Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

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Contributors

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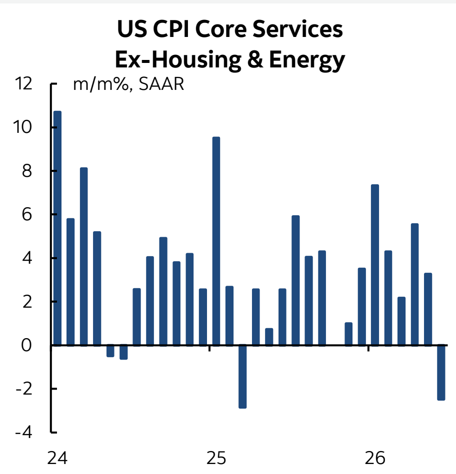
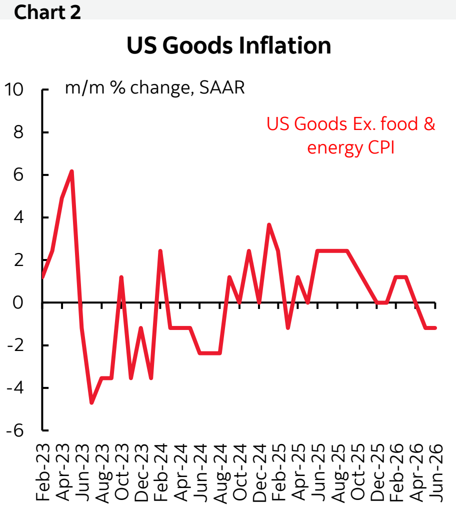
Chart 1



Sources: Scotiabank Economics, BLS.

Chart 2



Sources: Scotiabank Economics, BLS.

On Deck for Wednesday, August 12th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-12	07:00	MBA Mortgage Applications (w/w)	Aug 07	--	--	-2.9
CA	08-12	08:30	Building Permits (m/m)	Jun	--	0.8	-1.7
US	08-12	08:30	CPI (m/m)	Jul	0.2	0.1	-0.4
US	08-12	08:30	CPI (y/y)	Jul	3.5	3.4	3.5
US	08-12	08:30	CPI (index)	Jul	--	334.0	334.0
US	08-12	08:30	CPI ex. Food & Energy (m/m)	Jul	0.3	0.2	0.0
US	08-12	08:30	CPI ex. Food & Energy (y/y)	Jul	2.6	2.5	2.6
US	08-12	14:00	Treasury Budget (US$ bn)	Jul	--	-309.0	-120.3

KEY POINTS

- **Markets expect a benign US CPI reading…**
- **…that may be based more on extrapolative hubris than the uncertain drivers**
- **US CPI—the key may lie in core services**

Some will weep, some will rejoice, some will go back to flogging pillows. Welcome to US CPI day. Markets are somewhat positioned for a soft outcome; that's possible, but the hubris around some of the rationale defies the uncertainty if not the entirely fake and fabricated price data coming out of the BLS. US Ts are slightly dearer in a very mild bull flattener move and with similar moves across Europe. Stocks are mostly higher with US futures up by ¼% to ¾% (Nasdaq) and Europe mostly a touch higher. FX land is mixed.

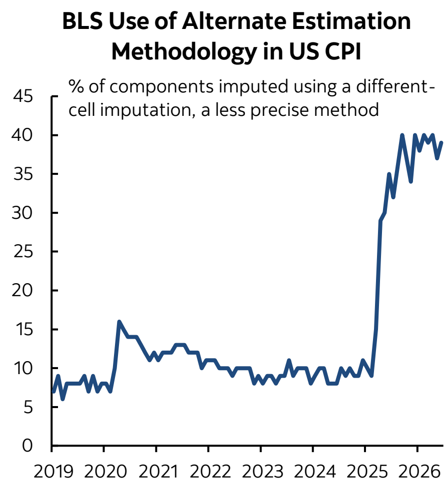
US CPI will be the main event (8:30amET) against an otherwise light global calendar.

Scotia's house estimate is 0.2% m/m SA for headline CPI. The consensus median is 0.1 which is also the mode. 0.2% is the next most popular choice with some at 0.0%.

Scotia's house estimate for core CPI is 0.3% m/m SA. The consensus median is 0.2% which is also the mode. 0.3% is the next most popular but distant second choice. A few are at 0.1%. Some lean toward 0% or 0.1% in an extrapolative approach that mimics the prior month's donut. A sharp rebound in core services prices is part of my expectation after the prior month's rather anomalous drop versus some service prices that appear to have rebounded in July (chart 1). I'm also a little nervous toward sustained softness in core goods prices (chart 2) and if and when pass through of cost pressures may arise. The US remains in excess aggregate demand amid surging cost pressures as drivers of near-term inflation that the Fed can't control versus medium-term drivers.

Be careful toward overly strident calls. It's sample data with all the usual potential pitfalls to sampling— and then some. Those pitfalls are exacerbated by shortfalls in collecting price data to the point to which the BLS is using a record high share of prices collected through substitute methods like proxy markets and substitute products (chart 3). This is because of budget cuts and the failure of the BLS to pivot long ago toward alternate methods of data collection. Seasonal adjustments can be wonky and subject to a recency bias that may be appropriate, or (my opinion) more likely to artificially distort the outcome.

Chart 3



Sources: Scotiabank Economics, BLS.

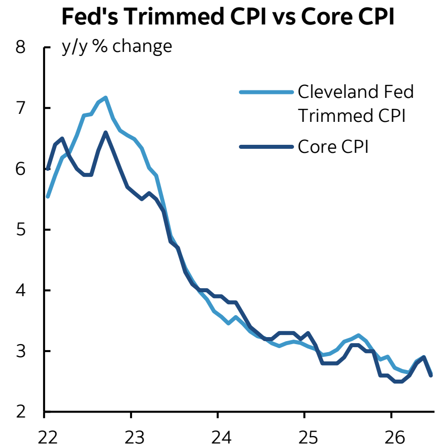
If I'm right on core, then the silly backward-looking focus on the last inflation print ignites the hawks. If consensus is right, then weak payrolls get an added dovish boost until we digest tomorrow's producer prices and implications for PCE along with the next round of pre-September FOMC inflation readings.

A little later in the morning we'll then get the Cleveland Fed's trimmed mean CPI measure for July (chart 4).

This is one of two CPI reports before the September FOMC. There is also one round of PCE data ahead, but we will have CPI and PPI to inform the second PCE prints that arrive after the September FOMC.

For more, there is a CPI preview in my week ahead (**here**), although it's a little late to be doing much beyond waiting for the post-release clean-up and consequences. The section titled "US Inflation — The Short and the Long of It" also delves into nearer term inflation drivers and views on medium- to longer-term views.

Chart 4



Sources: Scotiabank Economics, BLS, Cleveland Fed.

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.	4.20	4.22	4.18	4.37	4.39	4.33	4.67	4.69	4.61	5.22	5.24	5.17
CANADA	3.02	3.03	2.87	3.33	3.34	3.16	3.71	3.72	3.55	4.10	4.10	3.95
GERMANY	2.77	2.79	2.73	2.88	2.90	2.84	3.14	3.16	3.11	3.64	3.66	3.62
JAPAN	1.65	1.62	1.58	2.12	2.09	2.07	2.86	2.83	2.83	4.01	3.97	3.99
U.K.	4.29	4.31	4.24	4.49	4.51	4.43	4.94	4.96	4.89	5.68	5.70	5.64
	Spreads vs. U.S. (bps):											
CANADA	-118	-119	-131	-104	-105	-116	-96	-97	-107	-112	-114	-121
GERMANY	-143	-143	-145	-149	-149	-148	-153	-153	-150	-158	-159	-154
JAPAN	-255	-259	-260	-225	-230	-226	-181	-186	-179	-121	-127	-118
U.K.	9	10	6	12	12	10	27	27	28	46	46	47

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	36476	17.6	0.0	1.9	3.3	30.6
Dow 30	53792	-184.1	-0.3	-0.5	2.2	21.0
S&P 500	7728	-24.9	-0.3	-0.1	2.0	19.9
Nasdaq	26445	-159.9	-0.6	-0.5	0.6	22.0
DAX	26514	122.9	0.5	1.5	5.8	10.4
FTSE	10846	2.0	0.0	-0.4	3.3	18.6
Nikkei	67524	553.8	0.8	5.6	-1.5	58.1
Hang Seng	25440	-212.7	-0.8	-1.8	5.2	1.9
CAC	8704	-10.6	-0.1	0.4	4.4	12.3
Commodities	**Level**		**% change:**			
WTI Crude	83.16	-0.04	-0.0	10.6	16.5	31.6
Natural Gas	2.79	0.03	0.9	3.9	-5.0	-0.5
Gold	4414.34	44.23	1.0	3.9	10.3	31.8
Silver	66.29	1.61	2.5	6.8	15.0	74.8
CRB Index	390.48	0.33	0.1	4.6	6.6	32.2
Currencies	**Level**		**% change:**			
USDCAD	1.3933	0.0009	0.1	-0.6	-1.6	1.2
EURUSD	1.1537	-0.0005	-0.0	-0.1	1.4	-1.2
USDJPY	159.12	-0.1600	-0.1	0.9	-2.0	7.6
AUDUSD	0.7067	0.0005	0.1	0.1	2.2	8.2
GBPUSD	1.3521	0.0014	0.1	0.4	1.3	0.2
USDCHF	0.8126	0.0018	0.2	0.7	-0.3	0.8

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	2.50
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	Sep 29, 2026
New Zealand - RBNZ	Sep 01, 2026