Scotiabank

GLOBAL ECONOMICS

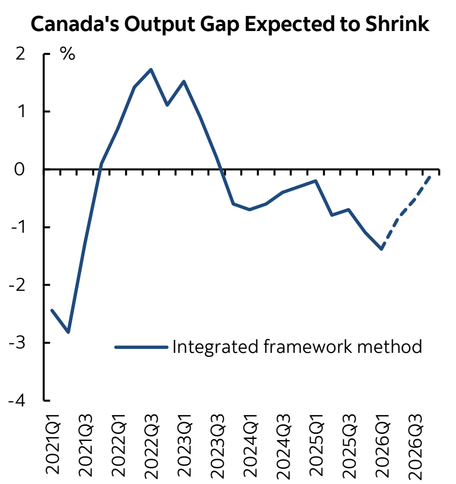
DAILY POINTS

September 2, 2026 @ *7:15 EST*

Contributors

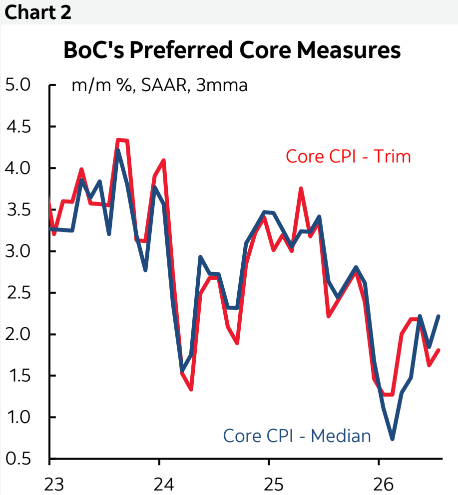
Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1



Source: Scotiabank Economics.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Wednesday, September 2nd

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-02	07:00	MBA Mortgage Applications (w/w)	Aug 28	--	--	-1.0
US	09-02	08:15	ADP Employment Report (000s m/m)	Aug	45	46.0	44.0
CA	**09-02**	**09:45**	**BoC Interest Rate Announcement (%)**	**Sep 2**	**2.25**	**2.25**	**2.25**
US	09-02	10:00	Factory Orders (m/m)	Jul	0.8	0.7	-0.3
CA	09-02	10:30	BoC Press Conference				
US	09-02	14:00	Fed Releases Beige Book				

KEY POINTS:

- **Bonds and stocks simultaneously cheapen…**
- **…on renewed Iran hostilities, oil, inflation and rate hike concerns**
- **BoC to bide its time until October's forecast refresh…**
- **…but don't be so sure about the dovish case around trade**
- **BoJ hawk spoke of upsizing and increased frequency of hikes**
- **RBNZ hiked but drove yields lower. Why?**
- **Aussie GDP beat expectations, lit up RBA hike pricing**
- **N.A. data: Canadian & US vehicle sales, US ADP & factory orders**

Bonds and stocks are simultaneously cheapening this morning. EGBs are feeling the greatest heat in bond land with yields up by around 5–6bps surprisingly across almost all countries and tenors. Antipodeans went their separate ways as the Aussie front-end cheapened sharply (GDP, see below) but RBNZ guidance drove lower yields there. JGB yields spiked by 5–7bps at the front-end as BoJ board member Takata indicated openness toward upsizing hikes and delivering them more rapidly, albeit he is a hawkish outlier on the Board. US Ts and Canadian yields are little changed.

Oil prices are under slightly further upward pressure this morning after surging yesterday because of US-Iran hostilities. Higher for longer is hawkish for many central banks.

Stocks are broadly lower by around -¼% to -¾% across most major benchmarks but a little more for some Asian exchanges like the Nikkei's nearly 3% loss.

FX-land is generally driving a firmer dollar against most major crosses except for the yen on the above-noted BoJ remarks, plus the won.

BANK OF CANADA—BUYING TIME FOR OCTOBER'S FORECAST REFRESH

The Bank of Canada delivers its latest decision and communications this morning. The statement arrives at 9:45amET along with Governor Macklem's written opening remarks to his press conference that itself begins at 10:30amET. The BoC is between MPR forecast meetings in July and the next one on October 28th. There will be no media lock-up and embargoed release of headlines given an ongoing labour dispute with security guards which could mean a somewhat delayed market reaction. Personally, I think that should be habit forming by letting the street do the work properly.

Nobody expects the central bank to adjust its 2¼% policy rate at this meeting. Markets are priced for nothing at this meeting, about one-third of a 25bps hike in October and about 60% of a hike at the December 9th meeting. Scotiabank Economics expects a hike in December and two more by next summer.

How they trade off the mixed developments since the last decision will be key as data has been strong, commodities have been higher for longer, tariffs will be a minor drag, but trade uncertainty remains.

The July statement is likely to face a total re-write since this meeting does not present forecasts. Key may be the concluding paragraph. Will they continue to describe the policy rate as "appropriate"? Probably, for now. They'll repeat that uncertainty is high. They probably should leave the sentence about continuing to assess and being prepared to adjust "as needed" intact, for now. A case for more dovishness is trade. A case for more hawkishness is also trade but also other matters I'll explain.

Growth has come on stronger than the BoC anticipated. The July MPR had 2.5% for Q2 GDP growth and was exceeded by almost a full percentage point alongside robust details (3.4%, recap **here**). Q1 was revised up four-tenths to +0.3%. Key will be when they refresh projections in October given that the BoC had anticipated just 1.5% growth in Q3. Will the upside surprise in Q2 motivate them to downgrade Q3? Or will they go with momentum signs and at least stand by that number if not raise it? The Q2 GDP recap explained that there are considerable signs of consumer momentum into Q3 given strong jobs and as stimulus works through and we may also see a sharp rebound in the oscillating inventory contribution to growth.

Our forecasts are compatible with closing the traditional output gap measure of slack in the economy by year-end or very early next year (chart 1). If so, then this measure may suggest the BoC is already behind inflation risk given lagging effects of policy adjustments. Still moderate but rebounding trends in underlying inflation have reset the starting point higher which may still merit accommodation but perhaps not at the lower bound of neutral (chart 2). There is probably more upside risk to what we have already incorporated on fiscal policy into a Fall federal budget.

The BoC will not feel any great urgency to do so yet. They have almost two full months to gestate over how to mix all of the ingredients of a forecast together and present it. A lot could happen between now and then. Emotions are running very high on both sides of the border; emotions make for lousy forecasts. I'm still cautiously optimistic that there is a path to a deal that was almost complete and that it would be more sensible for the US administration to agree to it before they lose one or both chambers in Congress come January. I have to admit, however, that the immature, senseless conduct of Trump's cabinet makes it harder and harder to envision such a path.

There is also a limit to the extent to which the Canada-US policy rate spread can widen especially if the Fed is going to hike; the policy rate spread is already at multi-decade highs (chart 3).

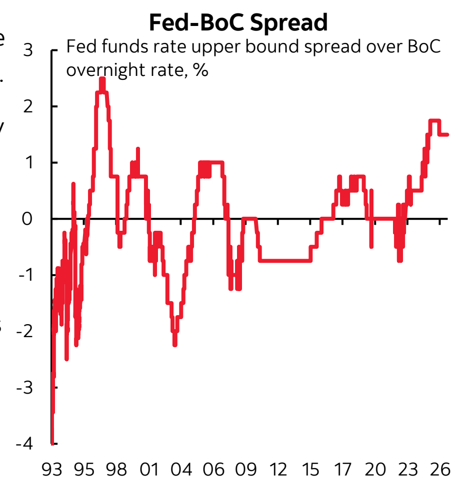
Yet it's getting pretty tiring to hear the naysayers constantly dump on Canada with endless negative headlines. I can't even read some services any longer. They threw around the 'r' word earlier this year and were negative into Q2 only to witness strong numbers that they then dismiss in favour of those same downside risks they've been harping on about forever. The bears dominate the media which itself is always motivated more by bad news than good news. Lacking in their coverage is too often the requisite amount of balance.

Canada is surviving trade wars if not prospering. Look at any measure of financial market strength from the US election onward. The TSX has outperformed US equities. Corporate credit spreads are tight. So are provincial government bond spreads. Money is pouring into Canada through foreign direct investment with much more ahead as major projects are catalyzed. The job market has been solidly beating the US job market. Canada had the fastest growing economy in the G7 during Q2. Export volumes have been trending higher starting from Q3 last year to the present. You won't read much if any of that in the regular press and that's a shame in terms of its objectivity that constantly ignores the pluses and perpetually warns that doom lies just around the corner.

RBNZ HIKES AND WHY RATES RALLIED

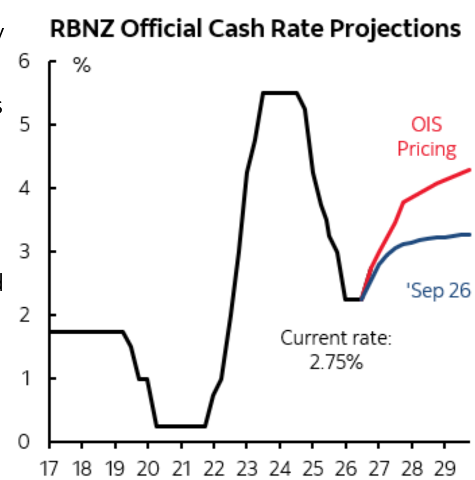
The Reserve Bank of New Zealand hiked its official cash rate by 25bps to 2.75% as widely expected but the kiwi rates curve rallied in bull steepener fashion with the 2s yield down 7bps and vastly outperforming other global benchmarks that are all higher this morning. Why? Because cautious guidance points toward at most 50bps of additional tightening through to next year but with little apparent rush to do so. That knocked back December OIS pricing by over 10bps to just under a cumulative 25bps hike over October and December. The revised explicit forward rate path is shown in chart 4 compared to market pricing and the full statement with projections is **here**.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4

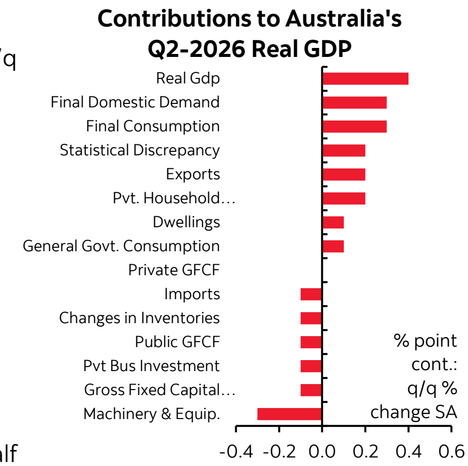


Sources: Scotiabank Economics, Reserve Bank of New Zealand.

AUSSIE GDP BEAT, DROVE RBA HIKE BETS HIGHER

Australia's economy mildly beat expectations for Q2 GDP. The Australian 2-year yield jumped by about 10bps higher overnight and part of the driver was GDP. The economy advanced by 0.4% q/q SA nonannualized (0.3% consensus) with the year-over-year growth rate up by 2.1% (1.8% consensus). The drivers are shown in chart 5. Net trade added 0.1% to growth on a weighted contribution basis with inventories subtracting a tenth. Consumer spending added 0.2 ppts and investment was flat. There was high breadth to the gain on a sector basis. The RBA is now priced for about 18bps of a quarter-point hike at the end of this month and about 50bps in total over coming meetings.

Chart 5



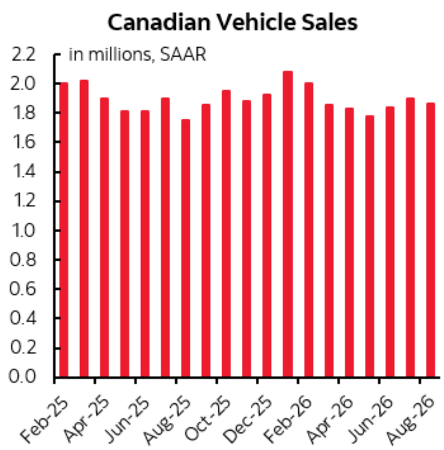
Sources: Scotiabank Economics, Australian Bureau of Statistics..

LIGHT N.A. DATA

Canadian and US vehicle sales went their separate ways in August (charts 6, 7). US sales beat consensus and industry guidance by rising to 16.76 million units at a seasonally adjusted and annualized pace (consensus 16.3 million). That's a gain of 2.6% m/m SA which could add under half a percentage point to August's retail sales figure. Canadian sales, however, slipped by about -2% m/m SA according to Desrosiers. Sales were on an upward trend to July.

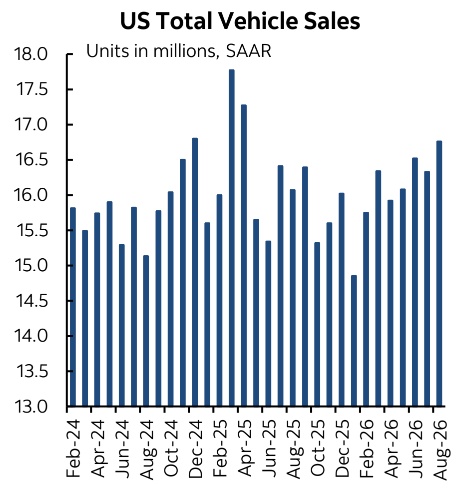
Minor data is due out of the US today. ADP private payrolls for August (8:15amET) are expected to by up by about 45k m/m based upon their rolling four-week moving average which is nevertheless an often-unreliable guide to the monthly estimate. Factory orders during July will rise sharply based on already known durable goods orders to which estimated nondurables will be added (10amET).

Chart 6



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

Chart 7



Sources: Scotiabank Economics, Wards.

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.	4.39	4.40	4.21	4.56	4.56	4.36	4.80	4.80	4.65	5.27	5.27	5.17
CANADA	3.02	3.02	2.93	3.36	3.35	3.26	3.75	3.75	3.65	4.15	4.15	4.08
GERMANY	3.01	2.96	2.84	3.13	3.09	2.96	3.38	3.34	3.23	3.84	3.82	3.74
JAPAN	1.87	1.79	1.70	2.32	2.27	2.15	3.03	3.01	2.90	4.17	4.19	4.08
U.K.	4.65	4.61	4.35	4.75	4.71	4.57	5.26	5.22	5.03	5.89	5.86	5.77
	Spreads vs. U.S. (bps):											
CANADA	-137	-138	-128	-120	-120	-111	-104	-105	-99	-112	-113	-109
GERMANY	-138	-144	-137	-142	-147	-140	-142	-146	-141	-143	-146	-143
JAPAN	-252	-261	-251	-224	-229	-221	-177	-179	-174	-110	-108	-109
U.K.	26	20	14	19	15	21	46	42	38	62	58	60

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	35826	-444.8	-1.2	-3.1	1.7	25.2
Dow 30	52767	-419.0	-0.8	-1.5	0.5	16.5
S&P 500	7631	-54.7	-0.7	-0.6	1.9	19.0
Nasdaq	26100	-271.1	-1.0	-0.2	2.9	22.7
DAX	25752	-218.4	-0.8	-2.0	0.5	9.6
FTSE	10713	-76.2	-0.7	-1.6	-1.4	17.5
Nikkei	64326	-1889.7	-2.9	-2.9	-0.1	52.0
Hang Seng	25311	-18.5	-0.1	-1.3	-2.2	-0.7
CAC	8245	-57.1	-0.7	-2.6	-3.1	7.7
Commodities	Level		% change:			
WTI Crude	90.34	0.12	0.1	9.9	6.7	37.7
Natural Gas	2.94	0.04	1.3	3.6	7.1	-2.2
Gold	4318.79	-10.03	-0.2	-5.9	6.5	22.2
Silver	64.05	-0.03	-0.1	-6.0	10.1	56.7
CRB Index	417.30	6.73	1.6	4.4	8.4	37.1
Currencies	Level		% change:			
USDCAD	1.3930	0.0034	0.2	0.4	-0.8	1.1
EURUSD	1.1576	-0.0017	-0.1	-0.6	0.6	-0.5
USDJPY	159.80	-0.3800	-0.2	0.3	1.7	7.7
AUDUSD	0.7136	-0.0009	-0.1	-0.5	1.9	9.4
GBPUSD	1.3488	-0.0028	-0.2	-0.8	0.4	0.7
USDCHF	0.8149	0.0033	0.4	1.2	0.6	1.3

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	2.75
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