Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

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Contributors

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On Deck for Monday, August 31st

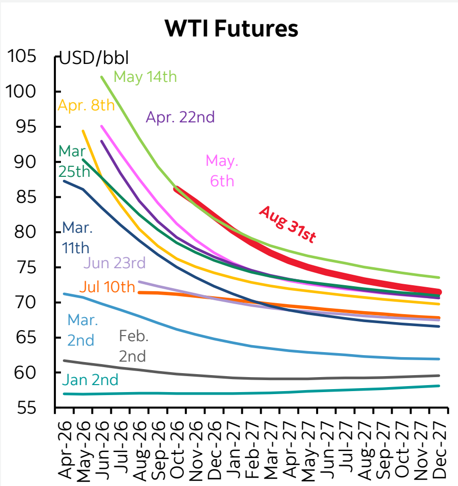
Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-31	10:30	Dallas Fed. Manufacturing Activity	Aug	--	1.6	1.3

KEY POINTS:

- **Oil spikes as US-Iran conflict reignites**
- **Treasuries consolidate overreaction to Warsh's speech**
- **German CPI weaker than expected**
- **China PMIs barely budged**
- **Japan data dump beats expectations**
- **India's GDP beats, remains fastest growing economy**
- **G20 meeting to be a grin-and-bear-it affair**
- **Attacking gasoline refiners is good politics, bad economics**
- **Trump's stressometer is shifting into high gear**
- **Global Week Ahead — Horse Blinders (reminder here)**

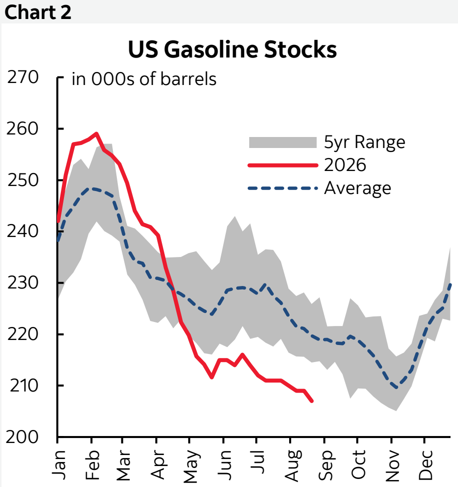
Oil prices are up by almost 4% this morning after the US attacked Iran which then retaliated. Chart 1 shows the WTI futures curve and how spot prices are off earlier peaks but futures prices are toward the highest points reached during the war. The conflict was dormant for weeks, but US midterms are just over two months away. On gas prices ahead of Trump's meeting with oil execs tomorrow, charts 2 and 3 show it's not their fault; gasoline stocks have been impaired and are tracking well below normal while refiners go all-out to repair the war damage which has been the root cause of higher gas prices. In any event, Iran, an economy that in 2025 was 15% of the size of Canada's economy, clearly remains undefeated by a superpower.

Chart 1



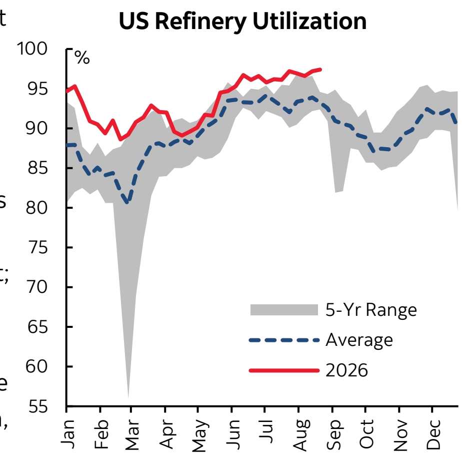
Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, US Department of Energy.

Chart 3



Sources: Scotiabank Economics, US Department of Energy.

The effects on bond markets are mixed. US Treasury yields are rallying in bull steepener fashion with 2s richer by about 2bps as they consolidate Friday's post-Warsh selloff. I thought the Warsh reaction was overdone as he said progress on inflation isn't enough and the Fed will have more work to do if further progress isn't made; that's a cue to watch near-term data over coming months that doesn't sound like a September tee-up to me. EGBs, however, are treating Warsh and higher oil prices as news and are cheaper by 2–4bps across most countries and benchmarks. Canadian government yields are little changed with very slightly firmer front-end prices.

Stocks are little changed with US futures down by under ¼%, TSX futures up by ¼% and Europe mixed after Asia-Pacific benchmarks were similarly mixed overnight. Currencies are mostly flat to rallying against the USD.

German states have reported CPI figures that are on average lower than consensus was expecting for the 8amET national CPI figures (0.3% m/m). Two states came in at 0.3%, two were at 0.2% and two posted mild 0.1% advances. Italy releases tomorrow morning along with the Eurozone add-up.

China's state purchasing managers' indices were a bland affair. August's readings were little changed with the composite PMI at 49.5 (49.3 prior). Let's call it unchanged for soft data with sampling noise and produced by the party! The non-manufacturing and manufacturing PMIs were also unchanged at a hair beneath the 50 dividing line between contraction (below) and expansion.

Japanese data for July came in better than expected. Retail sales were up 2.4% m/m (1.6% consensus) after a large drop (-3.9% m/m revised from -4.1%) and industrial output climbed 0.1% m/m (-0.7% consensus) after a strong prior gain of 1.9%. Housing starts also slightly beat expectations but pull back from the prior month.

India's economy beat expectations and remains the fastest growing economy anywhere. Q2 GDP advanced by 7.8% y/y (7.3% consensus). Consumer spending increased 7.1% q/q, investment advanced by 11.9%, exports were up 12% and imports were little changed (-1.1%) while the pace of inventory accumulation ebbed.

Not much is expected out of the G20 meeting of Finance Ministers and Central bank heads today and tomorrow in North Carolina. Brazil is boycotting. So are some journalists reportedly including Bloomberg and the NY Times. Russia is back in after democracies barred its involvement in other global gatherings. Just get through the tedious, divisive affair as it's only four months until the US loses the G20 presidency and it goes to the UK.

How does one tell that Trump is stressed as multiple plans go awry? Count the number and nature of umpteen social media posts over the weekend that called people 'stupid', attacked Canada multiple times with insults and threats which remains like stepping on kittens, claimed that polls showing his tumbling support are "fake" and threatened the polling agencies and news media outlets etc. It's a tired act. It's having no effect on CAD this morning. My map still shows Lake Ontario just as it does for 8+ billion other folks on the planet. Always will.

There is nothing of note on the N.A. calendar today.

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.	4.32	4.35	4.23	4.47	4.48	4.40	4.72	4.72	4.70	5.22	5.21	5.23
CANADA	3.00	3.00	2.95	3.33	3.33	3.28	3.73	3.72	3.68	4.14	4.13	4.11
GERMANY	2.92	2.91	2.87	3.05	3.02	2.99	3.31	3.28	3.25	3.80	3.77	3.75
JAPAN	1.73	1.71	1.68	2.21	2.19	2.14	2.96	2.93	2.89	4.14	4.12	4.08
U.K.	4.41	4.36	4.36	4.62	4.58	4.59	5.06	5.03	5.06	5.78	5.76	5.81
	Spreads vs. U.S. (bps):											
CANADA	-132	-134	-128	-114	-115	-112	-99	-100	-102	-108	-108	-112
GERMANY	-140	-144	-136	-142	-146	-141	-141	-144	-145	-142	-144	-148
JAPAN	-259	-263	-255	-226	-229	-227	-176	-179	-180	-108	-108	-115
U.K.	8	1	12	15	10	19	35	31	36	56	55	58

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	36554	-280.3	-0.8	-0.2	3.8	28.0
Dow 30	53560	-9.5	-0.0	0.5	2.0	17.6
S&P 500	7712	-19.2	-0.2	0.5	3.0	19.4
Nasdaq	26402	-138.9	-0.5	0.8	4.1	23.1
DAX	26384	-186.3	-0.7	1.1	2.9	10.4
FTSE	10824	31.7	0.3	0.1	-0.4	17.7
Nikkei	66312	-93.6	-0.1	1.2	3.0	55.2
Hang Seng	25567	-17.8	-0.1	0.2	-1.2	2.0
CAC	8408	6.7	0.1	-0.5	-1.2	9.1

Commodities	Level		% change:			
WTI Crude	86.32	2.92	3.5	1.5	1.9	34.9
Natural Gas	2.90	0.01	0.5	4.3	5.6	-3.2
Gold	4457.74	2.63	0.1	-4.2	10.2	28.2
Silver	67.35	0.96	1.5	-2.3	16.9	65.5
CRB Index	406.36	0.00	0.0	0.9	5.5	34.4

Currencies	Level		% change:			
USDCAD	1.3887	-0.0018	-0.1	0.3	-1.0	1.0
EURUSD	1.1602	0.0017	0.1	-0.5	0.7	-0.9
USDJPY	159.65	-0.4400	-0.3	0.3	1.4	8.5
AUDUSD	0.7161	-0.0003	-0.0	0.2	2.0	9.3
GBPUSD	1.3542	0.0004	0.0	-0.7	0.4	-0.0
USDCHF	0.8083	-0.0008	-0.1	0.7	0.1	1.0

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