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GLOBAL ECONOMICS

DAILY POINTS

August 10, 2026 @ 7:35 EST

Contributors

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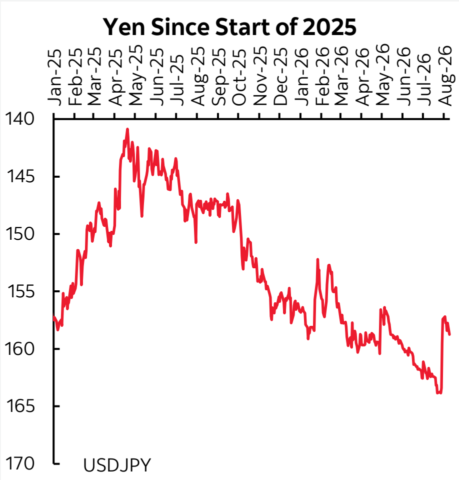
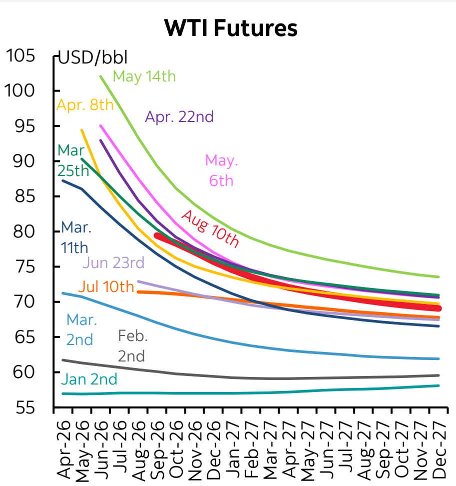
Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

On Deck for Monday, August 10th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07-15	15:00	Fed's Hammack Appears on Yahoo Finance				

KEY POINTS:

- **Oil and Iran take over from nonfarm in driving higher yields**
- **It's back to square one with Iran's hardline demands and actions…**
- **…that will keep oil prices high for a long time**
- **The yen continues to shake off Bessent's futile interventions**
- **Norges hike pricing reduced by Norway's July CPI**
- **China's CPI remains subdued**
- **Global Week Ahead—CUSMA vs. US Inflation (reminder here)**

Oil is up by over 1% across Brent and WTI benchmarks this morning given weekend developments concerning Iran (see below). That is driving a slight cheapening bias across global sovereign bond benchmarks that, while tepid, is interesting by way of lacking follow through from Friday's weak payrolls report that drove yields lower and that was largely shaken off as Asia-Pacific markets caught up to the release. In other words, there is no extended rally. Ditto for stocks where US futures are up a smidge, TSX futures are flat, and Europe is, well, Europe—scattered in the performances of its main benchmarks but generally blah.

YEN FADES US LIFELINE

It's in currency land where we turn our attention for the bigger development. There is no yen for the yen this morning (pardon the double entendre). The yen is the worst performing currency pair to the dollar to start the week and is depreciating from Friday's 157.8 close to 158.8 (-0.7%). US Treasury Secretary Bessent's foray into buying yen by ditching euros from the Exchange Stabilization Fund (instead of more traditionally selling USD) on July 31st was unlikely to provide durable support if we know our history of currency interventions against more fundamental forces.

Bessent's action was to assist Japan's concerns about the falling yen (chart 1) but to substitute US actions for Japanese selling of USD denominated Treasuries to support the yen, an action that could have put upward pressure upon US Treasury yields which Bessent seeks to avoid. Great, except that since pushing the yen from about 164 before US buying to a low of under 156 markets have returned to pushing the yen weaker.

A lot hangs on September. A core challenge to the yen is concern that the Fed may hike amid uncertainty over timing the BoJ's next and subsequent moves. The Bank of Japan doesn't have a scheduled meeting until September 18th—two days after the FOMC—which is almost two-thirds priced for a quarter point BoJ hike.

IRAN HAS TURNED THE 'ART' OF THE DEAL ON TRUMP

Iran presented the US with a list of demands to reopen the Strait of Hormuz that goes back to square one in terms of demands that were laid out at the beginning of endless negotiations. Here's the list:

- Withdraw all US forces from the area;
- End the US naval blockade;
- Permanently stop conflict and threats;

- Pay reparations to Iran for the damage caused by the war;
- Life all US sanctions against Iran;
- release all of Iran's frozen assets;
- end conflict against Iran's proxy regimes such as Hamas.

A further sign of Iran's hardline position came over the weekend when Supreme Leader Khamenei promoted the former head of the Islamic Revolutionary Guard to secretary of the Supreme National Security Council. Mohsen Rezaei is known as a hardliner in negotiations.

Iran also claimed that the US repeatedly violates ceasefires and hence poisons negotiations which I thought was rather cheeky considering its own surprise attacks and violations.

Regardless, fat chance getting all of these demands, or even some of them, but that's not the point. The point is that the US stumbled into a war without approval from Congress, without seeking discussion and input from Allies but then criticizing them for staying out of it, and without any clear strategy or exit plan. The US is now paying the price as Iran turns the 'art' of the deal on Trump by coming in high on its list of demands because it knows the US won't commit to a ground war and knows that US midterms of fast approaching with an administration down deeply in the polls including on affordability issues. The US and Israel have bashed their way around the Gulf but have failed to secure Iran's stockpile of enriched uranium, failed to end its nuclear research program, failed to eradicate Iran's stockpile of missiles and drones that keeps growing, failed to secure regime change and generally met its match despite have clear military superiority. The region is in worse shape with greater unease than before the war as the US ponders the extraordinarily dicey step of supporting the Saudi's nuclear ambitions.

Trump's latest musings realize this quagmire as he is reportedly considering plan 'B' which is to end strikes but maintain the blockade while hoping that the effects eventually cause so much hardship in Iran that it cries uncle. That's unlikely. Iran's regime cares little about the plight of its own people and employs brutal tactics to thwart uprisings. Iran has known extreme sacrifice in its past. Iran's regime will get its support from friends in low places elsewhere, such as the Russians.

It is very difficult to see a way out from this conflict which means that the geopolitical risk premia attached to oil prices is likely to stay high for a long while yet (chart 2). The outcome is worse than even the flawed deal struck by Obama.

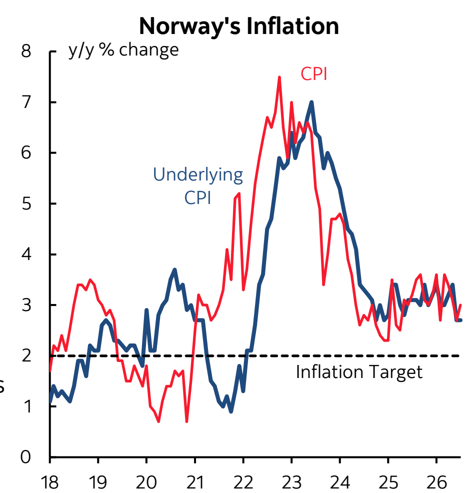
SOFT NORWEGIAN INFLATION REDUCES NORGES BANK HIKE PRICING

Markets moved even closer to pricing a hold by Norges Bank this week after Norway's inflation reading was released this morning. They also reduced pricing for a hike by year-end to just under a quarter point while driving Norwegian bonds to slightly outperforming other global benchmarks. CPI climbed 1% m/m and 3% y/y (2.8% consensus) in July but pass through evidence was fairly tame. Underlying CPI was up 0.8% m/m seasonally unadjusted which was unspectacular relative to other like months of July in history which is the comparator since the figure is unadjusted. Chart 3.

SUBDUED CHINESE INFLATION

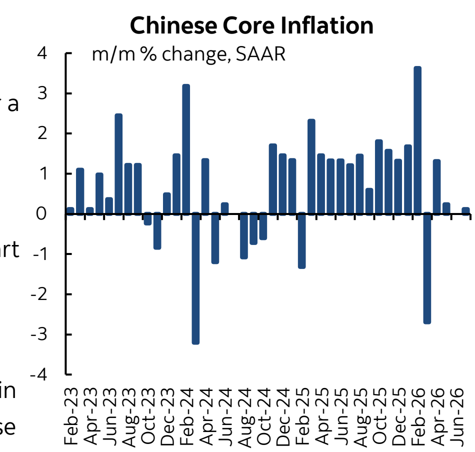
China's inflation remains tame. Key is that the core CPI measure ex-food and energy was flat again at 0.1% m/m SAAR in July (chart 4). The three-month moving average of this measure is also close to zero (0.1% m/m SAAR). Headline CPI was up by 0.5% y/y (0.8% consensus) and the year-over-year core rate was 0.9% (1.0% consensus).

Chart 3



Sources: Scotiabank Economics, Statistics Norway.

Chart 4



Sources: Scotiabank Economics, China National Bureau of Statistics.

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.	4.22	4.20	4.24	4.37	4.35	4.39	4.66	4.65	4.68	5.21	5.20	5.23
CANADA	2.98	2.96	2.97	3.29	3.26	3.27	3.67	3.64	3.66	4.06	4.03	4.05
GERMANY	2.77	2.75	2.78	2.88	2.86	2.89	3.14	3.13	3.15	3.64	3.64	3.65
JAPAN	1.62	1.61	1.57	2.09	2.08	2.09	2.83	2.81	2.84	3.97	3.93	4.00
U.K.	4.29	4.28	4.31	4.48	4.47	4.50	4.94	4.92	4.95	5.68	5.67	5.69
	Spreads vs. U.S. (bps):											
CANADA	-123	-123	-127	-109	-109	-112	-100	-101	-102	-116	-117	-118
GERMANY	-145	-145	-146	-150	-149	-150	-152	-151	-153	-157	-156	-157
JAPAN	-259	-258	-267	-228	-227	-230	-183	-184	-184	-124	-127	-123
U.K.	8	8	7	11	12	11	27	27	28	46	46	46

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	36381	244.9	0.7	2.5	3.0	31.1
Dow 30	54037	151.8	0.3	3.0	2.7	22.3
S&P 500	7758	47.7	0.6	3.6	2.4	21.4
Nasdaq	26691	342.3	1.3	5.2	1.6	24.4
DAX	26413	93.5	0.4	1.6	5.4	9.3
FTSE	10871	-30.3	-0.3	0.1	3.6	19.5
Nikkei	66970	1363.5	2.1	5.0	-2.3	60.1
Hang Seng	25937	269.5	1.0	-0.3	7.3	4.3
CAC	8720	4.9	0.1	1.2	4.6	12.6
Commodities	Level		% change:			
WTI Crude	79.07	0.89	1.1	-1.6	10.7	23.8
Natural Gas	2.76	0.10	3.8	-0.7	-6.1	-7.6
Gold	4336.25	-5.31	-0.1	7.0	5.3	29.7
Silver	64.02	0.46	0.7	10.1	6.9	70.2
CRB Index	380.83	0.00	0.0	0.2	4.0	29.5
Currencies	Level		% change:			
USDCAD	1.3940	0.0001	0.0	-0.8	-1.5	1.2
EURUSD	1.1552	-0.0007	-0.1	0.4	1.2	-0.5
USDJPY	158.82	1.0600	0.7	1.0	-1.8	7.2
AUDUSD	0.7064	-0.0003	-0.0	0.9	1.6	8.5
GBPUSD	1.3501	0.0010	0.1	0.5	0.7	0.5
USDCHF	0.8085	0.0006	0.1	-0.2	-0.0	-0.5

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	Sep 02, 2026
US - Fed	Sep 16, 2026
England - BoE	Sep 17, 2026
Euro zone - ECB	Sep 10, 2026
Japan - BoJ	Sep 18, 2026
Mexico - Banxico	Sep 24, 2026
Australia - RBA	Aug 11, 2026
New Zealand - RBNZ	Sep 01, 2026