DAILY POINTS

September 11, 2026 @ *7:15 EST*

Contributors

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On Deck for Friday, September 11th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-11	08:30	CPI (m/m)	Aug	0.4	0.4	0.1
US	09-11	08:30	CPI (y/y)	Aug	3.4	3.4	3.4
US	09-11	08:30	CPI (index)	Aug	--	334.9	333.9
US	09-11	08:30	CPI ex. Food & Energy (m/m)	Aug	0.3	0.2	0.2
US	09-11	08:30	CPI ex. Food & Energy (y/y)	Aug	2.5	2.4	2.5
US	09-11	10:00	U. of Michigan Consumer Sentiment	Sep P	52.0	51.0	51.7
US	09-11	14:00	Treasury Budget (US$ bn)	Aug	--	-211.1	-432.3

KEY POINTS:

- **Remembering the horrific events of 25 years ago**
- **Lower oil and bond yields reflect volatile Middle East headlines**
- **Could US CPI make or break a September Fed hike?**
- **AI's relative price surge explains the core PCE overshoot**
- **This is more of a relative price shock than generalized inflation…**
- **…which matters enormously to how the Fed should respond**
- **Who has the more business friendly administration?**
- **UK data beats were ignored by gilts, sterling**

Set aside time for moments of silence and to show our respect this morning starting at 8:46amET when the horrific events of 25 years ago began to unfold. I believe there are seven moments of silence coinciding with events over the nearly one and three quarter hours on the morning of September 11th.

Lower oil prices are driving a more favourable tone across global markets so far this morning as they await US CPI. Oil is down by about 3–4% but Brent remains at an eye-watering US$104/barrel with WTI at $99. Volatile headlines out the Middle East are cooling some fears this morning, but the widespread reports of more intense activity around Iran's nuclear sites very much keeps alive the threat of further escalation. US Treasury yields are lower by 2–3bps across the curve, CGB yields are down by 1–2bps, gilts and EGBs are outperforming. I'm seeing green in stocks across my screens with equities up by ½% to ¾% across most major benchmarks. Currencies are mixed versus the dollar.

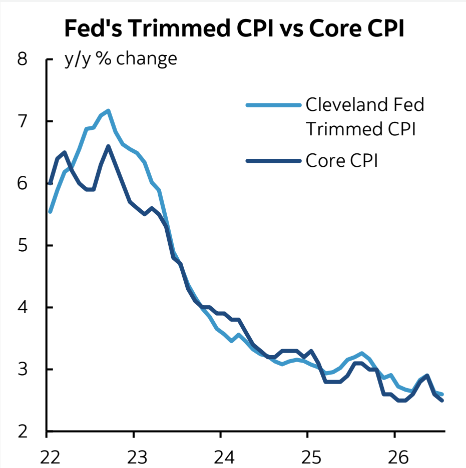
US CPI COULD MAKE OR BREAK SEPTEMBER FOMC PRICING

US CPI for the month of August will be released at 8:30amET. My weekly included a preview. Consensus sits at 0.2% m/m SA for core CPI. Scotia's house estimate is 0.3% with several others. A small minority rests in the 0.1% camp.

Also keep an eye out for the release a few hours later of trimmed mean CPI (chart 1) with central tendency inflation measures continuing to show much less concern about widespread inflation than core PCE (chart 2).

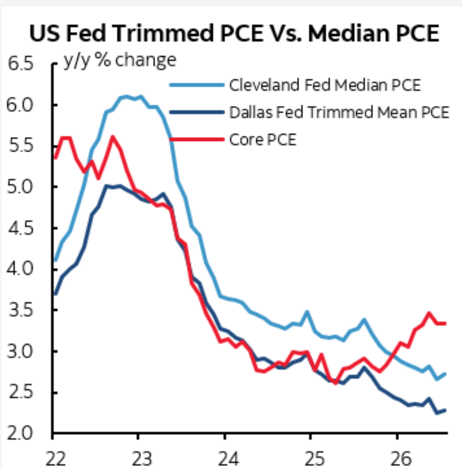
Also important will be the conversions from core CPI and the pertinent PPI components into estimates for core PCE that were neutral (chart 3).

Chart 1



Sources: Scotiabank Economics, BLS, Cleveland Fed.

Chart 2



Sources: Scotiabank Economics, Dallas Fed, Cleveland Fed.

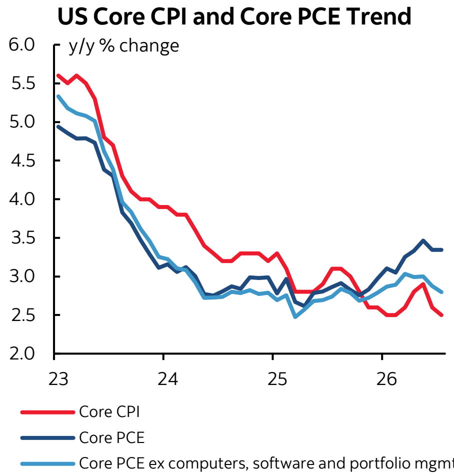
Chart 3

Category in PCE	Weight in Core PCE	PPI Components for PCE	m/m % change	Contribution to Core PCE (m/m % change)
Air transportation	1.2	Airline Passenger services	4.2	0.049
Portfolio management & investment advice services	2.1	Portfolio management	-1.6	-0.034
Outpatient Serv	9.1	Hospital outpatient care	0.4	0.036
- Physician Services	4.4	Physician care	0.1	0.004
- Home Health Care	1.1	Home health, hospice care	-0.4	-0.005
Hospital & Nursing Home Serv	10.2	Hospital inpatient care	0.5	0.051
- Nursing Homes	1.5	Nursing Home care	-0.2	-0.003
Total	**10.3**			**0.01**

We've had two soft months of core PCE at 0.15% m/m and 0.25% m/m in June and July respectively. If consensus is right about this morning alongside what we know from PPI, then another soft month might assuage some fears in the bond market and cool a few jets on the FOMC. The question is whether it happens too late.

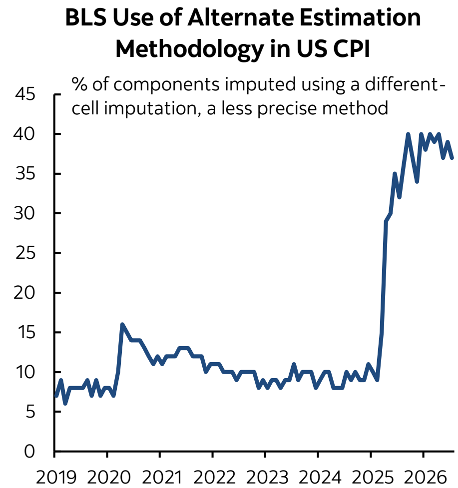
Whether surging oil prices have negated data is the other debate. I view this as a near-term lift to inflation but something that is ultimately likely to be disinflationary within the US system versus elsewhere such as the Eurozone's different circumstances. Second-round effects in the US should be treated as different compared to elsewhere.

Chart 4



Sources: Scotiabank Economics, BLS, BEA.

Chart 5



Sources: Scotiabank Economics, BLS.

How come? Nominal wage growth is running at just 3.1% y/y and this morning's real pay figures will continue to show no growth. Higher relative prices for energy and food are destroying inflation-adjusted pay and leaving little left to drive growth in spending on anything else. Wages in the US get set in real time in labour markets that clear and adjust faster than, say, Europe where collective bargaining plays a vastly bigger role and can feed second-round pay adjustments. The housing wealth effect remains negative as real house prices continue to fall. I view today as more about a relative price shock within a more limited time horizon than the generalized inflation of yesteryear. US businesses tend to respond to cost pressures more aggressively than elsewhere, by slashing costs and seeking better productivity. US businesses have high profit margins to absorb some of the pressure without passing it all on and have largely ordered their holiday items under contract at pre-surge input prices. Today's combined demand and supply shocks are nothing remotely close to the pandemic.

As for differences in core CPI versus core PCE, a big one is that the AI surge is driving upon related prices; stripping them out reveals a very different picture for core PCE inflation (chart 4).

And always bear in mind concerns about US data quality. Nonfarm payrolls was made up as far as I'm concerned (**here**). Almost 40% of the US CPI basket is made up nowadays, a record high (chart 5).

The US will also update UofM sentiment for September (10amET) and real wages for August (8:30amET).

GILTS, STERLING IGNORE STALE BUT SOLID DATA

Sterling and gilts shook off stale data beats from July in favour of following the herd on lower oil this morning.

- GDP grew 0.4% m/m (0% consensus)
- Industrial output was up by 0.2% m/m (-0.2% consensus)
- construction output met expectations for a 0.1% lift.
- services output expanded by 0.4% (0% consensus).
- the trade deficit narrowed as exports climbed 2.1% m/m (goods +4.4%) and imports slipped by -0.4% (goods -1.1%).

CANADA MORE PRO-BUSINESS CLIMATE WILL BE ON FULL DISPLAY INTO NEXT WEEK

PM Carney's Cabinet retreat in the Rockies continues today. A Cabinet planning forum starts at 9:30amET. There may be further teasers on the speed, magnitude and composition of investment plans ahead of the Investment Summit on Monday and Tuesday. Ottawa's focus is upon accelerating pre-existing plans including by speeding up project approvals.

Carney rightly labelled the US procurement and tariff announcements earlier this week as "modest." He could have described them as irrelevant face-saving measures by the Trump administration as we've estimated in prior notes this week, but de-escalating while keeping communication lines open is the focus.

And yet note the contrasts between the administrations. The Republican shindig in Dallas is over, leaving me wondering if all the “commies” and “socialists” that were the targets of the small, angry crowd in the mostly empty arena would have run up debt as fast as Trump has by more than doubling it to over US$40 trillion since he first took office nearly a decade ago. Or done as much harm to business through tariffs, uncertainty, soaring bond yields, higher inflation risk, impaired affordability and so on. Or hiked as many taxes on folks by instead calling them tariffs. America has never known anything remotely close to true socialism or communism but has the remarkable ability to spin damaging policies as being good for freedom. Those northern commies in Canada, by contrast, are focused on a pro-business investment agenda, signing trade agreements with like-minded partners, running vastly lower deficits and debt, and are run by a pro-business administration.

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.	4.56	4.59	4.37	4.74	4.76	4.55	4.94	4.96	4.78	5.35	5.37	5.24
CANADA	3.32	3.33	3.10	3.63	3.64	3.45	3.94	3.95	3.78	4.28	4.28	4.16
GERMANY	3.18	3.24	2.95	3.29	3.31	3.08	3.51	3.50	3.34	3.90	3.88	3.81
JAPAN	1.84	1.83	1.84	2.28	2.23	2.24	2.99	2.92	2.92	4.05	4.00	4.00
U.K.	4.79	4.87	4.53	4.88	4.95	4.63	5.34	5.37	5.13	5.91	5.93	5.78

Spreads vs. U.S. (bps):

	2-YEAR Last	1-day	1-wk	5-YEAR Last	1-day	1-wk	10-YEAR Last	1-day	1-wk	30-YEAR Last	1-day	1-wk
CANADA	-124	-126	-127	-110	-112	-110	-100	-101	-101	-107	-108	-108
GERMANY	-138	-135	-142	-144	-145	-146	-143	-146	-144	-145	-148	-143
JAPAN	-271	-276	-252	-246	-253	-230	-196	-204	-187	-130	-136	-125
U.K.	23	28	16	14	19	9	39	41	35	56	56	53

Equities	Level: Last	Change	% change: 1 Day	1-wk	1-mo	1-yr
S&P/TSX	35506	-400.3	-1.1	-1.6	-2.7	20.7
Dow 30	52064	-316.6	-0.6	-1.9	-3.2	12.9
S&P 500	7592	-44.7	-0.6	-1.0	-1.8	15.2
Nasdaq	26082	-171.6	-0.7	-0.5	-1.4	18.3
DAX	25543	182.3	0.7	-1.9	-3.2	7.8
FTSE	10672	63.3	0.6	-1.5	-1.6	14.8
Nikkei	64011	-1259.6	-1.9	-1.6	-4.4	44.3
Hang Seng	24806	-148.8	-0.6	-3.3	-3.3	-4.9
CAC	8168	51.1	0.6	-1.3	-6.3	4.4

Commodities	Level		% change:			
WTI Crude	98.93	-3.55	-3.5	8.4	18.9	58.6
Natural Gas	2.80	-0.04	-1.3	-3.9	1.1	-4.6
Gold	4335.42	17.23	0.4	-2.1	-0.8	19.3
Silver	63.80	0.19	0.3	-3.6	-1.4	53.5
CRB Index	429.15	6.04	1.4	3.0	9.9	42.9

Currencies	Level		% change:			
USDCAD	1.3861	0.0028	0.2	0.2	-0.5	0.2
EURUSD	1.1593	-0.0019	-0.2	-0.2	0.4	-1.2
USDJPY	153.93	-0.4900	-0.3	-1.5	-3.4	4.6
AUDUSD	0.7171	0.0014	0.2	-0.4	1.5	7.7
GBPUSD	1.3508	-0.0004	-0.0	-0.1	0.0	-0.5
USDCHF	0.8157	0.0029	0.4	0.7	0.6	2.5

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