Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

September 8, 2026 @ *7:50 EST*

Contributors

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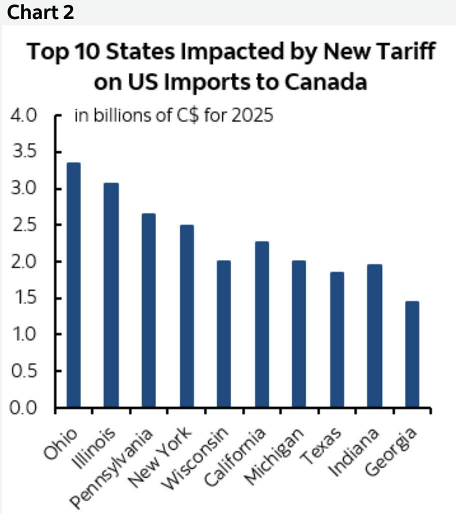
Chart 1

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Tuesday, September 8th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-08	15:00	Consumer Credit (US$ bn m/m)	Jul	--	11.3	14.2

KEY POINTS:

- **Equities under pressure from higher oil, trade risks**
- **Canada's retaliatory tariffs have kicked in. What next on both sides?**
- **Trump's threat against Bombardier is an attack on his own economy**
- **It's patently false to argue that US banks face barriers in Canada**
- **Trump's comments on CAD and the trade balance are off base**
- **BoJ hikes reinforced by strong real wage growth, GDP upgrade**
- **Weak German releases**
- **LatAm inflation exceeds expectations**
- **BCCh expected to stay on hold**
- **Global Week Ahead — Markets Go Back to School (reminder here)**

The US war with Iran escalated again over the long weekend including overnight developments, pushing WTI oil about $2½ higher and Brent over US$2 higher so far this week. That's somewhat weighing on equities with most global benchmarks flat to down by ¼% to ½% this morning but more than that across Asian benchmarks. Trade war risks are also contributing to the negative equity market tone. Oil is marginally supporting petro currencies including CAD and NOK despite trade policy risks hanging over the Canadian-US trade relationship.

DEVELOPMENTS AROUND THE US TRADE WAR AGAINST CANADA

Canada's retaliatory tariffs against the US tariffs of $50% on C$28 billion of Canadian exports went into effect at midnight today. The original announcement from August 25th is **here**. The searchable list of tariffs on 629 goods imported from the US is **here**. Chart 1 shows the weighted share of imports from the US subject to Canada's 15%, 25% and 50% tariffs with the latter being the biggest category. Everything from 50% tariffs on Harley-Davidson and Indian motorcycles to appliances, furniture, steel and electronics, food and clothing items among others is being hit. It does not hit smart phones in any meaningful way since none are manufactured in the US—not even Trump's that is no longer marketed as made in the USA because it never was (**here**). The focus is upon key US states like Ohio ahead of US midterms (chart 2).

Trump is lashing out but so far doing nothing. That may change at any moment including a steel event at 10:35amET and a staged signing of executive orders at 1pmET. More polls continue to show US voters rejecting Trump's first 20 months in office (**here**, **here**, **here**), so he's lashing out at Canada since it makes for good politics with his base as it resonates with maga types (**here**).

Posts about Canada to his social media account throughout the weekend included **this** one and **this** one.

Bombardier clapped back at the first post (**here**). In essence, while Trump's post is just a threat with nothing to back it thus far, it would be about the silliest move of the trade war started by the US administration thus far. As Bombardier once again pointed out, any such ban on their jets would shutter plants across the US affecting thousands of US suppliers and toss tens of thousands of American workers out of a job—and many of them are in red states.

Trump repeated false claims about how Canada blocks US banks. This is patently untrue as argued in my weekly with references. There are no foreign ownership barriers. There is a widely held rule which is for macroprudential purposes to avoid a large bank falling into exclusive hands including the risk of commingling of interests if a nonfinancial company were to acquire one. Many foreign—including US—banks do operate in Canada. US banks have had opportunities to acquire franchises for sale in Canada and passed. US banks have a history of cherry-picking select markets in Canada and then retreating, thereby lacking commitment to the market that would be necessary to build a stronger franchise. Further, I'd bet my last dollar that the current US administration would not allow a top US bank like a money center bank to fall into foreign hands, so the US protection is implicit.

As far as the Canadian trade balance with the US is concerned, the Canadian surplus is modest at C$5.9 billion in July and mostly energy. The US runs a trade deficit with Canada largely because it is a big consumer of energy (chart 3); take energy out and Canada runs a trade deficit with the US using US data itself. In a broader sense, the US runs a current account deficit (trade plus net two-way investment flows) with the world because a) it has attractive investment opportunities it services with net payment outflows, and b) it spends too much including very large and persistent fiscal deficits and inadequate saving particularly by its consumers. The Trump administration's focus upon the trade and current account deficits reflects an ongoing lack of understanding of the issues and/or is designed to deflect blame away from domestic policies that cause them and/or is aimed at raising taxes on Americans through tariffs without telling them they're paying higher taxes.

PM Carney announced yesterday that there will be a Cabinet retreat in beautiful Banff, Alberta this Thursday and Friday to focus "on building with greater speed and ambition."

And strike Sapporo beer off the list after they left Canada for the US.

GLOBAL MACRO

The yen is outperforming again, partly due to data. Real wage growth accelerated in July (2.4% y/y, 1.8% consensus, 1.6% prior, chart 4). Q2 GDP was revised up, but by less than expected (1.4% q/q SAAR, 1.1% prior, 1.8% consensus) and primarily due to a smaller contraction in business spending. The September BoJ meeting is fully priced for a 25bps hike and another hike is fully priced two meetings later by year-end.

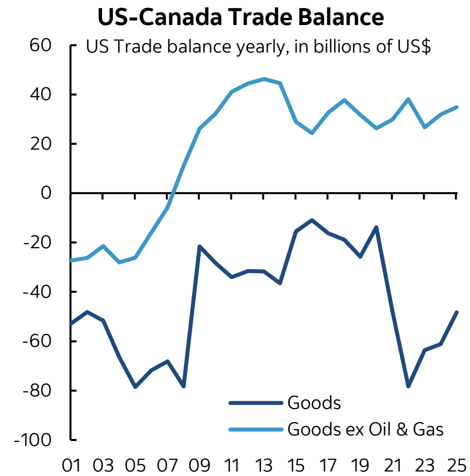
China's export growth picked up in August (chart 5). Exports were higher by 25% y/y (23.9% prior) in US$ terms and 18.6% in local currency terms (17.8% prior). Imports also accelerated a touch with growth at 28.2% y/y (27.5% prior) in USD and 21.7% y/y in local currency terms (21.2% prior).

German macro data is disappointing so far this week. After industrial production fell 1.1% m/m in yesterday's July reading (+0.2% consensus), exports fell by 0.8% m/m in this morning's July print (+0.3% consensus). Imports fell by more (-5.7% m/m, -1% consensus) but after a large 4.5% prior gain.

A pair of LatAm inflation readings included Chile that came in stronger than expected ahead of the BCCh decision; CPI was up 0.6% m/m (0.3% consensus) in August. There was also last evening's Colombian CPI that was slightly firmer than expected on headline (0.4% m/m, 0.3% consensus) and 6.2% y/y but on expectations for core at 6.3% y/y.

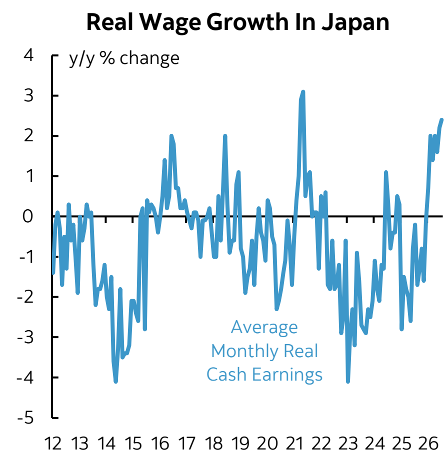
Chile's central bank is universally expected to leave its overnight rate unchanged at 4.5% this afternoon (5pmET).

Chart 3



Sources: Scotiabank Economics, US Census Bureau.

Chart 4



Source: Scotiabank Economics, Ministry of Health, Labour and Welfare, Japan.

Chart 5

Sources: Scotiabank Economics, Customs General Administration PRC.

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.	4.38	4.37	4.40	4.57	4.55	4.56	4.80	4.78	4.80	5.26	5.24	5.27
CANADA	3.13	3.10	3.02	3.45	3.41	3.35	3.82	3.78	3.75	4.20	4.16	4.15
GERMANY	3.01	3.01	2.96	3.13	3.13	3.09	3.38	3.39	3.34	3.84	3.85	3.82
JAPAN	1.85	1.85	1.79	2.25	2.24	2.27	2.90	2.93	3.01	3.97	4.01	4.19
U.K.	4.60	4.57	4.61	4.69	4.67	4.71	5.19	5.18	5.22	5.82	5.82	5.86
	Spreads vs. U.S. (bps):											
CANADA	-125	-127	-138	-112	-114	-120	-98	-101	-105	-106	-108	-113
GERMANY	-138	-136	-144	-144	-141	-147	-142	-140	-146	-143	-139	-146
JAPAN	-253	-252	-261	-232	-230	-229	-190	-186	-179	-129	-123	-108
U.K.	21	21	20	13	13	15	38	39	42	56	57	58

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	36514	-119.3	-0.3	-0.1	0.4	25.8
Dow 30	53414	-271.9	-0.5	-0.3	-1.2	17.4
S&P 500	7719	-29.1	-0.4	0.1	-0.5	18.8
Nasdaq	26507	-77.1	-0.3	0.4	-0.7	21.6
DAX	25965	-41.5	-0.2	-0.0	-1.3	9.1
FTSE	10821	-1.3	-0.0	0.3	-0.7	17.3
Nikkei	65269	-1130.5	-1.7	-1.4	-0.5	49.6
Hang Seng	25317	-95.9	-0.4	-0.0	-1.4	-1.2
CAC	8305	-1.6	-0.0	0.0	-4.7	7.4

Commodities	Level		% change:			
WTI Crude	93.87	2.39	2.6	9.5	20.1	50.8
Natural Gas	3.00	0.03	0.9	2.2	12.7	-2.9
Gold	4405.52	1.22	0.0	1.8	0.3	21.2
Silver	66.23	0.07	0.1	3.4	0.7	60.2
CRB Index	416.41	0.00	0.0	1.4	9.3	39.1

Currencies	Level		% change:			
USDCAD	1.3801	-0.0013	-0.1	-0.7	-1.0	-0.0
EURUSD	1.1617	-0.0006	-0.1	0.2	0.6	-1.2
USDJPY	154.19	-0.1700	-0.1	-3.7	-3.2	4.5
AUDUSD	0.7215	-0.0003	-0.0	1.0	2.3	9.5
GBPUSD	1.3540	-0.0001	-0.0	0.2	0.2	-0.0
USDCHF	0.8114	0.0019	0.2	-0.0	0.1	2.3

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	Oct 28, 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	Oct 27, 2026

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