Scotiabank.

GLOBAL ECONOMICS

DAILY POINTS

August 27, 2026 @ *8:35 EST*

Contributors

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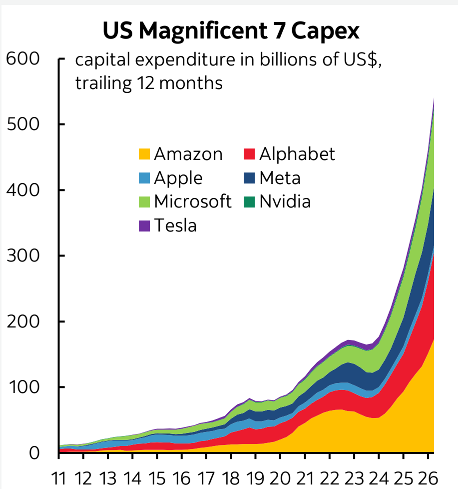
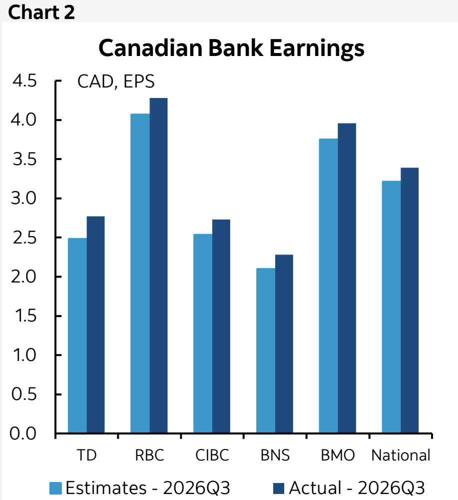
Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics. Bloomberg.

On Deck for Thursday, August 27th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	08-27	08:30	Current Account (C$ bn a.r.)	2Q	--	3.9	-7.2
US	08-27	08:30	Initial Jobless Claims (000s)	Aug 22	205	208.0	206.0
US	08-27	08:30	Continuing Claims (000s)	Aug 15	1785	1792.0	1799.0
US	08-27	08:30	Wholesale Inventories (m/m)	Jul P	--	0.2	0.2
US	08-27	10:00	Fed's Hammack to appear on CNBC				
US	08-27	13:00	Fed's Hammack Appears on Fox Business				

KEY POINTS:

- **Markets tread water, waiting for Warsh**
- **Greer interview takeaways and the thinking behind it**
- **All of Canada's banks beat the analysts this week**
- **US trade deficit widens, import surge goes into inventories, jobless claims stable**
- **Ignore Canadian payrolls**
- **Jackson Hole agenda to be released tonight**
- **BoK hiked, guidance points to possibly another one**
- **BSP hiked, 'hope' divided FX and bonds**
- **Clarifying Canadian CPI views**

Expect today to feel like twenty-four hours in labour. The next step that matters will be what Chair Warsh has to say tomorrow morning. There is precious little on today's calendar that would be likely to swing markets which could leave them vulnerable to any off-calendar surprises on trade or geopolitical matters.

Sovereign bond yields are gently higher across major markets with curves in Australia, New Zealand and South Korea underperforming in part due to a pair of hikes by the BoK and Philippines. Currencies are mixed versus the dollar. Equities are higher in US futures after yesterday's after-market beat by Nvidia (chart 1 is now complete with all of the Mag7 figures in), a touch lower in TSX futures and generally lower in European cash markets. Oil prices are very slightly firmer.

A PAIR OF ASIAN CENTRAL BANKS HIKED

The Bank of Korea hiked its base rate by 25bps to 3% (statement **here**). That was the median call, although consensus was divided with a substantial minority expecting a hold. There was one dissenter in the 6–1 vote. The won is outperforming most other major crosses this morning but the Korean curve rallied in bull steepener fashion with the 2s yield down 8bps on forward guidance. Governor Shin Hyun Song emphasized a pre-emptive bias to the move by saying "the cost of responding too late is much greater." The growth forecast was raised to 3.3% this year and 2.9% in 2027 (previously 2.6% and 2.1% respectively) while emphasizing the role of the semiconductor sector and AI trade. Inflation is projected to be 2.7% this year and 2.3% next year; both years are above the BoK's 2% target. The BoK released a dot plot covering policy rate views six-months forward that showed a median policy rate projection of 3.25% which Governor Shin emphasized "implies one more hike from the current level."

The central bank of the Philippines then followed the BoK's move by hiking its policy rate 25bps to 5%. Consensus was somewhat divided with a minority expecting a hold. Guidance was wistful, as Governor Remolona said he is "hoping that we won't need another rate hike." Hope, that great foundation for analytical rigour. The Philippines rate curve showed no such hope as 2s cheapened by about 5bps overnight, but FX was more hopeful as the peso underperformed all of its Asian peers.

August 27, 2026

LIGHT US DEVELOPMENTS...

Light data is on tap in the US this morning. Weekly initial jobless claims were stable at 203k and so were continuing claims (1.778 million, 1.796 prior). US goods exports tumbled by –2.9% m/m in July while imports soared by 3.7%, thus widening the trade deficit to US$118B from -$101B. The import surge went partly into inventories as retail inventories soared by 0.7% m/m and wholesale inventories were up 1.3% m/m in July.

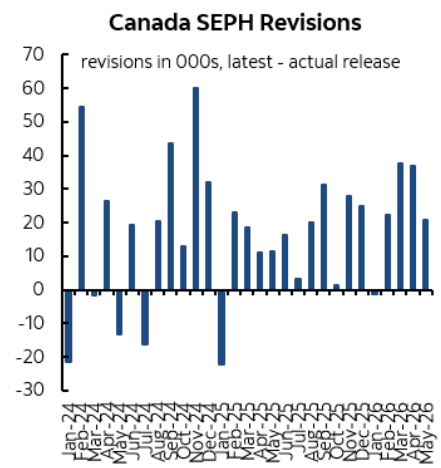
...AHEAD OF JACKSON HOLE

But the more important thing on the US docket will be tonight's release of the agenda for the Federal Reserve's annual Jackson Hole symposium (8pmET). The list is likely to be dominated by academics, but we'll watch for formal appearances by foreign central bankers. Chair Warsh speaks tomorrow morning at 10amET and this will be closely watched. At the same time, the BLS will release its annual preliminary nonfarm payroll revisions. Scotia's estimate is +300k to March 2026 payrolls which implies an average +25k upward revision per month over April 2025–March 2026. Most expect a modest addition to payrolls but if our estimate is close, then it wouldn't much move to needle at the Fed.

CANADIAN BANKS ALL BEAT, IGNORE SEPH

Canada refreshed the payrolls report for June this morning that posted a 4.8k rise. The prior month was revised up to a 45k gain from 24.1k initially. Ignore. First, we get the August Labour Force Survey next Friday which is much fresher and more complete not least of which because it includes off-payroll, small business employers that are important in Canada. Second, the payrolls report is wickedly revised every month and often by tens of thousands of jobs (chart 3). The LFS report is revised annually.

Chart 3



Sources: Scotiabank Economics, Statistics Canada.

Canadian bank earnings march onward and every single bank beat estimates this week (chart 2) and yet so far, the story has been entirely about BNS shares that have sharply outperformed. RBC beat with adjusted EPS of C$4.28 (consensus $4.07). CIBC beat with adjusted EPS of C$2.73 (consensus $2.53). TD Bank posted adjusted EPS of C$2.77 (consensus $2.48).

CLARIFYING TARIFF PASS THROUGH INTO CANADIAN CPI

We did not say in yesterday's note that Canadian CPI would rise by 3½% because of tariffs. Unfortunately, it seems that a few folks didn't read on past the first stab at parameterizing the bottom-up approach. 3½% is the CPI basket share spent on the categories that are targeted by US tariffs and includes Canadian consumer spending on those imports from the US, from elsewhere, and from within Canada. The other arguments provided on incidence and other effects further whittled down the impact. Overall, I would expect that CPI rises by a few tenths of a percentage point over a 1–2 year period due to the Canadian retaliation on US goods and that could be thwarted by our forecast monetary tightening by the BoC.

WHAT USTR GREER SAID AND THE THINKING THAT'S BEHIND IT

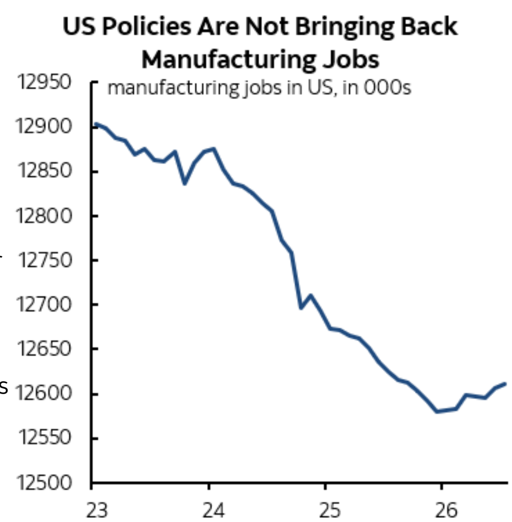
Greer came before a Canadian tv audience yesterday to share the Trump administration's message and try to convince Canadians that the US won't budge. Colour me unconvinced. Here are some takeaways before once again challenging the fundamental US thesis.

- Greer stated "there are no open channels with Canada right now" which conflicts with what the Canadian side has tended to indicate. It's unclear, but it may indicate that all talk has stopped.
- I thought Greer also kind of indicated that there would be no further retaliation by the US when he simply said that "no further retaliation" would be tolerated. There is some literary licence employed here, but it could be construed as shaking off Canada's retaliation the other day which would downplay the risk of spiralling actions.
- This prior comment was partially retracted by a veiled threat that "maybe we need to" impose bans on Canadian imports matching the ban on imported US alcohol into Canada. I was inclined to dismiss it as a warning after the prior comment and just venting.
- Greer claims that the US side did not add new demands at the end of negotiations. Trump said otherwise just ahead of Greer's remark when Trump said "That sounds like me" in response to whether the US added last minute conditions. Greer would be expected to say this since doing the opposite would be throwing more powerful members of the administration under the bus. Further, Greer's claims is

strongly contested by the evidence and claims from the Canadian side on adding tariffs on superduty trucks, cultural matters, and seeking to restrict Canada's hands in negotiations with other countries that Greer later on in the interview actually said they did do.

- Greer said Canada was offered "the best deal in the world" which is not to be confused with being a liveable deal to Canada. The US sought to destroy industries like lumber, autos, steel etc. The foundation for this talk appears to be that Canada only got stabbed in the back once, but the other guys got stabbed twice so what is Canada complaining about. Canada's trade exposure to the US is, of course, vastly greater than it is for other countries.
- Greer emphasized that the US offered to cut lumber duties by 10%. Recall that's a pittance compared to the cumulative lumber tariffs imposed by the US that are multiples of that. Dozens of sawmills have shut in BC because of ridiculously high US tariffs.
- Greer lauded the fact that the US offered to cut tariffs on Canadian steel and aluminum from 50% to 25%. Such rates remain extraordinarily punitive and are still aimed at destroying Canadian firms.
- Greer noted that the US offered to cut tariffs on autos to 15% from 25% and 'in some cases to 7%' which remains a murky point. 15% is still an unacceptable tax and Greer's remark about bringing manufacturing jobs back to the US once again made clear what the US aim is. Chart 4 shows that it is failing.
- Greer emphasized that only China and Canada retaliated and seemed incredulous about this point. That's more of a comment on how the rest rolled over, but in any event, Canada and China have more at stake than others and are playing the longer game rather than signing up to agreements that could hollow out large portions of their economies.
- Greer did acknowledge that the US did indeed seek to dictate how Canada should treat trade with other countries by stating the US demands Canada does more on steel tariffs applied to others.

Chart 4



Sources: Scotiabank Economics, BLS.

The peach was when Greer said "we think global integration has had negative effects on the US." He backs Trump's claims that the rest of the world has been ripping off the US. Show me the evidence. The US has the strongest performing economy among the majors and a low unemployment rate and one of the strongest stock markets since the election behind only Canada's (!) and Japan's. If the rest of the world is ripping off the US, then it's executing rather poorly with long-underperforming economies.

Greer is doing his paid job. He is not, however, a trained economist which is where we come in. To understand US trade policy requires understanding the MAGA thesis on trade and its serious flaws.

The MAGA thesis is summarized as follows. It blames soaring fiscal deficits, soaring trade deficits, income inequality, and various social ills not on US policies, but on cheaters elsewhere. The US is a fair player in an open economy that does nothing wrong, the thesis contends, but other countries restrict access and need to pay a price for this. That price is a tariff as a tax on their exports to the US in an attempt to level the playing field.

It's total rubbish.

A first reason is that it dwells on the negatives while jeopardizing the positives like inflows of talented workers, outperformance of the US economy, competitiveness by hiding US industries behind protectionist walls which never works, etc. No country is well served by mercantilist policies over the longer run. The US trade talk is dominated by talk of "protecting" US industries and workers from foreign competition as we heard in Greer's interview.

The second reason is that US fiscal policy is driven by policy choices marked by too much spending and constantly giving away tax revenues. Current account deficits reflect high investment income outflows because of high debt and attractive investment opportunities in the US and saving too little domestically.

A third reason is that all countries cheat. The US too. Show me one that doesn't. The US just does it differently through massive subsidies while EMs can't afford to play the same subsidy game as, say, the US Farm Bill, tech/chips subsidies, auto subsidies, Boeing subsidies, military-industrial complex subsidies etc. The US "chicken tax" has for decades been the reason behind why US firms dominate truck manufacturing at least in the US. International rankings of the prevalence of US subsidy programs rank the US just behind China and on agricultural subsides those rankings show that the US is second to none including the Europeans with their vast Common Agricultural Policy. Yet the average tariff rates were the same in Canada and the US while the US ranked higher on non-tariff barriers than Canada. Of all countries to pick a trade fight with, Canada should have been at the very bottom of the list.

Fourth, what this is really about in my opinion is taxing Americans without telling them you are taxing them. The US keeps cutting personal and corporate taxes which inflame the deficit in pro-cyclical fashion, missing the opportunity to repair finances in good times. 6% annual deficits as a share of GDP and debt over US$40 trillion is a tax on future generations, plus all the unfunded social security programs that eventually have to be addressed. If Americans don't wish to pay taxes, then tax their consumption via tariffs is the political logic. Many studies done by groups like the NY Fed, a German institute, global think tanks etc have concluded that US consumers and businesses pay for these tariffs through the incidence effects. They compound the affordability challenges facing Americans and in highly regressive fashion because tariffs hit lower- and middle-income households the most. And it won't work to meaningfully rein in deficits because the underlying root causes are not being addressed and the tariff revenues won't be large enough without crushing consumers.

In any event, you play the hand you're dealt. Extractive economics in Washington is based on zero-sum, beggar-thy-neighbour policies that will require pivots elsewhere. The rising tide lifts all boats approach that raised incomes in the post-WWII order when America played a leadership role in driving trade liberalization is being rejected in favour of a politically advantageous approach to dividing people and countries and the US won't own up to the need for domestic solutions to address challenges within an otherwise impressive economy. That means more home bias in everyone's actions on trade, procurement policies, defence contracts etc. Consumers and businesses everywhere experience less choice at higher prices.

The economist in me says that's all very much a shame on all sides. It jeopardizes the benefits of comparative advantage and mutually compatible growth and replaces it with a more divided world, while weakening alliances and fracturing the commitment of democratic ideals against unsavoury regimes. If we know our history, then it's an unfavourable move back in time. I fear that Americans don't know how this could end for themselves, as other countries develop competing defence industries, shut out or restrict US investment, and limit growth opportunities for US firms and workers.

Most stunning of all may be that the US team appears flummoxed by Canada's attitude. We have former Commerce Secretary Wilbur Ross saying this morning that trade talks are more difficult now because Canadians have "a very negative attitude" toward the US. That's not entirely true as my read on it is that Canadian attitudes are more focused upon what they think of the US administration and its unprovoked and unjustified assault on Canada. What did you expect?! Yet Canadians have long viewed Americans as their closest cousins.

Ultimately there are two competing narratives on how developments proceed. One is that the US is the richest, most powerful country on the planet and Canada will necessarily wilt in its opposition. The other is that Canada has gone through severe shocks like the pandemic, gained enormous experience on how to respond, and doesn't have interest in being pushed into an agreement that could be highly damaging and is therefore willing to suffer in the short-term and do whatever it takes for the sake of the long-term.

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	4.21	4.19	4.38	4.36	4.39	4.66	4.65	4.71	5.18	5.17	5.25
CANADA	2.93	2.93	3.02	3.26	3.26	3.35	3.66	3.65	3.75	4.09	4.08	4.16
GERMANY	2.85	2.84	2.85	2.97	2.96	2.99	3.25	3.23	3.26	3.76	3.74	3.76
JAPAN	1.70	1.70	1.68	2.16	2.15	2.12	2.91	2.90	2.86	4.08	4.08	4.04
U.K.	4.34	4.35	4.38	4.56	4.57	4.60	5.02	5.03	5.07	5.76	5.77	5.81
	Spreads vs. U.S. (bps):											
CANADA	-129	-128	-117	-112	-111	-104	-100	-99	-95	-109	-109	-109
GERMANY	-137	-137	-134	-141	-140	-140	-141	-141	-145	-143	-143	-149
JAPAN	-252	-251	-251	-222	-221	-227	-176	-174	-185	-111	-109	-121
U.K.	12	14	19	18	21	21	36	38	36	57	60	56

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	36814	-144.0	-0.4	1.1	3.5	29.5
Dow 30	53464	-113.5	-0.2	0.0	2.4	17.3
S&P 500	7676	-1.6	-0.0	-0.4	3.5	18.4
Nasdaq	26130	-21.1	-0.1	-0.8	4.8	21.0
DAX	26386	99.7	0.4	1.5	4.0	9.7
FTSE	10841	-37.5	-0.3	0.9	0.5	17.1
Nikkei	66132	-130.2	-0.2	-0.1	6.0	54.4
Hang Seng	25566	-87.2	-0.3	-0.5	1.4	1.4
CAC	8377	-85.4	-1.0	-0.9	-0.3	8.2
Commodities	Level		% change:			
WTI Crude	82.34	0.11	0.1	-6.3	-0.3	28.4
Natural Gas	2.88	0.04	1.5	5.5	4.2	0.6
Gold	4594.29	3.22	0.1	1.7	12.7	35.2
Silver	68.33	0.21	0.3	0.4	17.1	77.0
CRB Index	401.65	0.00	0.0	-0.4	4.7	33.6
Currencies	Level		% change:			
USDCAD	1.3870	-0.0007	-0.1	0.6	-1.8	0.6
EURUSD	1.1642	-0.0009	-0.1	-0.3	2.4	0.0
USDJPY	159.42	0.1100	0.1	0.2	-2.6	8.1
AUDUSD	0.7190	0.0020	0.3	1.1	2.8	10.5
GBPUSD	1.3579	-0.0016	-0.1	-0.4	2.2	0.6
USDCHF	0.8049	-0.0005	-0.1	0.6	-1.7	0.3

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