Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

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Contributors

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Chart 1

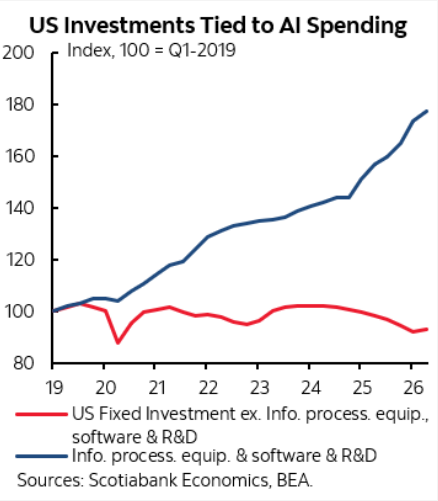
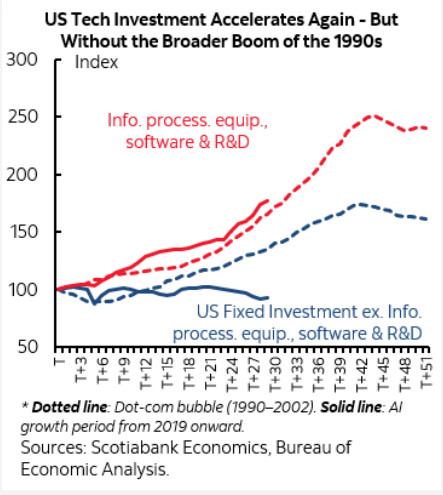


Chart 2



On Deck for Friday, October 16th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	10-16	00:15	BoC Governor Tiff Macklem Speaks at IMF Panel in Bangkok				
CA	10-16	05:00	Existing Home Sales (m/m)	Sep	--	--	-0.7
CA	10-16	08:00	BoC External Deputy Governor Alexopoulos Speaks in Halifax				
CA	10-16	08:15	Housing Starts (000s a.r.)	Sep	230	232.5	229.0
CA	10-16	08:30	International Securities Transactions (C$ bn)	Aug	--	--	20.7
US	10-16	08:30	Export Prices (m/m)	Sep	--	0.8	0.6
US	10-16	08:30	Import Prices (m/m)	Sep	--	0.9	0.7
US	10-16	09:15	Capacity Utilization (%)	Sep	76.4	76.5	76.3
US	10-16	09:15	Industrial Production (m/m)	Sep	0.4	0.4	0.0
US	10-16	16:00	Total Net TIC Flows (US$ bn)	Aug	--	--	83.7
US	10-16	16:00	Net Long-term TIC Flows (US$ bn)	Aug	--	--	-27.9

KEY POINTS:

- **Markets ending the week anticlimactically**
- **What Fed Chair Warsh said**
- **What BoC Governor Macklem said**
- **Lutnick torpedoes trade talks again…**
- **…this time with Mexico**
- **Minor data: Canadian housing, US industrial output**

The week is ending somewhat anticlimactically in the wake of largely inconsequential remarks from the heads of the Federal Reserve and Bank of Canada. More interesting are indications that US Commerce Secretary Lutnick is doing to US-Mexico trade talks what he did to US-Canada talks. Sovereign bonds are little changed across global markets with a small degree of bear steepening as longer-term bond yields rise a few basis points everywhere. Stocks are generally higher, but not by much. The dollar is generally ending the week on softer footings against major crosses. Oil prices are up a few dimes.

Neither Warsh nor Macklem said anything consequential overnight. Literary licence was employed by anyone who heard otherwise.

WHAT FED CHAIR WARSH SAID

Warsh said nothing that would even remotely inform nearer term monetary policy considerations other than to repeat that he doesn't believe in forward guidance into meetings. Specifically, he said: "I don't prejudge meetings. I don't believe in saying now what I might do at the meetings we have in the balance of this year. It's a new chapter at the Fed, and we're not in that business anymore." Of course, other FOMC officials appear to think otherwise given the ongoing massive amount of Fed-speak.

Warsh stated what everyone else thinks about AI—it's demand stimulative in the short-term, stimulates the supply side in the medium-term and he doesn't know the net impact on jobs.

Warsh pulled out the pom poms as cheerleader in chief for the US economy with generally upbeat remarks on the outlook. One bone of contention is when he said the investment upswing isn't just in AI; charts 1 and 2 suggest otherwise including by comparison to the dot com period.

He also noted that the first "field hearing" by one of five task forces assigned the task of opining on AI and its effects on productivity and jobs will be held in San Francisco on November 16th. You can watch his 35-minute video **here**.

WHAT BOC GOVERNOR MACKLEM SAID

BoC Governor Macklem said on his panel in response to a question on whether he will raise rates:

"I'm very good at not answering that question. But I will say we haven't raised our rates yet. We've been looking through the increase in energy prices, but the longer this goes, the harder that gets. So, we are asking ourselves that question. Are we going to have to raise rates?"

Other than that, he opined on general AI influences and debates.

Onto next week's CPI and BoC surveys including inflation expectations. You can watch his hour-long panel and the views of other participants from Anthropic, the IMF, and others **here**.

On AI, the panel and Macklem specifically spoke very generally about the potential effects. His narrative was that it is everywhere in the data. You see it in the economy, in the bond and stock markets and in trade flows. He (and Warsh) noted that we don't talk secular stagnation anymore and Warsh noted it was an incorrect view even in the past. Macklem said that we used to talk about excess savings in the global economy but now we're in an investment boom. On jobs, he said there will be winners and losers but that if we look at "every major wave of technology in the past, they have created more jobs than they've destroyed" and so far, there is no meaningful evidence of job losses.

The FOMC blackout commences tomorrow before the October 28th decision for which little chance at a hike is priced. We forecast one more hike this year, likely in December.

It's unclear if there will be remarks from the sidelines as the IIF/IMF meetings wrap up in Bangkok.

LUTNICK TORPEDOES TRADE TALKS—AGAIN

US Commerce Secretary is doing to Mexico what he did in the final hours of talks with Canada before they broke down. **This** WSJ exclusive piece reports from behind the scenes on trade talks between the US and Mexico and portrays Lutnick as essentially inserting himself in a manner that once again downplays prospects for a deal to be reached.

Lutnick reportedly opposes significant cuts to the 25% tariff on imports of automobiles and 50% tariffs on imports of steel and aluminum and derivative products from Mexico. His department controls those tariffs and so he is overriding any progress there may have been among the negotiators.

President Sheinbaum has guided that the original list of 54 tariff and nontariff issues that the US brought up has been reduced to a still significant list of 12 items and clearly large tariffs remain on that list.

If there is a trade deal to be had, then Mr. Lutnick's role in the talks will have to be diminished and presumably by Trump and before the new Congress convenes in January. At that point, the Trump administration may well be negotiating with the Democrats if they take at least one of the two chambers, given that Congress would have to approve a new CUSMA/USMCA deal.

LIGHT DATA

Other developments are very light.

Canadian existing home sales fell -2.3% m/m SA in September; we're in the in-between period in terms of the most influential Spring housing market. Canada will also release housing starts for the month of September (8:15amET).

US industrial output is expected to register a small gain in September's reading (9:15amET).

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.	4.75	4.74	4.79	4.91	4.88	5.02	5.10	5.06	5.24	5.45	5.41	5.60
CANADA	3.21	3.20	3.18	3.54	3.52	3.54	3.85	3.82	3.88	4.20	4.17	4.24
GERMANY	3.12	3.11	3.13	3.23	3.21	3.26	3.44	3.41	3.48	3.81	3.77	3.85
JAPAN	1.92	1.91	1.92	2.34	2.31	2.36	2.93	2.90	3.02	4.02	3.97	4.07
U.K.	4.88	4.89	4.89	4.96	4.97	5.00	5.38	5.37	5.44	5.86	5.85	5.95
	Spreads vs. U.S. (bps):											
CANADA	-154	-154	-161	-137	-135	-147	-125	-124	-136	-125	-123	-136
GERMANY	-164	-163	-166	-168	-166	-176	-167	-165	-176	-164	-163	-174
JAPAN	-284	-283	-287	-257	-257	-266	-217	-216	-222	-143	-144	-153
U.K.	12	15	10	5	9	-2	28	31	20	41	44	35

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	36137	552.6	1.6	3.1	1.8	18.6
Dow 30	52178	556.2	1.1	1.8	1.4	13.5
S&P 500	7744	25.1	0.3	-0.3	2.5	16.8
Nasdaq	26713	20.2	0.1	-1.8	2.8	18.4
DAX	25643	260.4	1.0	2.2	0.4	5.6
FTSE	10849	8.8	0.1	2.8	1.5	15.0
Nikkei	65324	898.3	1.4	-5.4	2.2	35.3
Hang Seng	24187	124.1	0.5	-0.1	-2.1	-6.6
CAC	7968	33.8	0.4	2.1	-2.1	-2.7
Commodities	Level		% change:			
WTI Crude	97.75	-0.22	-0.2	6.4	-4.6	70.1
Natural Gas	3.18	-0.06	-1.7	-1.2	10.0	8.2
Gold	4177.66	6.22	0.1	-0.4	-2.0	-3.4
Silver	57.89	0.48	0.8	-4.8	-8.1	6.7
CRB Index	417.49	1.46	0.4	1.5	-2.0	42.1
Currencies	Level		% change:			
USDCAD	1.4153	-0.0033	-0.2	-0.7	1.2	0.7
EURUSD	1.1259	0.0039	0.3	0.5	-1.8	-3.7
USDJPY	158.07	0.0700	0.0	-0.2	1.2	5.1
AUDUSD	0.6962	0.0041	0.6	-0.3	-1.8	7.4
GBPUSD	1.3337	0.0062	0.5	0.8	-0.3	-0.7
USDCHF	0.8227	-0.0040	-0.5	-0.9	-0.4	3.7

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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