
- ...BCB expected to cut

Oil is once again in the driver's seat, posting further gains of \$3+/barrel this morning. Sovereign bond yields are higher across US Ts, EGBs, gilts and Canadian bonds after Australian yields fell because of a slight miss by Q1 trimmed mean CPI (0.8% q/q, 0.9% consensus). Stocks range from flat across N.A. futures to down ½% or so across European cash markets. The dollar is broadly firmer except against the petrocurrencies like the krone and CAD.

Then it's onto a pair of holds by the BoC and FOMC as the day's main focus following some light US data. There is likely greater risk around the BoC's bias and guidance than the Fed's in Powell's final press conference.

BOC—HAWKISH HOLD

My weekly sank a tonne of effort into providing a detailed explanation of our BoC view. There isn't much more to add at this late stage so let's just bring it on. The statement, MPR including fresh projections, and Governor Macklem's written opening remarks arrive at 9:45amET and will be followed by the press conference at 10:30amET.

My weekly included how the BoC may adjust its forecasts in this MPR, the possible bias, the explanation of why we had hikes in our 2026 forecast dating back to last November and hence before the war and commodity shock, the added influences of the commodity shock on that view, why a risk management and insurance approach needs to be taken this time instead of waiting until the BoC has all the answers on inflation risk, and risks to the BoC's balance sheet plans on timing GoC gross bond purchases. Doing nothing is

doing something by way of passively easing as the real policy rate has sunk deeply into negative territory using any of the BoC's expected inflation survey measures (chart 1) that haven't even incorporated full effects of the commodity surge which is curious for a commodity-producing country in a positive commodity price shock environment.

In general, we view our rate hike projection for +75bps over 2026H2 as conservative. If they don't follow a risk management insurance playbook, then we may be inclined to add more hikes later. It's an opportunity to avoid blowing inflation management like the last time.

Where there is a little something extra to offer is in terms of last evening's spendapalooza by the Carney administration.

OTTAWA'S SPENDING ADDS TO RATE HIKE RISK

Key to the Spring fiscal update ([here](#), [here](#)) is all of the new spending (chart 2) that slightly complicates the Bank of Canada's policy rate path going forward in a mildly more hawkish manner. Pay little attention to the revised deficit path (chart 3) given Finance's politicized, awful track record in terms of forecasting magnitudes and inflection points (chart 4).

Frankly, the affordability messages provided by the government were curiously inconsistent as more spending incrementally complicates the aim of getting affordability under control and risks adding to rate hike risk. It's extra curious when the PM is a respected former central banker.

Key is that they're spending the lucky—yes lucky—bonus from commodities and a better than feared economy. A total of C\$37.5 billion of new measures was added. In FY 2026–27 they're adding \$11.3B of new measures on top of the \$4.4B they added since the Fall Budget but before yesterday's announcements. In FY2027–28 they're adding \$6.3B of new initiatives on top of adding \$4.0 since the Budget but before today.

This is meaningful. We need time ourselves to crunch through the complete effects on GDP growth, potential GDP growth, multiplier effects, inflation etc. The back-of-the-envelope math provided in client chats yesterday, however, shows that incremental spending as a share of NGDP from our prior forecast round equates to 0.5% of NGDP this year and 0.3% next year.

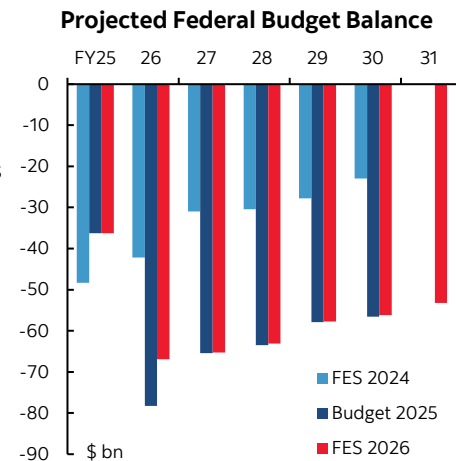
The government is recycling the lucky fiscal dividend from commodities. This is the terms of trade impact upon fiscal policy as part of the trickle down effect on the economy. They've spent it straight through to 2030–31 with a diminishing profile, until they spend more later. It's fiscal policy easing that could add to the merit of monetary policy tightening. The revenues they are spending are not like past tax hike effects as the revenues are being derived significantly from an imported positive income shock.

It's also a mixed message on affordability pressures and I'll repeat a narrative I've been leaning on for a while—fiscal policy remains very much 'live' in Canada. In sequential fashion. More stimulus is being added each time they update. There will be more in the Fall Budget and probably more before then. They are somewhat straying from the initially stated goal of extending the duration of fiscal measures through less by way of nearer term measures.

And regarding details behind a new sovereign wealth fund—the Canada Strong Fund—well, there weren't any. Why did you roll it out with haste and so little to offer on important details? They said on Monday that they'd have more details on the retail funding product they had in mind but whiffed yesterday beyond just providing more generalities like mass appeal, fixed income with principal guarantees and with an equity kicker of some sort. There was a little more provided off the record in [this](#) piece about recycling assets like airports to fund the SWF including via possible plans to privatize airports, extend their leaves, enabling development on airport lands etc.

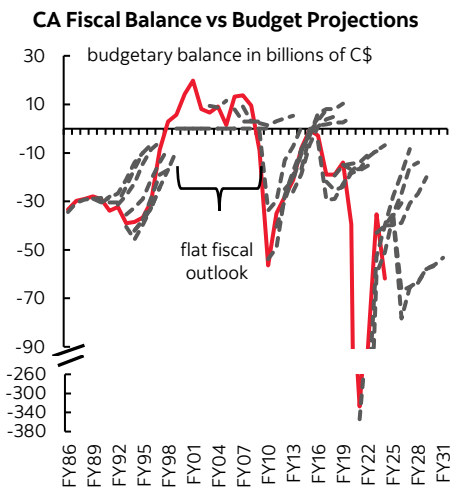
Overall, it's a curious set up for a sovereign wealth fund. Canada is not a net saver and therefore doesn't satisfy the most basic criteria for having a SWF, albeit a tiny one. Selling stuff to put it in a SWF is a kid's shell game of sorts but labelled as asset recycling. And the generalities around a retail product still sound like it will be put in competition with products already offered by traditional financial institutions. Asset managers giving advice here are trying to eat the lunch of traditional financial institutions that are offering deposit products including equity-linked GICs.

Chart 3



Sources: Scotiabank Economics, Finance Canada.

Chart 4



Sources: Scotiabank Economics, GoC.

HOW WILL THE BOC REACT?

How will BoC Governor Macklem react to the Spring fiscal and economic statement? He should view it as more growth supportive and hence be slightly more concerned about inflation risk. But what he will do is unclear given his past pattern of behaviour.

Obviously the BoC can't incorporate new announcements today into their forecasts and MPR which has been put to bed for a while now. It was frankly inappropriate of the Carney administration to announce its update literally hours before the BoC weighs in.

Macklem will not make overly strong remarks and will not critique fiscal policy. That's not the way it works, especially in Canada.

He may offer a general opinion on first blush during the presser. A potential question could simply ask if he thinks it's more growth supportive relative to the numbers they just published. And it is.

Or he could simply pass and defer by saying they need to look at it thoroughly and incorporate into future projections. That would be more in line with his past pattern of behaviour; didn't see that, don't want to, will get back to you.

FOMC PREVIEW—PLACEHOLDER AND BIDDING ADIEU

See my weekly for the FOMC preview which was relatively light this time because this meeting is frankly just a calendar placeholder at a transition time for the leadership. The statement arrives at 2pmET and Chair Powell's final press conference will start at 2:30pmET. There will be no Summary of Economic Projections or dots with this one after presenting them in March and with the next round to have Warsh's contributions in June.

Nothing much is expected from this meeting. The March dots showed the Committee median vote leaned toward one cut this year and one more next year. That's unlikely to be settled for a long while yet. Powell is unlikely to be comfortable with teeing up such a move before his successor takes over and he faces eleven other voting FOMC members that are more worried about inflation at the moment.

Our forecast remains for one cut by late year and another in early 2027 which would drop the fed funds upper limit rate to 3.25% and hence still on the boundary between restrictive and neutral.

GLOBAL DATA TAKES A BACK SEAT

On tap into the N.A. session will be minor US releases including the advance merchandise trade figures for March (8:30amET), housing starts for February and March as data is still catching up to the government shutdown's effects (8:30amET), and durable goods orders during March that are expected to rise on airplane orders (8:30amET).

Brazil's central bank is expected to cut by 25bps from a highly restrictive stance after today's close (5:30pmET).

I've already flagged Aussie CPI and chart 5 shows the q/q annualized profile.

German states posted CPI readings that suggested national CPI would come in a touch beneath consensus. Three states posted gains of 0.6% m/m, two were up by 0.4% and one was up by 0.5%. Consensus expected 0.6% m/m for CPI and 0.8% on an EU-harmonized basis and sure enough, CPI was up by 0.5% m/m on an EU-harmonized basis.

Spanish CPI posted a rise of 0.7% m/m on an EU-harmonized basis (0.6% consensus). Core CPI was up 2.8% y/y (2.9% consensus).

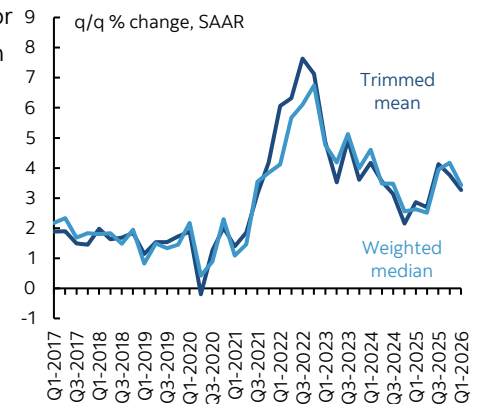
The Bank of Thailand held its policy rate unchanged at 1% as widely expected following the cut at its last meeting in late February. A watch-and-wait bias was delivered around the war's effects on oil, inflation and the baht.

Chile's central bank held its overnight rate at 4.5% last evening as widely expected and with data dependent, hawkish concerns toward inflation risk emanating from commodities and the war.

Swedish GDP disappointed with Q1 coming in at -0.2% q/q SA (+0.2% consensus). The krona and rates ignored as backward looking in relation to concerns and partly because retail sales soared in March (+3.1% m/m).

Chart 5

Australian Core Inflation



Sources: Scotiabank Economics, Australian Bureau of Statistics.

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.	3.86	3.84	3.80	4.00	3.98	3.93	4.36	4.35	4.30	4.95	4.94	4.91	Canada - BoC	2.25
CANADA	2.89	2.88	2.83	3.15	3.14	3.11	3.52	3.51	3.49	3.92	3.91	3.91	US - Fed	3.75
GERMANY	2.69	2.65	2.56	2.79	2.77	2.70	3.08	3.07	3.01	3.57	3.58	3.54	England - BoE	3.75
JAPAN	1.38	1.38	1.36	1.87	1.87	1.82	2.48	2.48	2.40	3.67	3.67	3.60		
U.K.	4.48	4.45	4.34	4.55	4.53	4.44	5.01	5.01	4.91	5.68	5.69	5.58		
	Spreads vs. U.S. (bps):													
CANADA	-97	-96	-97	-85	-84	-82	-84	-83	-81	-103	-103	-99	Euro zone - ECB	2.15
GERMANY	-117	-119	-124	-120	-121	-123	-129	-128	-130	-138	-136	-137	Japan - BoJ	0.75
JAPAN	-248	-246	-244	-213	-211	-210	-188	-187	-190	-128	-126	-131		
U.K.	62	61	53	55	55	51	65	66	61	73	75	67	Mexico - Banxico	6.75
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	33584		-233.8		-0.7		-0.7		5.1		35.0		Australia - RBA	4.10
Dow 30	49142		-25.9		-0.1		-0.0		8.8		21.3			
S&P 500	7139		-35.1		-0.5		1.1		12.1		28.4		New Zealand - RBNZ	2.25
Nasdaq	24664		-223.3		-0.9		1.7		17.7		41.2			
DAX	23984		-34.2		-0.1		-0.9		7.5		6.9			
FTSE	10251		-82.0		-0.8		-2.2		2.8		21.1			
Nikkei	59917		-619.9		-1.0		1.0		17.3		66.2		Canada - BoC	Apr 29, 2026
Hang Seng	26112		432.1		1.7		-0.2		4.6		18.6		US - Fed	Apr 29, 2026
CAC	8069		-34.7		-0.4		-1.1		4.8		6.8			
Commodities	Level						% change:							
WTI Crude	103.31		3.38		3.4		11.1		3.7		71.0		England - BoE	Apr 30, 2026
Natural Gas	2.66		-0.03		-1.3		-2.4		-14.2		-21.6			
Gold	4562.91		-33.84		-0.7		-3.7		1.2		37.5		Euro zone - ECB	Apr 30, 2026
Silver	73.19		-2.73		-3.6		-7.4		8.0		121.7			
CRB Index	385.62		4.42		1.2		3.7		4.5		31.1		Japan - BoJ	Jun 16, 2026
Currencies	Level						% change:							
USDCAD	1.3679		-0.0005		-0.0		0.1		-1.8		-1.1		Mexico - Banxico	May 07, 2026
EURUSD	1.1701		-0.0011		-0.1		-0.0		2.1		2.8			
USDJPY	159.85		0.2300		0.1		0.2		0.1		12.3		Australia - RBA	May 05, 2026
AUDUSD	0.7158		-0.0023		-0.3		-0.0		4.5		12.1			
GBPUSD	1.3505		-0.0012		-0.1		0.0		2.4		0.7		New Zealand - RBNZ	May 26, 2026
USDCHF	0.7893		0.0000		0.0		0.6		-1.3		-4.2			

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