Scotiabank

GLOBAL ECONOMICS

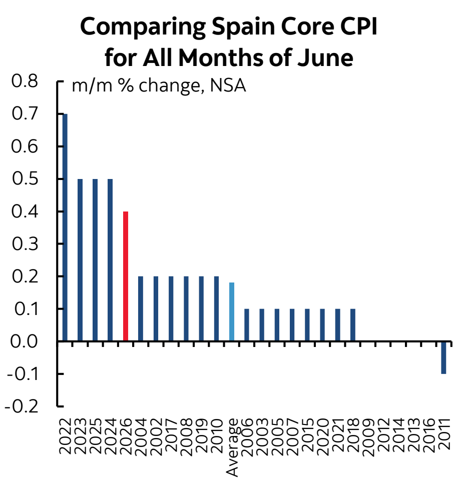
DAILY POINTS

June 29, 2026 @ 8:45 EST

Contributors

Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1



Sources: Scotiabank Economics, INE.

On Deck for Monday, June 29th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06/29	10:30	Dallas Fed. Manufacturing Activity	Jun	--	--	0.4

KEY POINTS:

- **Oil and bond yields up as the US-Iran MOU is on thin ice**
- **Warm Spanish core inflation kicks off round of EZ inflation readings**
- **ECB's Sintra to commence with Lagarde's speech today…**
- **…with a focus on Wednesday's Warsh, Macklem, Bailey, Lagarde panel**
- **Nonfarm payrolls preview**
- **Canadian GDP preview**
- **Other week ahead stuff: EZ CPI, China PMIs, BanRep**

Fresh tensions between the US and Iran as well as Israel and Lebanon have oil prices up by under a buck this morning. Sovereign bond yields are slightly higher by about 1–2bps across most global benchmarks with a little more cheapening than that occurring in Australia while EGB yields shake off Spanish CPI and both Canadian and UK yields are little changed. Stocks are mixed with US equity futures up by ¾% to over 1%, TSX futures up by under ½% and European cash markets mostly in the red. The dollar is slightly softer against most crosses except for won underperformance as uncertainty around South Korean equity outflows persists.

US-IRAN MOU ON THIN ICE

Iran's Foreign Minister Gharibabadi said this morning that there are no talks planned for this week and was later contradicted by Trump who said talks are on by claiming that Iran asked for a meeting tomorrow in Doha. You pick who is lying as I don't trust either guidance. This follows a loose pledge from both sides yesterday to halt their attacks on each other that began on Friday and extended into the weekend. Also of note were Israel's attacks on Lebanon including yesterday. Clearly the MOU is on thin ice, as it should be in light of its one-sidedness in favour of Iran.

SPANISH CORE CPI WAS AMONG THE WARMEST JUNE READINGS ON RECORD

Spanish **CPI** surprised a touch higher than expected for the month of June but the market effects faded in the background relative to higher oil prices this morning. CPI was up by 0.6% m/m NSA (0.4% consensus) and 3.2% y/y (3% consensus, 3.2% prior). Key is that core CPI was higher by 0.4% m/m NSA which makes it among the hotter readings when comparing like months of June across history which is the relevant comparator since it's seasonally unadjusted data (chart 1).

LAGARDE TO KICK OFF SINTRA, WITH WARSH, MACKLEM, AND BAILEY ON TAP

The ECB's annual Sintra forum—similar to the Fed's Jackson Hole Symposium—starts today with the opening dinner (6:30pmCET, 1:30ET). ECB President Lagarde will kick it off with an introductory speech that starts at about 8pmCET (3pmET).

AI, migration, and payments tokenisation will figure prominently in this year's forum. Wednesday brings out the heavy hitters with the Fed's Warsh, BoC's Macklem, BoE's Bailey and ECB's Lagarde on a policy panel for about an hour starting at 2pmCET (9amET).

GLOBAL WEEK AHEAD PREVIEWS

There is no Global Week Ahead for this week given that I was marketing in Europe all last week and in a scorching heat wave. Key previews follow in lieu of a weekly.

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The week's main developments will focus upon Friday's nonfarm payrolls, Canadian GDP tomorrow, the ECB's annual Sintra retreat from today until Wednesday, Eurozone CPI, China's PMIs and BanRep's expected 50bps hike tomorrow.

Note that Canadian markets will be shut early tomorrow (bonds) ahead of Canada Day closures on Wednesday. US markets close early on Friday ahead of the July 4th holiday on Sunday.

NONFARM PREVIEW

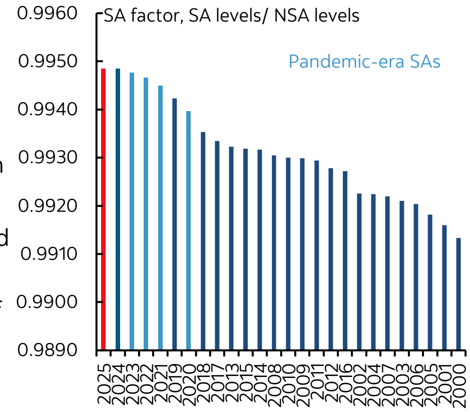
Nonfarm payrolls for June will be released on Friday. I've estimated a gain of 90k m/m SA with an unemployment rate of 4.2% from 4.3% the prior month.

Here are supporting arguments.

- the seasonal adjustment factor for June is likely to overstate the seasonally adjusted gain in payrolls. There is a very strong recency bias in the SA factors over the 2020–onward period during which we've seen the highest—and rising—SA factors on record for like months of June (chart 2).
- June is typically a seasonal up-month for payrolls as indicated in chart 3 that shows the range of month-over-month seasonally unadjusted gains. NSA gains can usually stretch between about 200k–600k.
- the combination of a high SA factor and what I think will be a middle of the pack NSA gain could drive about an 85k SA payroll increase with supporting points below.
- birth-death model adjustments to the seasonally unadjusted gain in payrolls typically add a modest amount to June (chart 4). Consistent with the pattern observed in recent years I'm expecting very little net addition of 25–50k which is a rounding error given the range of possibilities for the NSA change in total nonfarm payrolls.
- 'Indeed' job postings are falling (chart 5). JOLTS is not as fresh but we'll get May figures tomorrow.
- Weather is a wild card but may add to June payrolls. The San Francisco Fed's weather-adjusted payrolls **estimated** that the official nonfarm payroll increase of 172k in May probably would have been about double that if not for weather which was among the larger adjustments of recent years (chart 6). What this could mean is that if weather suppressed hiring activity in May compared to a baseline

Chart 2

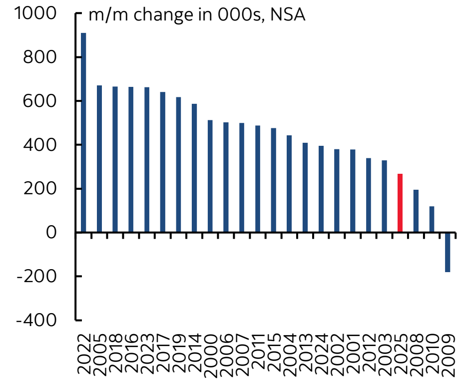
Comparing US Payroll SA Factor for All Months of June



Sources: Scotiabank Economics, BLS.

Chart 3

Comparing US Payroll NSA for All Months of June

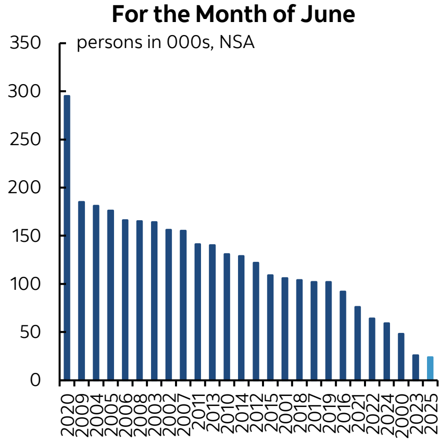


** excluding 2021 & 2020.*

Sources: Scotiabank Economics, BLS.

Chart 4

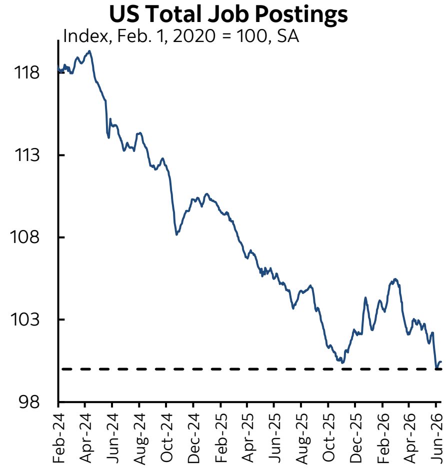
US Birth-Death Model Adjustments For the Month of June



Sources: Scotiabank Economics, BLS.

Chart 5

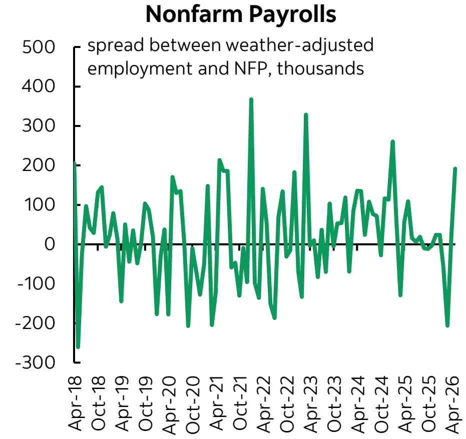
US Total Job Postings



Sources: Scotiabank Economics, Indeed Hiring Lab.

Chart 6

The Weather Effect on Nonfarm Payrolls



Sources: Scotiabank Economics, Bloomberg.

hiring plan, then a low jumping off point for weather effects for boost June payrolls. That could be reinforced by the fact June was a warmer than usual month which could benefit jobs in sectors like construction, leisure and hospitality etc.

- PMIs point to a drop in employment during June. For that we rely upon the S&P **PMIs** since we won't get ISM-manufacturing until Wednesday and ISM-services until next week. S&P warned that "factory job cuts are running at the highest since 2009 if the pandemic is excluded." S&P also pointed to lower employment in services. Other small business hiring signals do not yet stretch into June but were falling to the lowest since 2020.
- Further to the above, I'm expecting US companies to behave similarly to past input cost shocks when they buckle down, cut costs including payrolls, and seek higher productivity as offsets to pressures on margins.
- Nonfarm counts each job that a person has by contrast to the household survey that only counts an employed person once. What therefore matters could be that multiple job holders have been declining.
- watch the education sector in this one. The end of the school year typically means lower seasonally unadjusted payrolls but this time might be worse than average based on reports of widespread **cuts** beyond typical seasonal factors. Attrition, reassignment and timing present uncertainty in translating this guidance into a seasonally adjusted number for June.
- World Cup hiring could add 30–50k to June through direct hiring to run the games in the eleven US cities plus indirect hiring in the restaurants, bars, hotels, etc. This should primarily show up in the leisure and hospitality sector as occurred in May. June is the peak month for hiring as the tournament began on June 11th and stretches until July 19th. This means that payrolls will be boosted this month with a waning effect in July payrolls (reported in August) as the number of hosting cities declines with the reduction in the number of matches by the July nonfarm reference period. The full effect drops out in August payrolls reported in September.
- ADP private payrolls often provide misleading signals and the weekly measure is frequently impacted by revisions before we get the overall June reading on Wednesday. Still, the tracking of the four-week moving average weekly gain of about 30k suggests about a 120k m/m increase.
- I'm expecting a retrenchment in local government hiring after the large 51k pop higher in May. Most of that gain was in services excluding education.
- Health care sector hiring probably remained buoyant at a trend pace of around 50–60k.
- We'll get quite a few other labour market readings this week that may inform the estimate. They will include JOLTS job openings for May (tomorrow), consumer confidence jobs plentiful for June (tomorrow), ISM-manufacturing-employment (tomorrow), Challenger job cuts in June (Wednesday), and Revelio's payroll estimate for June (Thursday). Unfortunately the NFIB small business hiring figures won't be updated until July 14th.
- There were no workers affected by strikes in June.
- The unemployment rate is derived from the household survey not the payrolls report and I expect the household readings to register an employment gain larger than expected softness in the labour force.

CANADIAN GDP—TRACKING THE REBOUND

Canada refreshes monthly GDP for April with a May preview tomorrow morning. Statcan's preliminary estimate for April GDP that was provided on May 29th pointed to a gain of 0.4% m/m with gains led by mining, oil and gas, manufacturing, transportation and warehousing with softness in primary sectors.

As for May's preliminary estimate, I'm tracking another gain based on more limited readings. Hours worked were up by 0.6% m/m SA which is a solid plus given that GDP is hours worked times labour productivity. In determining the latter, we can look to some of the activity readings including Statcan's advance guidance for several readings albeit with uncertainty over how the nominal guidance translates into volumes and how volumes line up with value-added GDP.

Overall, we could be looking at about 2¼% q/q SAAR growth in Q2 GDP but that's very tentative until we see April and May tomorrow and with little to nothing to go by for June thus far.

EZ CPI—DID SPAIN OFFER A MISLEADING SIGNAL?

Eurozone CPI for June will be refreshed on Wednesday. Consensus expects CPI to land at 3% y/y (3.2% prior) with little change in the m/m NSA reading. Spain's readings were a warning shot to consensus this morning, but its stronger economy than elsewhere in the Eurozone could have offered a false signal. Germany, France and Italy release tomorrow morning such that the Eurozone tally will be stale by the next day.

CHINA'S PMIS—SLOW GRIND CONTINUES

China will refresh the state's PMIs for June tonight (9:30pmET) with the private PMIs due out tomorrow night (manufacturing) and Thursday night (services and composite). They are expected to post little to no growth.

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.	4.11	4.09	4.23	4.15	4.13	4.29	4.38	4.37	4.51	4.87	4.87	4.95
CANADA	2.75	2.74	2.81	3.02	3.01	3.08	3.39	3.38	3.47	3.79	3.79	3.85
GERMANY	2.54	2.52	2.60	2.60	2.59	2.68	2.86	2.85	2.95	3.42	3.41	3.51
JAPAN	1.40	1.41	1.41	1.88	1.88	1.92	2.64	2.62	2.68	3.85	3.83	3.87
U.K.	4.13	4.13	4.21	4.28	4.28	4.36	4.73	4.73	4.81	5.44	5.45	5.51
	Spreads vs. U.S. (bps):											
CANADA	-136	-135	-142	-113	-112	-121	-99	-99	-104	-107	-107	-110
GERMANY	-157	-158	-163	-155	-154	-161	-152	-152	-156	-144	-146	-144
JAPAN	-271	-268	-281	-227	-225	-237	-174	-175	-183	-102	-104	-108
U.K.	2	3	-2	13	15	7	35	36	30	58	58	56

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	34980	129.8	0.4	0.4	0.6	31.0
Dow 30	51876	-44.5	-0.1	0.6	1.7	18.4
S&P 500	7354	-3.5	-0.0	-2.0	-3.0	19.1
Nasdaq	25298	-61.0	-0.2	-4.6	-6.2	24.8
DAX	24690	19.0	0.1	-1.8	-1.7	2.7
FTSE	10500	-8.5	-0.1	0.6	0.9	19.3
Nikkei	69468	107.2	0.2	-4.0	4.7	71.6
Hang Seng	23027	354.8	1.6	-3.1	-8.6	-5.2
CAC	8374	-10.8	-0.1	-0.3	2.3	8.9
Commodities	Level		% change:			
WTI Crude	70.02	0.79	1.1	-6.4	-19.8	6.9
Natural Gas	3.21	-0.07	-2.1	-1.3	-2.4	-14.1
Gold	4046.71	-42.03	-1.0	-3.4	-10.9	22.5
Silver	58.38	1.02	1.8	-9.7	-23.4	59.6
CRB Index	352.23	-3.82	-1.1	-2.7	-7.4	17.5
Currencies	Level		% change:			
USDCAD	1.4208	0.0013	0.1	0.3	3.0	4.4
EURUSD	1.1403	0.0019	0.2	-0.2	-2.2	-3.3
USDJPY	161.90	0.1600	0.1	0.2	1.7	12.4
AUDUSD	0.6895	-0.0001	-0.0	-1.5	-4.0	4.8
GBPUSD	1.3231	0.0031	0.2	-0.2	-1.7	-3.6
USDCHF	0.8088	-0.0009	-0.1	0.0	3.6	2.0

Central Banks	
Current Rate	
Canada - BoC	2.25
US - Fed	3.75
England - BoE	3.75
Euro zone - ECB	2.40
Japan - BoJ	1.00
Mexico - Banxico	6.50
Australia - RBA	4.35
New Zealand - RBNZ	2.25
Next Meeting Date	
Canada - BoC	Jul 15, 2026
US - Fed	Jul 29, 2026
England - BoE	Jul 30, 2026
Euro zone - ECB	Jul 23, 2026
Japan - BoJ	Jul 31, 2026
Mexico - Banxico	Aug 06, 2026
Australia - RBA	Aug 11, 2026
New Zealand - RBNZ	Jul 07, 2026