Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

September 18, 2026 @ *7:00 EST*

Contributors

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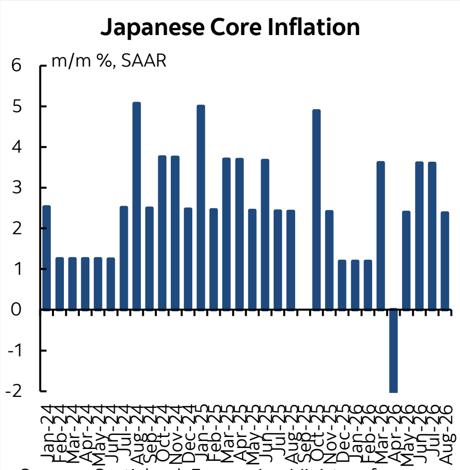
Chart 1



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

Chart 2

Sources: Scotiabank Economics, UK ONS.

On Deck for Friday, September 18th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-18	09:15	Capacity Utilization (%)	Aug	76.4	76.4	76.3
US	09-18	09:15	Industrial Production (m/m)	Aug	0.2	0.3	0.2
US	09-18	09:30	Fed's Bowman Speaks on Bank Stress Tests				
US	09-18	10:00	Leading Indicators (m/m)	Aug	--	0.1	0.2
US	09-18	11:45	Fed's Schmid Speaks on Payments and Banking				

KEY POINTS:

- **Bonds resume sell off**
- **The yen was unimpressed by CPI, BoJ…**
- **…but rates largely took it in stride**
- **UK consumers are doing alright**
- **US industrial output is on the rise**

Bond yields are rising across N.A. and European benchmarks but the one market with tangible developments post-BoJ is an exception (JGBs, see below). Treasury, gilt, EGB and Canadian yields are up by 2–5bps at the front-end and generally similarly or less so further out along the curves. Oil prices are not the culprit as they're a bit lower. US equity futures are higher by ¼% to ½% but equities elsewhere are in the red across Europe and Canadian futures. The only real stand out in FX land is the yen's fall.

YEN UNIMPRESSED BY CPI, BOJ

The Bank of Japan raised its target rate by 25bps to 1.25% as universally expected yet the yen tanked and is the worst performing cross to the dollar to end the week. The yen bore the brunt of the market's impression that the BoJ wasn't sounding hawkish enough. Rates did not adjust that much. JGB yields slipped by 1–2bps across the curve. Markets slightly reduced pricing for the October meeting that is expected to be a hold and retained pricing for most of a 25bps hike in December. By next June, pricing remained fairly stable in expecting about another 50bps of belt tightening.

So what got the yen all wiggy? For starters, it wasn't just about the communications. National CPI arrived just hours before the communications and slightly undershoot expectations for the August readings. Total CPI was up 1.9% y/y (2% consensus, 1.9% prior) and CPI ex-food was up 1.7% (1.8% consensus and prior) with CPI ex-food and energy up 1.9% (2% consensus, 1.9% prior). Core inflation (ex-food and energy) on a m/m SAAR basis pulled back a bit from the two prior months (chart 1).

On the communications, one thing was that two voters dissented because they wanted to stay on hold, driving the vote to 7–2. They are appointees of PM Takaichi who is sceptical toward the need to raise rates. There was a variety of opinions among officials on the degree of the inflation threat going forward and the degree of economic resilience that should be expected.

Second is that while I thought BoJ Governor Ueda handled the press conference very well, he didn't come out as one-sided in a hawkish way as some—including US Treasury Secretary Bessent who claimed insider information that would buoy the yen—would have perhaps wished. Here are the main passages c/o Reuters to that effect and which made future moves sound highly conditional:

"If we were to do big rate hikes or consecutive rate hikes, that would depend on whether Japan sees very big inflation risks or sees inflation sharply overshooting our target. Good examples would be what the US and European central banks did … Underlying inflation hasn't exceeded 2% yet, and we want to keep it that way. That's why we'd like to act preemptively. That way, we can avoid being forced to raise rates sharply and cause unintended consequences to the economy. We're in a phase where we need to look at various data carefully. But that doesn't mean we can move slowly."

UK CONSUMERS ARE DOING ALRIGHT

UK consumers were a little friskier than expected in August. Retail sales volumes (ie: ex-price effects) were up 0.5% m/m (consensus -0.2%). This is a rebound from the prior ½% drop. Ex-gas sales were up 0.6% m/m (-0.2% consensus) which didn't quite recover the nearly percentage point drop the prior month.

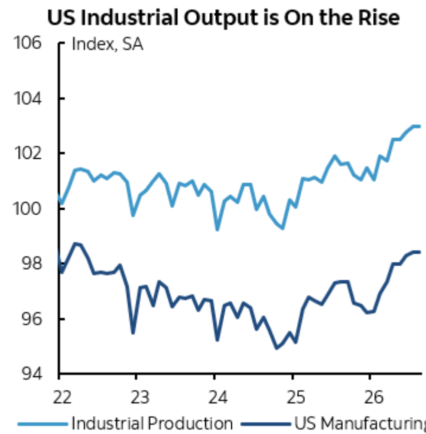
Still, cutting through the noise to look at the trend reveals a generally favourable one (chart 2). UK consumers continue to spend with retail volumes ex-fuel recovering to early 2022 levels.

US INDUSTRIAL OUTPUT IS ON THE RISE

Only industrial production is on tap for August (9:15amET). A mild gain is expected. Trend output is on the rise in aggregate and within the manufacturing component (chart 3).

There is also light Fed-speak with Governor Bowman (9:30amET) and KC's Schmid (11:45amET) on tap.

Chart 3



Sources: Scotiabank Economics, Federal Reserve.

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.	4.70	4.67	4.63	4.81	4.78	4.78	4.95	4.93	4.97	5.29	5.29	5.35
CANADA	3.29	3.26	3.35	3.55	3.53	3.64	3.84	3.82	3.94	4.17	4.16	4.27
GERMANY	3.26	3.23	3.20	3.34	3.30	3.29	3.50	3.48	3.50	3.84	3.84	3.90
JAPAN	1.86	1.87	1.84	2.29	2.30	2.28	2.99	3.00	2.99	4.08	4.09	4.05
U.K.	4.79	4.74	4.81	4.86	4.81	4.90	5.25	5.22	5.34	5.74	5.74	5.91
	Spreads vs. U.S. (bps):											
CANADA	-142	-140	-127	-126	-125	-114	-111	-111	-103	-111	-113	-108
GERMANY	-144	-144	-143	-148	-148	-149	-145	-146	-146	-144	-145	-146
JAPAN	-284	-279	-278	-252	-248	-251	-196	-193	-198	-121	-120	-130
U.K.	9	7	19	4	3	11	30	29	38	46	45	56

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	35874	383.0	1.1	1.0	-1.4	21.8
Dow 30	51778	316.1	0.6	-0.5	-2.9	12.2
S&P 500	7638	85.9	1.1	0.6	-0.7	15.2
Nasdaq	26418	439.9	1.7	1.3	0.5	17.6
DAX	25543	-173.8	-0.7	-0.1	-2.2	7.9
FTSE	10743	-73.0	-0.7	0.9	0.1	16.4
Nikkei	65019	882.7	1.4	1.6	-3.6	43.5
Hang Seng	24751	146.5	0.6	-0.2	-2.8	-6.8
CAC	8133	-54.2	-0.7	-0.6	-4.4	3.5
Commodities	Level		% change:			
WTI Crude	100.76	-1.15	-1.1	0.7	18.6	58.5
Natural Gas	2.86	-0.04	-1.6	0.9	2.9	-2.8
Gold	4382.26	40.56	0.9	0.8	1.1	20.3
Silver	67.02	1.79	2.8	3.9	5.8	60.2
CRB Index	425.46	0.00	0.0	0.6	7.2	41.2
Currencies	Level		% change:			
USDCAD	1.4004	0.0013	0.1	1.0	0.8	1.5
EURUSD	1.1475	-0.0001	-0.0	-1.1	-0.9	-2.7
USDJPY	157.79	1.8200	1.2	2.7	-1.1	6.6
AUDUSD	0.7127	0.0016	0.2	-0.6	0.6	7.8
GBPUSD	1.3360	0.0001	0.0	-1.2	-1.3	-1.4
USDCHF	0.8249	0.0003	0.0	1.0	1.6	4.1

Central Banks	
Current Rate	
Canada - BoC	2.25
US - Fed	4.00
England - BoE	3.75
Euro zone - ECB	2.65
Japan - BoJ	1.25
Mexico - Banxico	6.50
Australia - RBA	4.35
New Zealand - RBNZ	2.75
Next Meeting Date	
Canada - BoC	Oct 28, 2026
US - Fed	Oct 28, 2026
England - BoE	Nov 05, 2026
Euro zone - ECB	Oct 29, 2026
Japan - BoJ	Sep 17, 2026
Mexico - Banxico	Sep 24, 2026
Australia - RBA	Sep 29, 2026
New Zealand - RBNZ	Oct 27, 2026