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GLOBAL ECONOMICS

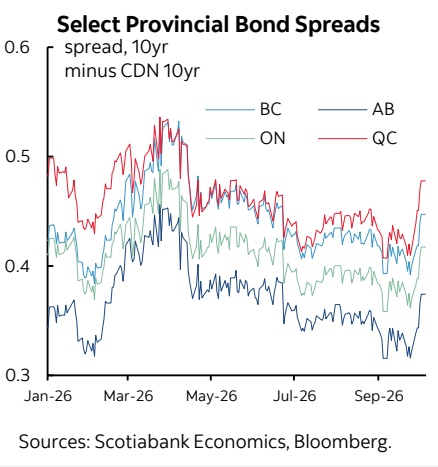
DAILY POINTS

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Chart 1



Sources: Scotiabank Economics, Bloomberg.

On Deck for Monday, October 5th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-05	10:00	ISM Non-Manufacturing Composite	Sep	55.0	55.0	55.4

KEY POINTS:

- **Markets on cautious footings with politics front and centre**
- **Quebec election day expected to bring back the PQ…**
- **…but support for both the PQ and separation is low…**
- **…as Quebec's spreads widen alongside other major provinces**
- **Brazil's first-round election results to prompt asset rallies…**
- **…which could be knee-jerk response awaiting an actual Bolsonaro platform**
- **Spain's bumbling administration called a snap election**
- **US ISM-services, Canadian PMIs on tap**
- **Global Week Ahead highlights**

Global markets are starting the week on cautious footings in the aftermath of Friday's weak nonfarm payrolls reading (29k) and political developments. Global sovereign bond curves are steepening with downward pressure on front ends across the Eurozone in particular—but not the UK—and higher yields across long ends. US Ts and Canadian government bond yields are little changed. Stocks are showing more red than green but not much of either across N.A. futures and European cash. Currencies are mostly little changed to the dollar with the exception of European crosses led by a weaker euro against other majors. Watch Brazilian assets including the real, bonds and Bovespa.

There will be light data this morning, but politics are front and centre across global markets. It's a factor in driving markets in Europe and Brazil ahead of Quebec's provincial election results tonight.

QUEBEC'S ELECTION

Quebec's polls close at 8pmET tonight and results should start arriving shortly afterward. Advance polling captured about one-quarter of voters. 64 is the magic number in terms of the number of seats out of 127 needed to capture a majority in Quebec's legislature. The separatist Party Québécois is leading polls which is far from saying that Quebecers support separation. Polls suggest that the PQ may capture around 30% of the vote. Poll aggregator sites that translate into projected seats like this one point to a minority on the edge of possibly a slim majority. Polls also show that a similarly low share support separation from Canada.

Thus, strong majorities oppose both the PQ and separation. The PQ's polling successes partly speak more to the opposition's problems with weak leadership, late game pivots by other parties and scandals aplenty. Voters seem to welcome the PQ as a default option on a short leash. Most Quebec voters are old enough to know the costs of political uncertainty through the referenda of 1995 and 1980. That uncertainty drove fiscal disrepair, underperforming housing markets and underinvestment in the province. The PQ has pledged to call a referendum on separation within its term but not while Trump is in office. That could be a false excuse since it's unlikely that the PQ could launch an effective if albeit cynical campaign to boost support for separation before 2028 anyway. A more likely outcome is that the PQ will seek further concessions.

Quebec's 10-year bond spreads over Canadian government bonds are shown relative to other provinces in chart 1. The four major provinces have all witnessed spread widening of late with Quebec paying the widest spread among them. Clearly spreads would widen and perhaps rather sharply in a true referendum campaign especially if it surprised pollsters by not rejecting separation.

BRAZIL'S ELECTION SETS UP ASSET RALLIES

Brazilians are a step closer to rewarding with the Presidency a son who pledges to pardon his father who attempted a coup and is accused of plotting assassination attempts against President Lula and Supreme Court judges. That's how bad the alternative is in President Lula in the eyes of enough Brazilians who voted in the first round of elections yesterday. The run-off that culls the field to just Lula and Bolsonaro will be held on October 25th. Brazilian assets are expected to rally hard today because Bolsonaro secured an unexpected lead in the first round. That could be either correct or fanciful. Personally, I lean more closely to the narratives in The Economist's take (**here**). Bolsonaro is thought to be a friendlier right wing offering to markets. Time would tell. He has no plan, it's unclear that his fiscal leanings would be any better than Lula's irresponsible fiscal mismanagement and pardoning his father would feed public cynicism toward deep rooted corruption. We frankly don't really know if his policies will truly unleash Brazil's prospects that have been promising for decades but mismanaged in serial fashion and not least of which because Mr. Bolsonaro doesn't appear to have any real platform. Don't fight the short-term right-is-best market bias, but perhaps know when to sell absent proof.

SPAIN CALLS AN ELECTION

Spain's centre-left administration under PM Pedro Sánchez called a snap election to be held on November 29th. A long list of challenges faced by his administration, including corruption, finally hit a breaking point when the government's hastily arranged housing plan was defeated by parliament. It should have been. The plan offered lousy housing economics to affordability challenges that arguably would have worsened conditions. Spanish bond spreads over other EGBs are so far unaffected relative to others.

GLOBAL WEEK AHEAD HIGHLIGHTS

What follows are highlights of expectations for the week ahead in lieu of a weekly because I was out for most of last week.

Canada will focus on today's aforementioned Quebec election and Friday's jobs report for September. PMIs for September are little watched in Canada but arrive this morning (9:30amET). Trade figures for August (tomorrow) could reveal solid exports in support of GDP growth if advance US trade figures serve as any indication. I've gone with an estimated flat reading for job growth based on SA factors, an estimated seasonally unadjusted change, some special factors and data guides, and a Ouija board that summoned the spirits of deceased economists. Wouldn't it be something if PM Carney ended the week by winning the Nobel Peace Prize on Friday given his lead on some betting sites; I'm sure he'd be congratulated by Trump….

The US may be in observer mode with an eye on more interesting developments elsewhere this week. Calendar-based US risk will be light with just ISM-services today (10amET), ADP's weekly payroll measure tomorrow, FOMC minutes on Wednesday afternoon and then UofM's consumer sentiment reading for October on Friday.

Asia-Pacific markets will consider an expected hike by the RBI on Wednesday that could raise the repo rate by 25bps to 5.5%. Japanese wage figures for August (tomorrow) will be watched by BoJ observers. We might get fresh financing figures for China's economy either this week or next.

Several countries refresh inflation figures this week. They will include Thailand tonight, Sweden, Colombia and Taiwan on Wednesday followed by Mexico and Chile on Thursday and then Brazil and Norway on Friday.

European markets are focused upon debt and politics alongside modest calendar-based risk. Highlights will focus upon German macro readings in terms of factory orders, industrial output and trade for August from tomorrow through Thursday.

Peru's central bank is expected to hike its reference rate by 25bps to 4.5% on Wednesday.

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.	4.81	4.83	4.93	5.04	5.05	5.07	5.27	5.27	5.24	5.62	5.62	5.55
CANADA	3.26	3.27	3.38	3.62	3.62	3.68	3.95	3.94	3.96	4.29	4.29	4.25
GERMANY	3.03	3.08	3.31	3.21	3.24	3.45	3.45	3.46	3.64	3.83	3.82	3.97
JAPAN	1.92	1.92	1.98	2.38	2.37	2.44	3.10	3.09	3.10	4.24	4.20	4.18
U.K.	4.83	4.82	4.93	4.93	4.91	5.00	5.38	5.37	5.42	5.90	5.89	5.92
	Spreads vs. U.S. (bps):											
CANADA	-155	-156	-155	-142	-143	-139	-132	-133	-127	-133	-134	-130
GERMANY	-177	-175	-162	-183	-182	-163	-182	-181	-159	-179	-180	-158
JAPAN	-288	-291	-295	-267	-269	-263	-217	-218	-214	-138	-142	-137
U.K.	3	-1	-1	-11	-14	-8	11	9	18	28	27	37

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	35503	347.9	1.0	-0.8	-2.8	16.5
Dow 30	51177	250.4	0.5	-1.3	-4.2	9.5
S&P 500	7723	56.3	0.7	-0.3	0.1	15.0
Nasdaq	27191	319.3	1.2	0.5	2.6	19.4
DAX	25217	-14.2	-0.1	-0.6	-3.2	3.4
FTSE	10491	29.1	0.3	-1.8	-3.1	10.5
Nikkei	69947	1637.4	2.4	6.2	7.6	52.8
Hang Seng	24040	68.0	0.3	-1.9	-6.3	-11.4
CAC	7821	-76.0	-1.0	-3.2	-5.5	-3.2
Commodities	Level		% change:			
WTI Crude	90.42	-0.69	-0.8	-2.4	-1.2	48.5
Natural Gas	3.03	-0.00	-0.0	1.1	2.0	-8.7
Gold	4160.81	19.62	0.5	1.1	-5.5	5.0
Silver	61.91	1.54	2.6	2.1	-6.4	27.6
CRB Index	410.09	0.00	0.0	-1.0	-1.5	37.0
Currencies	Level		% change:			
USDCAD	1.4258	0.0007	0.0	0.6	3.2	2.3
EURUSD	1.1204	-0.0051	-0.5	-1.5	-3.6	-4.3
USDJPY	158.19	0.3400	0.2	0.5	2.5	5.2
AUDUSD	0.6961	0.0005	0.1	-0.8	-3.6	5.2
GBPUSD	1.3222	-0.0019	-0.1	-0.2	-2.4	-2.0
USDCHF	0.8307	0.0019	0.2	-0.2	2.6	4.5

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	4.60
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	Oct 30, 2026
Mexico - Banxico	Nov 05, 2026
Australia - RBA	Nov 02, 2026
New Zealand - RBNZ	Oct 27, 2026

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