Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

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Contributors

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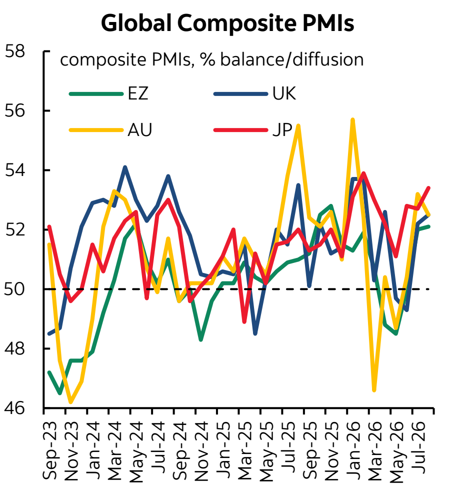
Chart 1



Sources: Scotiabank Economics, S&P Global.

On Deck for Friday, August 21st

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	08-21	08:30	Retail Sales (m/m)	Jun	0.4	--	1.0
CA	08-21	08:30	Retail Sales ex. Autos (m/m)	Jun	--	--	1.2

KEY POINTS:

- **Markets may exit the week on calmer footings**
- **Will it be Agreement Day in Canada?**
- **Be careful with sloppy auto tariff talk**
- **Canadian retail sales due for June and July updates**
- **Global PMIs signal regionally divergent growth and inflation**
- **UK retail sales disappoint**

Stocks up, check. Oil slightly lower, check. Sovereign bond yields flat to a touch lower in the US and Canada, and slightly outperforming across European front-ends, check. Dollar weaker against all majors, check. Fingers crossed we exit the week sans any fireworks. PMIs and light overnight data didn't much move the needle.

If anything does matter to markets today then it could be the countdown to a possible Canada-US deal that won't arrive until after the close at best, but we might get further leaks and plants on the content. Data risk may also matter a touch with US PMIs and Canadian retail sales on tap.

AGREEMENT DAY IN CANADA?

It's agreement day in Canada where the text of a trade and security arrangement with the US is due by tonight according to ongoing guidance from the Canadian side. Negotiations continue with further meetings planned today at 10:30amET and probably more high level calls. If an agreement arrives, then it's not clear if that means you and I will see it tonight or over the weekend, or if we'll have to parse through leaks and whatever 'sources' tell the press.

There is some confusion on the possible autos treatment given **this** article but I found it poorly worded. In calculations that were shared in yesterday morning's note I had incorporated the lowered autos tariff to 15% from 25% with only an exemption for US content in vehicles but a full CUSMA exemption for parts content from Canada, the US and Mexico. The article says no CUSMA exemption for auto exports but fails to draw a distinction between assembled autos versus parts. Parts are about two-thirds of Canadian auto exports that are subject to any tariffs and so the CUSMA exemption for them matter more than for assembled autos. Ideally, a sensible agreement would exempt all CUSMA content from both assembled autos and parts and that may be what Ontario's Premier will insist upon before stepping out of the shadows to offer his take.

Regardless, a lot could still change by the time we get the text and in further refinements that are possible thereafter. Inflammatory talk—say from the US VP—should be muzzled with some respectful sensitivity to how Canadians need to offer the political support to the Carney administration and provinces especially with Quebec's election in October.

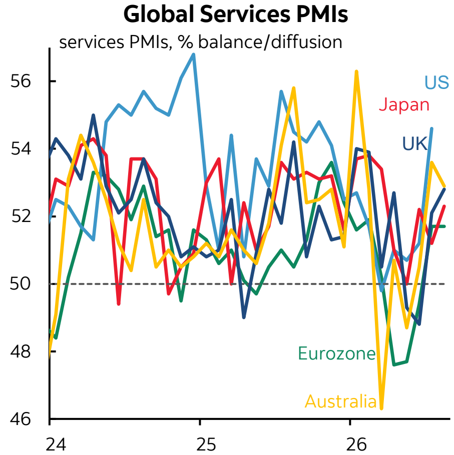
The sensible outcome would be for the US to drop all of its foolish sector tariffs against Canada as they violate the CUSMA agreement and would get anyone with a modicum of understanding of basic economics an 'F' in first year for supporting them.

CANADIAN RETAIL SALES TRACKING SOFT Q2 AFTER ROBUST Q1, Q3 PENDING

Canada updates retail sales for June and July this morning (8:30amET). Statcan had offered earlier guidance for June's change in the dollar value of sales at +0.4% m/m SA.

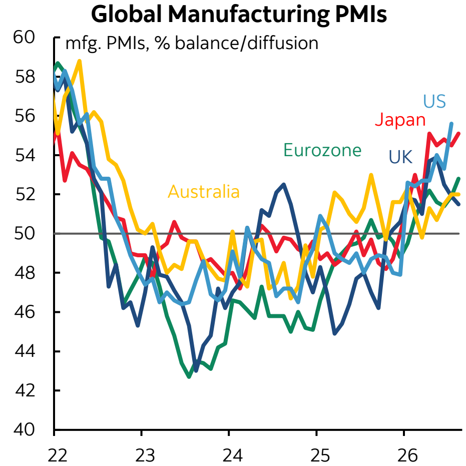
That may be revised and we'll get details like volumes versus price effects and sector details. The first estimate for July will also be made available. After rising by 5.4% q/q SAAR in Q1, retail sales volumes are so far tracking a mild dip in Q2 pending June's numbers and any revisions. We'll also be able to offer a very preliminary reading for Q3 tracking with complete Q2 data and a stab at July volumes.

Chart 2



Sources: Scotiabank Economics, Markit, Bloomberg, ISM.

Chart 3



Sources: Scotiabank Economics, S&P Global.

PMIS SIGNAL DIVERGING REGIONAL GROWTH AND INFLATION

The monthly parade of global purchasing managers' indices has arrived with only the US figures pending. Japan, the UK and India saw quicker growth while Australia cooled and the Eurozone was flat. Inflationary pressures appeared to accelerate in the UK, Japan and India, but eased in the Eurozone and Australia. Charts 1–3 show the PMI trends with comments below.

- The Eurozone composite PMI was flat (52.1, 52.0 prior), signalling moderate growth. The services PMI was unchanged at 51.7 and the manufacturing PMI edged up a bit (52.8, 51.9 prior).
- Within the Eurozone we only get the readings for the two largest economies. France's composite PMI fell and continues to signal a contracting economy (48.8, 49.4 prior) with services leading the decline but manufacturing edging back into expansion territory. Germany's composite PMI was little changed in mild expansion territory (51.0, 51.3 prior) as services continue to contract but manufacturing accelerated.
- The UK composite PMI improved a touch (52.5, 52.2 prior) because of services (52.8, 52.1 prior) as manufacturing decelerated a touch (51.5, 51.9 prior).
- India's composite PMI increased to 54.6 (54.3 prior) with a slight acceleration in services growth offset by a slight deceleration in manufacturing growth.
- Australia's composite PMI slowed (52.5, 53.2 prior) and this was entirely due to cooler growth in services (52.9, 53.6 prior) as manufacturing held steady at 52.0.
- Japan's economy accelerated with the composite PMI up to 53.4 from 52.7 amid gains in both the services and composite PMIs.
- The US PMIs will be released at 9:45amET.

UK CONSUMER SPENDING SOFTENED

UK retail sales disappointed in July. While the headline reading matched consensus expectations (-0.5% m/m SA) this disappointed because of a lower starting point due to a negative revision to June (+0.7% instead of 1.0%). Sales ex-fuel fell -0.9% m/m which was weaker than expected with a downward revision to the prior month of two-tenths to 0.9% m/m.

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.	4.18	4.19	4.17	4.37	4.39	4.36	4.69	4.71	4.69	5.24	5.25	5.26
CANADA	3.01	3.02	2.95	3.34	3.35	3.28	3.74	3.75	3.68	4.15	4.16	4.09
GERMANY	2.82	2.85	2.80	2.96	2.99	2.93	3.24	3.26	3.20	3.76	3.76	3.73
JAPAN	1.68	1.68	1.67	2.13	2.12	2.14	2.89	2.86	2.89	4.08	4.04	4.03
U.K.	4.33	4.38	4.36	4.56	4.60	4.56	5.03	5.07	5.04	5.78	5.81	5.79
	Spreads vs. U.S. (bps):											
CANADA	-117	-117	-122	-103	-104	-109	-94	-95	-102	-109	-109	-117
GERMANY	-136	-134	-137	-141	-140	-144	-144	-145	-149	-148	-149	-153
JAPAN	-250	-251	-250	-224	-227	-222	-180	-185	-180	-116	-121	-123
U.K.	15	19	18	19	21	20	35	36	34	55	56	53

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	36365	-36.4	-0.1	-1.1	2.8	29.6
Dow 30	52759	-703.8	-1.3	-2.0	1.0	17.8
S&P 500	7641	-66.8	-0.9	-2.0	1.8	20.0
Nasdaq	26067	-263.9	-1.0	-2.7	0.9	23.5
DAX	26071	87.9	0.3	-1.4	4.2	7.3
FTSE	10769	20.7	0.2	0.2	1.7	15.7
Nikkei	66016	-200.4	-0.3	-3.9	-0.3	54.9
Hang Seng	26009	311.0	1.2	3.6	3.5	3.6
CAC	8466	12.7	0.1	-2.0	1.2	6.6

Commodities	Level		% change:			
WTI Crude	86.44	-0.39	-0.4	4.9	1.8	36.1
Natural Gas	2.78	0.05	1.9	1.9	-2.8	-1.5
Gold	4596.89	80.31	1.8	5.0	12.8	37.7
Silver	69.86	1.78	2.6	8.0	18.8	83.1
CRB Index	403.41	3.23	0.8	3.9	3.8	35.2

Currencies	Level		% change:			
USDCAD	1.3739	-0.0051	-0.4	-1.0	-2.6	-1.2
EURUSD	1.1700	0.0022	0.2	1.1	2.6	0.8
USDJPY	158.59	-0.4600	-0.3	-0.5	-2.8	6.9
AUDUSD	0.7165	0.0051	0.7	1.1	2.4	11.6
GBPUSD	1.3658	0.0027	0.2	0.9	2.1	1.8
USDCHF	0.7992	-0.0012	-0.1	-1.7	-1.7	-1.2

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**