Scotiabank

GLOBAL ECONOMICS

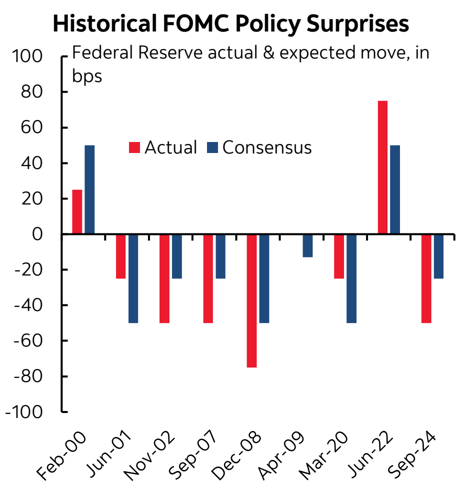
DAILY POINTS

September 16, 2026 @ 7:20 EST

Contributors

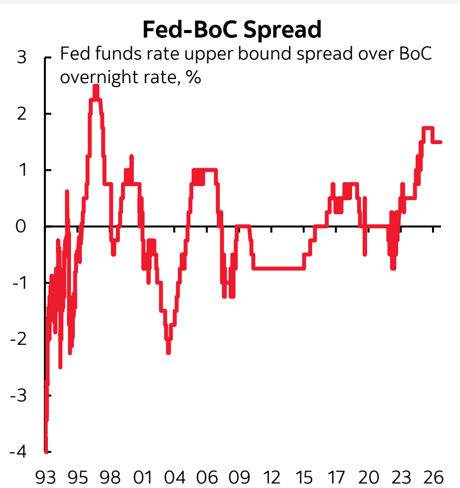
Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

On Deck for Wednesday, September 16th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-16	07:00	MBA Mortgage Applications (w/w)	Sep 11	--	--	-2.7
CA	09-16	08:15	Housing Starts (000s a.r.)	Aug	250	240.0	229.1
CA	09-16	08:30	Building Permits (m/m)	Jul	--	-4.8	18.5
US	09-16	08:30	Export Prices (m/m)	Aug	--	0.6	-1.3
US	09-16	08:30	Import Prices (m/m)	Aug	--	0.5	-0.4
US	09-16	08:30	Retail Sales (m/m)	Aug	0.9	0.8	-0.6
US	09-16	08:30	Retail Sales ex. Autos (m/m)	Aug	0.6	0.6	-0.3
US	09-16	10:00	Business Inventories (m/m)	Jul	--	0.8	0.0
US	09-16	10:00	NAHB Housing Market Index	Sep	--	34.0	35.0
US	**09-16**	**14:00**	**FOMC Interest Rate Meeting (%)**	**Sep 16**	**4.00**	**4.00**	**3.75**
US	09-16	14:30	Chair Warsh's Press Conference				
US	09-16	16:00	Total Net TIC Flows (US$ bn)	Jul	--	--	133.5
US	09-16	16:00	Net Long-term TIC Flows (US$ bn)	Jul	--	--	172.7

KEY POINTS:

- **Markets roll out the red carpet for Warsh**
- **FOMC expected to hike with possible dissenters…**
- **…but the case is weak…**
- **…and key will be what the dots guide about next steps in the nearer-term…**
- **…although they don't matter further out in time**
- **What the Fed does could pave the way for the BoC**
- **Canada an associate member of the EU? Don't hold your breath**
- **UK CPI came and went with no fanfare**
- **US retail sales could rebound, but watch the control group**
- **BCB expected to cut**

Markets are rolling out the red carpet for Federal Reserve Chair Warsh. Bonds and stocks are rallying, oil prices are a bit lower and the dollar is little changed against most of the other majors. None of the moves are large, but it beats a financial calamity into this afternoon's communications.

FOMC EXPECTED TO HIKE—THEN WHAT?

Then it's on to an expected Fed hike. The FOMC statement lands at 2pmET along with the Summary of Economic Projections including the dot plot. Chair Warsh's press conference begins at 2:30pmET.

94 out of 110 in one newswire's consensus now expect +25bps from the FOMC; the other 16 think the Clippers are going all the way this year, or next, or ever. It's priced. It's a mistake in my opinion and as argued but Warsh won't look a gift horse in the mouth while maintaining excessive deference to markets. Chart 1 reminds readers of the rare scope for surprises, but many of the experiences that are shown in that chart are around sudden shocks like the dot-com, GFC and pandemic eras. Outside of such periods, the Fed doesn't surprise markets by as much as would happen if they whiffed today.

Expect some dissenters mind you. The three regional hawks may love it (Logan, Kashkari, Hammack). Others may wish more evidence before pulling the trigger.

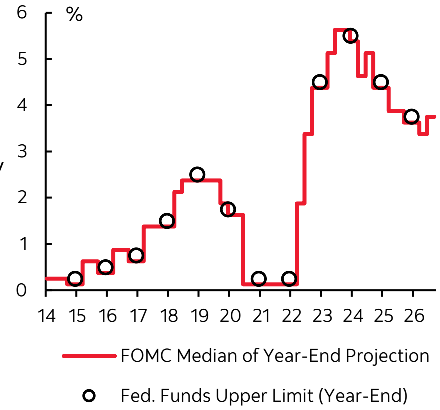
Depending upon what the FOMC decides to do on the policy decision and the dots, it may further reinforce pricing for BoC hikes. The policy rate spread is already at the historic wides (chart 2).

Key is the bias in the dots which matter near-term but are pure fiction the further out one goes (charts 3–6). Will the median voter call time out for the duration of this year or reinforce market pricing for another hike in Q4? We can't tell the meeting or quarterly pattern for 2027 on just the annual dots, but I would be surprised if the median voter thought anything more than minor fine-tuning was necessary at this juncture. That might be one-and-done, or a couple. I'm not so fussed about next year's dots and beyond because a) they tend to poorly track actual policy changes, and b) because the three most hawkish regional Presidents become backbenchers after December and the dots are not vote-weighted. See my **weekly** for a full preview.

The statement is likely to be brief given Warsh's pattern to date. It may well be little changed other than to flag the hike and mention dissenters if any.

Chart 3

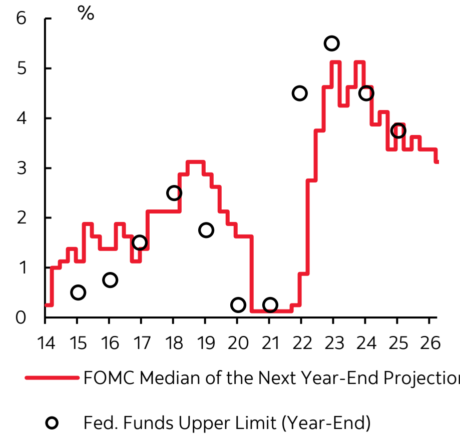
DOTs Do Reasonably Well in the Current Year



Sources: Scotiabank Economics, Bloomberg.

Chart 4

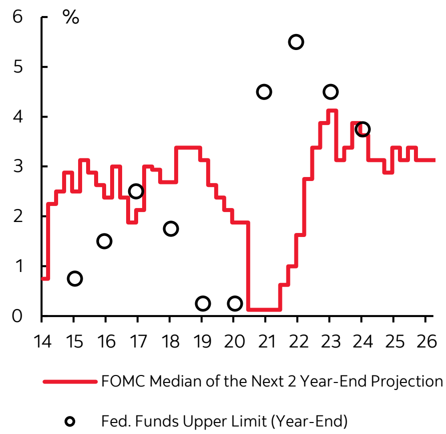
DOTs Perform Poorly in the Next Year



Sources: Scotiabank Economics, Bloomberg.

Chart 5

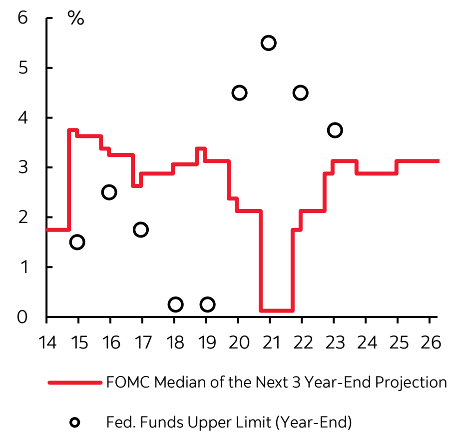
DOTs Are Useless Two Years Out



Sources: Scotiabank Economics, Bloomberg.

Chart 6

DOTs Are Even Worse Three Years Out



Sources: Scotiabank Economics, Bloomberg.

UK CPI WAS A NON-EVENT

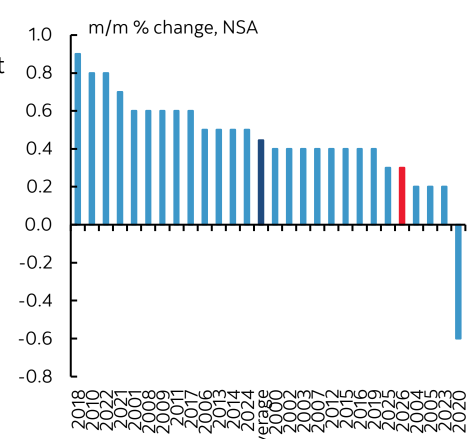
UK CPI came and went with no real fanfare. Core CPI was up 0.3% m/m seasonally unadjusted which is in line with a normal month of August (chart 7). Core was up 2.6% y/y which was unchanged and on consensus. Total CPI accelerated to 3.1% y/y from 2.9% but on consensus but the 0.5% m/m NSA rise was a bit stronger than a normal month of August. Services CPI was stable at 3.4% y/y and a tick beneath consensus.

CANADA, DON'T HOLD YOUR BREATH WAITING FOR THE EU

EC President Ursula von der Leyen's annual State of the Union speech formally announced that Canada would be invited to become the first associate member of the EU. Don't exactly jump off your seats in excitement. First, we have no clear idea what that means. Second, it's Europe, and so the 27 members who would have to ratify such a move may prove to be as adept at stalling and squabbling as they've proven to be by failing to have all members ratify the CETA agreement between the EU and Canada from 10 years ago. The action merely starts an uncertain path for negotiations that will test exactly how open the EU is to Canada in areas like EU agricultural protections. I suspect that President Trump will have become history by the time we have some form of agreement that some, but not all have passed in their respective parliaments.

Chart 7

Comparing UK Core CPI for All Months of August



Sources: Scotiabank Economics, Bloomberg.

US RETAIL SALES MAY REBOUND

US retail sales will be refreshed with figures for the month of August this morning (8:30amET). Sales could rebound somewhat from July's soft readings partly on higher auto sales (+2.6% m/m SA) but also the rebound in gasoline prices which means that the control group will be the main focal point (ie: ex-autos, gas, building supplies, food). Recall that the control group is the main measure used for input into estimating total consumption in GDP accounts along with services spending that is mostly excluded from retail sales other than at bars and restaurants.

Retail sales volumes will be used to estimate Q3 tracking. So far with just July and Q2 data to go by we're tracking a roughly flat third quarter after the Q2 surge that was an outlier against the previously soft trend.

BCB TO CUT

Brazil's central bank is then expected to cut after the FOMC from a still elevated policy rate but key will be whether they retain a moderate easing bias.

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.	4.64	4.66	4.43	4.81	4.83	4.62	4.98	5.00	4.84	5.35	5.37	5.29
CANADA	3.34	3.35	3.17	3.64	3.66	3.52	3.93	3.95	3.85	4.27	4.28	4.21
GERMANY	3.25	3.26	3.07	3.34	3.35	3.20	3.53	3.54	3.44	3.88	3.89	3.89
JAPAN	1.86	1.86	1.84	2.29	2.32	2.23	3.01	3.04	2.89	4.13	4.16	3.96
U.K.	4.81	4.89	4.70	4.89	4.96	4.79	5.33	5.39	5.26	5.89	5.93	5.88
	Spreads vs. U.S. (bps):											
CANADA	-130	-131	-126	-117	-117	-110	-105	-105	-100	-108	-108	-108
GERMANY	-140	-141	-136	-146	-148	-141	-145	-146	-140	-147	-148	-141
JAPAN	-279	-280	-259	-252	-251	-239	-197	-196	-196	-123	-121	-133
U.K.	17	23	27	8	14	17	35	39	42	54	56	59

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	35582	-120.5	-0.3	-1.5	-3.1	21.4
Dow 30	52093	-328.1	-0.6	-1.3	-3.1	13.8
S&P 500	7586	-34.3	-0.4	-1.1	-2.6	14.8
Nasdaq	25982	-204.8	-0.8	-1.7	-2.8	16.3
DAX	25488	85.5	0.3	-0.3	-3.6	9.3
FTSE	10725	67.1	0.6	0.5	-0.2	16.6
Nikkei	63923	438.9	0.7	-1.9	-7.0	42.4
Hang Seng	24714	46.5	0.2	-2.2	-1.6	-6.5
CAC	8136	46.2	0.6	-0.2	-5.8	4.1

Commodities	Level		% change:			
WTI Crude	103.45	-2.38	-2.2	7.7	25.5	60.3
Natural Gas	2.94	0.02	0.7	4.2	7.6	-5.3
Gold	4347.52	55.37	1.3	-1.2	-1.6	17.8
Silver	64.77	1.09	1.7	-3.8	-1.6	52.2
CRB Index	429.12	0.00	0.0	1.4	9.6	39.7

Currencies	Level		% change:			
USDCAD	1.3930	0.0010	0.1	0.9	0.4	1.4
EURUSD	1.1534	-0.0010	-0.1	-0.9	-0.4	-2.8
USDJPY	155.12	0.0200	0.0	1.0	-2.7	5.9
AUDUSD	0.7133	0.0001	0.0	-1.2	0.4	6.7
GBPUSD	1.3464	-0.0014	-0.1	-0.6	-0.6	-1.3
USDCHF	0.8190	0.0003	0.0	1.1	1.0	4.2

Central Banks	
Current Rate	
Canada - BoC	2.25
US - Fed	3.75
England - BoE	3.75
Euro zone - ECB	2.65
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	Oct 29, 2026
Japan - BoJ	Sep 18, 2026
Mexico - Banxico	Sep 24, 2026
Australia - RBA	Sep 29, 2026
New Zealand - RBNZ	Oct 27, 2026