DAILY POINTS

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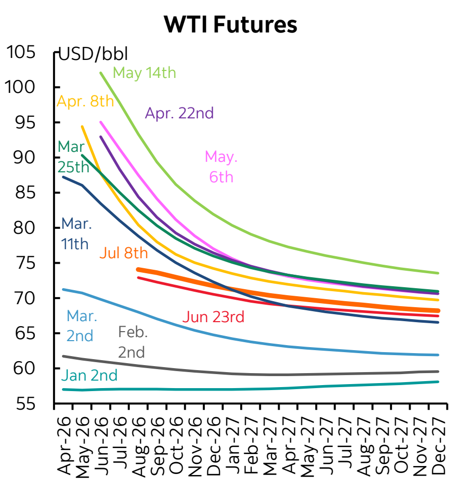
Chart 1



Sources: Scotiabank Economics, Bloomberg.

On Deck for Wednesday, July 8th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07-08	15:00	Consumer Credit (US$ bn m/m)	May	--	17.5	20.7
US	07-08	14:00	FOMC Meeting Minutes				

KEY POINTS:

- **Stocks, bonds are a sea of red as US-Iran tensions escalate**
- **Trump says the MOU ceasefire is 'over'—but doesn't pull back negotiators**
- **RBNZ hiked, guided more tightening to come**
- **Riksbank hike pricing edges up on Swedish inflation, oil surge**
- **FOMC minutes: stale, but at least short?**
- **The Fed's one-and-done dots make it look just plain silly**

Stocks and bonds are simultaneously cheapening this morning on the back of renewed tensions in the Middle East that are driving oil and a few other commodity prices higher, plus further indications of hawkish central bank sentiment after the RBNZ hiked. WTI is up by over US$5/barrel since early yesterday and the futures curve is more decidedly in normal backwardation mode with chart 1 showing where it stands relative to early in the year and at various stages of the war. Oil prices remain materially higher than when a war premium began to get factored in after early January. An estimated 63 million barrels of oil are stranded on the water according to Bloomberg and allegedly with no clear destination or buyer while finding buyers just got more difficult with the end of the waiver.

Europe is taking the breakup news the hardest with roughly double digit increases in bond yields across tenors and countries after more muted selloffs in Asia-Pacific benchmarks owing to the fact they got the worse news after they shut. US Treasury yields are about 2bps higher across most of the curve. Canada's cash market opened cheaper by about 5bps across the curve and OIS is moving a few points higher toward getting back to pricing a BoC hike by year-end in keeping with our Q4 tightening forecast.

Stocks are broadly lower with N.A. futures down by around 1% and European cash off by either side of double that. Korea's benchmark is now down by a whopping, cumulative 23% from mid-June which has multiple drivers but with one being a warning sign on the AI and chips craze.

IT'S OVER—MAYBE

Oil prices jumped yesterday and through the overnight as tensions increased between the US and Iran. WTI is up by over US$5/barrel since early yesterday.

- Iran struck three ships and is reportedly applying a mining strategy to steer ships closer to its coast along the Strait of Hormuz. Iran believes it has a right to control traffic through the Strait and charge for its use.
- The US retaliated by revoking the waiver that permitted Iran to sell oil on global markets effective July 7th.
- The US launched airstrikes against Iran late yesterday.
- Iran's Foreign Minister warned that the attacks were disproportionate, violate the MOU with the US and that Iran "will take decisive measures to protect its interests and national security."
- Trump then remarked this morning that the ceasefire with Iran may be over while not standing in the way of negotiators to continue their work. He said "For me, I think it's

> over. As far as I'm concerned it's just a waste of time. They can talk, but I think they're wasting their time." He went on to depict the Iranian regime as "scum," "sick," "vicious, violent people, and if they had a nuclear weapon, they'd use it."

So where to from here? Both sides are erratic and impulsive. Trump has not shut the door on negotiations, yet his deal with Iran was fatally flawed from the beginning by granting pretty much everything Iran asked for and, with it, putting US foreign policy on the back foot in the region. As argued in marketing decks and road shows, I've never believed this MOU would be durable and would instead mean a permanently higher geopolitical risk premium. This curve probably has much further to run in my view.

RBNZ WARNS ABOUT MORE HIKES TO COME

The RBNZ hiked its cash rate by 25bps to 2.5% as most within consensus expected and as mostly priced in OIS going into the decision. Perhaps less expected was forward guidance that explicitly pointed to how "some further reduction in monetary stimulus is likely to e required" from what the central bank argued to be an accommodative stance. The RBNZ will refresh explicit forward rate guidance in its projections at the next meeting.

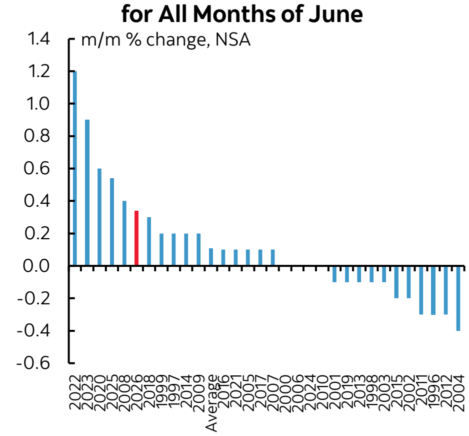
The NZ$ is among the class leaders relative to the USD this morning. The kiwi curve cheapened by 5–9bps in bear steepener fashion overnight. OIS is pricing two-thirds of another hike at the next meeting on September 2nd by which point an awful lot of new developments can unfold. Almost three more 25bps hikes are now priced by mid-2027.

RIKSBANK HIKE PRICING MOVES UP POST-CPI

Sweden's Riksbank also came under greater market pressure to hike on the back of June CPI. CPI was a tick higher than expected at 0.4% m/m and underlying inflation performing likewise (0.3% m/m, 0.2% consensus). Inflation remains low at 0.7% y/y with underlying CPI ex-energy at 0.4% y/y and so there is unlikely to be a big urgency to tighten. Chart 2 shows underlying CPI was among the warmer months of June on record which is done because the m/m figures are not seasonally adjusted. Then again, the policy rate at 1.75% is also low and in accommodative territory. Markets reacted by raising pricing for a year-end hike by about 15bps to a full 25bps hike. Sweden's rates curve also sold off by 11–12bps across maturities and the krona is among the gainers to the dollar this morning.

Chart 2

Comparing Sweden Underlying CPI for All Months of June



Sources: Scotiabank Economics,Statistics Sweden.

FOMC MINUTES—STALE AND SHORT?

Stale but at least short? That might be a fair characterization of the FOMC minutes to the June 16th–17th meeting (2pmET).

Short, because Chair Warsh has a mixed preference for less communication with the first glimpse in office coming with the June statement that set a new standard for brevity, but his press conference was still lengthy. Stale, because oil prices are well below where they were at the time of the meeting notwithstanding the move higher over the past couple of days. Chair Warsh noted at Sintra that inflation risks have diminished.

Still, the statement codification of how "The Committee will deliver price stability" was taken hawkishly by markets and that could be backed up by the general tone of the minutes.

Having said that, the dot plot was the most mealy-mouthed set of forward rate guidance we've seen from the Committee in ages. The unweighted dots are 50–50 over whether to hike this year and then transition back to removing any potential hike next year. After December, the three most hawkish voting members (Logan, Hammack, Kashkari) lose their votes and it may become harder for the vote-weighted views to deliver another hike depending upon further developments. In which case, what's the point here? One hike and done? Simply put, why bother??

There is very little else on tap into the N.A. session with just Chilean CPI for June due out (8amET).

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.	4.21	4.19	4.18	4.31	4.29	4.24	4.57	4.55	4.48	5.07	5.06	4.97
CANADA	2.85	2.79	2.74	3.16	3.10	3.01	3.54	3.49	3.38	3.95	3.90	3.78
GERMANY	2.68	2.59	2.51	2.80	2.71	2.60	3.08	2.99	2.88	3.63	3.58	3.45
JAPAN	1.44	1.41	1.40	1.99	1.96	1.93	2.87	2.86	2.71	4.01	4.08	3.98
U.K.	4.29	4.18	4.13	4.47	4.36	4.29	4.95	4.85	4.76	5.67	5.59	5.49
	Spreads vs. U.S. (bps):											
CANADA	-136	-139	-143	-116	-119	-123	-103	-106	-110	-112	-116	-119
GERMANY	-153	-160	-167	-152	-158	-164	-150	-156	-160	-144	-148	-152
JAPAN	-277	-278	-278	-232	-233	-231	-170	-169	-177	-106	-98	-99
U.K.	8	-1	-5	16	7	6	37	30	28	60	53	52

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	35273	60.3	0.2	1.3	2.3	31.1
Dow 30	52925	-130.8	-0.2	1.4	4.2	19.6
S&P 500	7504	-33.6	-0.4	0.9	1.3	20.5
Nasdaq	25819	-302.5	-1.2	-0.0	-0.4	26.4
DAX	24927	-538.3	-2.1	-0.5	1.3	3.0
FTSE	10512	-154.2	-1.4	0.3	1.3	18.7
Nikkei	66819	-1437.9	-2.1	-5.2	4.4	68.4
Hang Seng	24199	702.6	3.0	5.8	-1.9	0.2
CAC	8261	-174.9	-2.1	-0.9	0.8	6.4

Commodities	Level		% change:			
WTI Crude	74.03	3.59	5.1	6.5	-18.9	8.3
Natural Gas	3.31	0.04	1.3	1.0	5.1	-1.0
Gold	4052.16	-54.08	-1.3	0.5	-6.4	22.7
Silver	58.50	-1.48	-2.5	-1.1	-14.2	59.1
CRB Index	363.09	0.78	0.2	3.4	-3.8	20.1

Currencies	Level		% change:			
USDCAD	1.4171	-0.0030	-0.2	-0.3	1.6	3.7
EURUSD	1.1405	-0.0007	-0.1	0.2	-1.1	-2.7
USDJPY	162.49	0.3900	0.2	-0.1	1.5	10.9
AUDUSD	0.6919	-0.0009	-0.1	0.4	-1.8	6.0
GBPUSD	1.3344	-0.0015	-0.1	0.5	0.0	-1.8
USDCHF	0.8083	0.0001	0.0	-0.2	1.3	1.5

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	2.50
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