Scotiabank.

GLOBAL ECONOMICS

DAILY POINTS

July 2, 2026 @ 6:50 EST

Contributors

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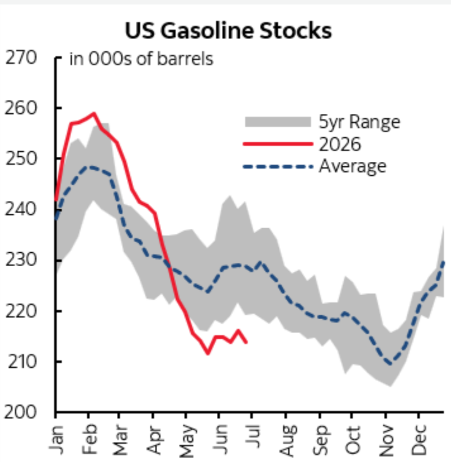
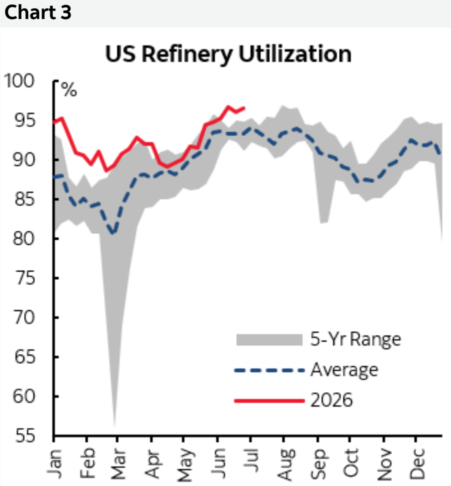
Chart 2



Sources: Scotiabank Economics, US Department of Energy.

Chart 3



Sources: Scotiabank Economics, US Department of Energy.

On Deck for Thursday, July 2nd

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07-02	07:45	Fed's Daly Speaks in Moderated Conversation				
US	07-02	08:30	Average Hourly Earnings (m/m)	Jun	--	0.3	0.3
US	07-02	08:30	Average Hourly Earnings (y/y)	Jun	--	3.5	3.4
US	07-02	08:30	Average Weekly Hours	Jun	--	34.3	34.3
US	07-02	08:30	Nonfarm Employment Report (000s m/m)	Jun	--	113.0	172.0
US	07-02	08:30	Initial Jobless Claims (000s)	Jun 27	--	218.0	215.0
US	07-02	08:30	Continuing Claims (000s)	Jun 20	--	1820.0	1821.0
US	07-02	08:30	Unemployment Rate (%)	Jun	--	4.3	4.3
US	07-02	08:30	Household Employment Report (000s m/m)	Jun	--	--	149.0
US	07-02	10:00	Factory Orders (m/m)	May	--	-2.0	4.8

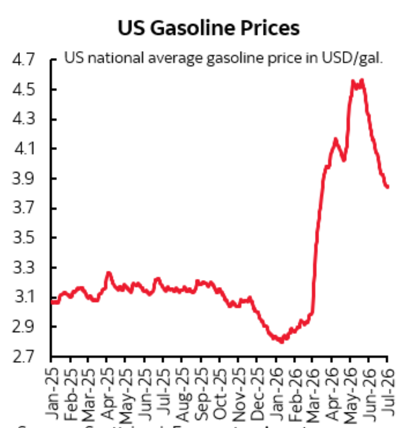
KEY POINTS:

- **Soft dollar, outperforming US Treasuries into payrolls**
- **Scotia's house call for nonfarm payrolls is 90k**
- **Warsh's favourable comments on inflation reduced near-term hike pricing…**
- **…combined with his reminder that tactics & strategy for price stability still lie ahead**
- **Why US gasoline prices are not falling as much as the administration would like to see**
- **What Canadians missed yesterday while off for Canada Day…**
- **…including comments by central bankers…**
- **…and US data as ADP disappointed, Challenger was seasonally normal…**
- **…ISM-mfrg was meh, and vehicle sales came in high**

Welcome back from Canada Day to our Canadian readers and Happy Nonfarm…Thursday!? Yes, Thursday, given that the US July 4th holiday is on Saturday which somehow means that the BLS can't release on a Friday. Go figure. Regardless, current market positioning is bound to shift after payrolls because it may either play to hawks or doves, as silly as it sounds that such extreme data dependence has shoved aside forward-looking views in markets.

Stocks are mixed with weakness in key Asian benchmarks like the Nikkei and an 8% plunge in the Kospi giving way to a soft tone in US and Canadian equity futures this morning alongside a little more optimism in European cash markets. EGBs and gilts are underperforming US Ts. The dollar is broadly softer against most majors. Oil is down by about a buck. Gasoline prices have fallen (chart 1) but not as much as the US administration would like to see which is because stocks are low (chart 2) and refining capacity is strained at very high levels that have them going full tilt (chart 3) into the summer driving season when demand typically rises.

Chart 1



Sources: Scotiabank Economics, American Automobile Association.

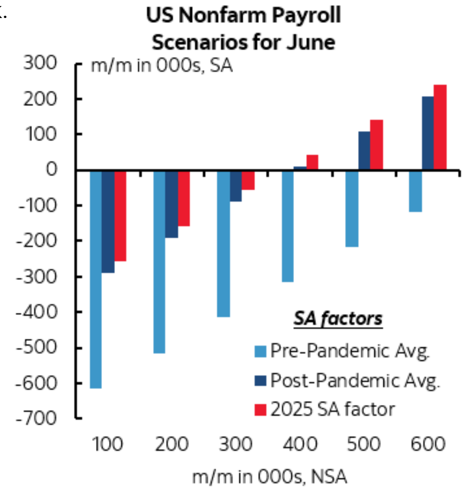
NONFARM PAYROLLS — SHOWTIME!

Nonfarm payrolls for June are due at 8:30amET along with the companion household survey from which the unemployment rate and other metrics are derived. Scotiabank's house call is 90k and I provided in-depth arguments and rationale for the call in Monday morning's **note** in lieu of a weekly since I was travelling last week. I won't repeat the arguments here.

The range of estimates within consensus runs from 25k to 200k with a mean of 113k that matches the median, implying no material skewness. Most estimates lie within about 75k to 150k. Of the top ten ranked payroll forecasters including me, all but one is at 125k or lower and four of us are at 90k or lower. The 90% confidence band around the estimated change is +/-122k and falling seemingly each time I check, so as I always point out, the high degree of statistical noise should keep all forecasters' feet on the ground.

Chart 4 provides one of my cautions into the report. Using the range of m/m NSA changes that would be 'normal' in history and reasonable SA factors is more skewed to downside for nonfarm in m/m SA terms than upside risk.

Chart 4



Sources: Scotiabank Economics, BLS.

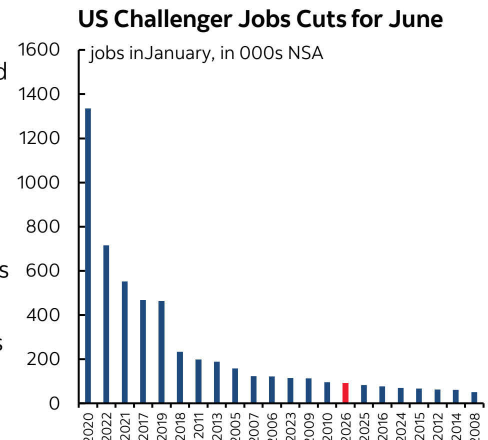
WARSH TAMPS DOWN HIKE PRICING

Pricing for the Federal Reserve's July and September decisions edged down a few points in the wake of comments by Chair Warsh yesterday. I still like receiving July and September OIS contracts.

Warsh noted that inflation risks have declined over the past four weeks while steadfastly refusing to provide forward guidance yet without acknowledging that this was a hint at forward guidance in itself. He repeated a commitment to price stability, emphasized that the Fed must deliver on both price stability and full employment mandates, sounded encouraging on potential growth and the role of AI while noting that the supply side of the economy remains strong and reiterated that the tactics and strategy to achieve price stability are still ahead. The last point may be key after he told everyone in his prior press conference not to prejudge the outcome of the taskforces that would report toward year-end yet markets pre-judged the outcome by pricing near-term hikes. Overall, it didn't sound like a Fed Chair feeling any great urgency to hike.

Other central bankers on the panel at the ECB's Sintra forum didn't have a whole lot to say. BoC's Macklem said the balance sheet is normalizing and gave somewhat stale comments on the transition from QE to QT and then stability. BoE's Bailey cautioned against expecting rate cuts as oil falls while warning further inflation pain lies ahead. The ECB's Lagarde noted that upside risks to inflation and downside risks to growth "are probably more broadly balanced than they were a few weeks ago."

Chart 5



Sources: Scotiabank Economics, Challenger, Gray & Christmas Inc.

US ADP DISAPPOINTED

US ADP private payrolls grew by just 98k in June (consensus and Scotia 120k). The 4-week moving average of the weekly estimates had been 120k, so either the final week of the sample period (that they don't release until next week) disappointed sharply to the downside and/or there will be negative revisions to prior weeks. The weekly estimates tend to be a poor guide to the monthly tally and the ADP monthly estimate is not a good guide to the preliminary private nonfarm payrolls estimate before revisions.

US CHALLENGER LAYOFFS DIP IN SEASONALLY NORMAL FASHION

Challenger layoffs landed at 45.8k in June from 97k the prior month. The figures are not seasonally adjusted and they were broadly in line with most months of June over recent years except for the distorted pandemic period (chart 5). It's therefore incorrect to infer much from the decline relative to the prior month.

ISM-MANUFACTURING SIGNALS LITTLE CHANGE IN SECTOR GROWTH

ISM-manufacturing slipped a touch to 53.3 from 54.0 but still signals moderate growth at an above-50 reading. Prices paid edged a bit cooler to a still torrid pace of 73.0 (82.1 prior). New orders continue to grow solidly (56.0, 56.8 prior). Employment continues to contract slightly (49.7, 48.6 prior).

US VEHICLE SALES LANDED HIGHER

Vehicle sales landed at 16.52 million SAAR (Scotia 16.5 million, consensus 16.1). The 2.7% m/m SA rise will add a few tenths to m/m nominal retail sales in June.

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.	4.17	4.18	4.12	4.24	4.24	4.17	4.49	4.48	4.39	4.98	4.97	4.86
CANADA	2.75	2.73	2.78	3.02	3.00	3.06	3.38	3.37	3.44	3.78	3.77	3.83
GERMANY	2.54	2.51	2.53	2.64	2.60	2.60	2.92	2.88	2.86	3.50	3.45	3.40
JAPAN	1.39	1.40	1.42	1.94	1.93	1.89	2.79	2.71	2.63	4.04	3.98	3.86
U.K.	4.15	4.13	4.12	4.33	4.29	4.25	4.81	4.76	4.70	5.55	5.49	5.40
	Spreads vs. U.S. (bps):											
CANADA	-142	-145	-134	-123	-124	-111	-111	-111	-96	-121	-120	-103
GERMANY	-163	-167	-160	-160	-164	-157	-157	-160	-154	-149	-152	-146
JAPAN	-278	-278	-271	-230	-231	-227	-171	-177	-176	-95	-99	-101
U.K.	-2	-5	-1	8	6	8	32	28	30	56	52	54

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	34857	33.2	0.1	-0.2	-0.9	29.7
Dow 30	52305	-14.0	-0.0	0.9	1.9	17.6
S&P 500	7483	-16.1	-0.2	1.7	-1.7	20.2
Nasdaq	26040	-173.7	-0.7	2.2	-3.9	27.7
DAX	25238	197.8	0.8	1.0	0.5	6.1
FTSE	10527	48.8	0.5	-0.0	1.5	20.0
Nikkei	68733	-1741.8	-2.5	-5.0	3.0	72.9
Hang Seng	23055	174.0	0.8	-1.5	-11.5	-4.8
CAC	8399	62.2	0.7	-0.4	2.3	8.5
Commodities	Level		% change:			
WTI Crude	67.59	-0.99	-1.4	-6.0	-27.9	0.2
Natural Gas	3.18	-0.04	-1.1	-4.8	0.5	-8.7
Gold	4061.77	31.12	0.8	0.9	-9.5	21.0
Silver	#VALUE!	#VALUE!	######	#VALUE!	######	#VALUE!
CRB Index	353.86	0.25	0.1	1.1	-9.0	17.7
Currencies	Level		% change:			
USDCAD	1.4205	-0.0011	-0.1	0.0	2.6	4.5
EURUSD	1.1407	0.0030	0.3	0.3	-1.9	-3.3
USDJPY	161.43	-1.1500	-0.7	-0.2	1.0	12.4
AUDUSD	0.6897	0.0004	0.1	-0.2	-3.9	4.8
GBPUSD	1.3328	0.0053	0.4	1.0	-1.0	-2.3
USDCHF	0.8061	-0.0035	-0.4	-0.5	2.4	1.8

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