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GLOBAL ECONOMICS

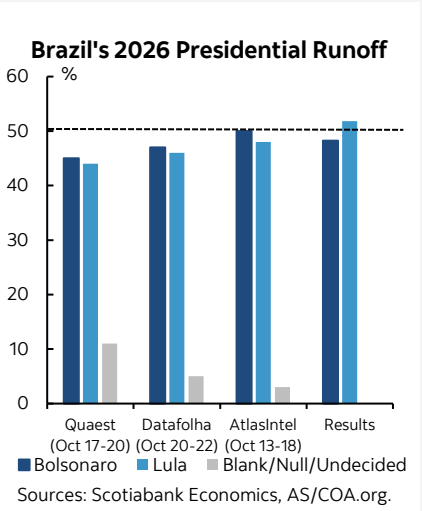
DAILY POINTS

October 26, 2026 @ *7:05 EST*

Contributors

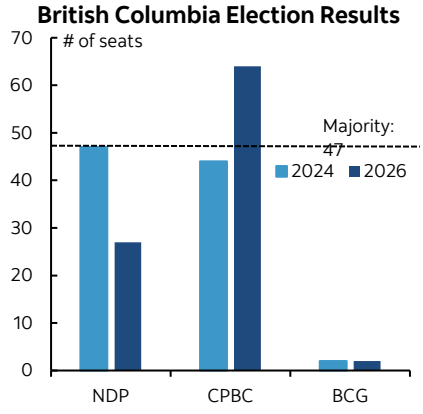
Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1



Sources: Scotiabank Economics, AS/COA.org.

Chart 2



Sources: Scotiabank Economics, CBC.

On Deck for Monday, October 26th							
Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-26	10:30	Dallas Fed. Manufacturing Activity	Oct	--	--	9.8

KEY POINTS:

- **Elections kick off a week packed with high-risk developments**
- **BC's landslide Conservative victory may be music to business ears…**
- **…while delivery and execution risk take over…**
- **…with likely little to no impact on spreads**
- **Brazil's election expected to pummel local market risk appetite today**
- **Global Week Ahead—Pay Now, Less Later (reminder here)…**
- **…including a comprehensive Bank of Canada preview**

Stocks are tepidly kicking off a fresh week in the black almost everywhere except for Brazil where election results are likely to hammer risk appetite (charts 1, 2). Oil is down a couple of bucks or so on volatile Iran headlines pending the outcome of elections in the US (Nov 3rd) and Israel (tomorrow). Sovereign bonds are mixed with notable moves including a small rally in French spreads over bunds, after weekend protests were less than feared, and Brazil's 10-year yield that is soaring by about 30bps.

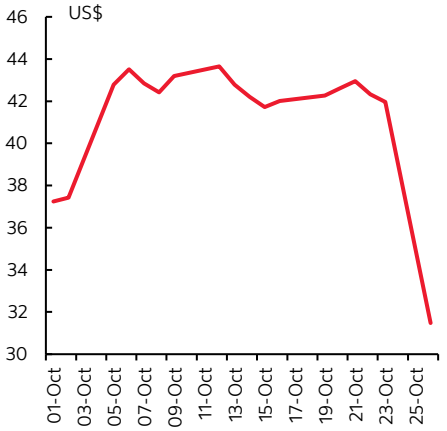
BRAZIL'S ELECTION RESULTS—HIT TO RISK APPETITE, FURTHER TENSIONS AHEAD

Brazil's Luiz Inacio Lula da Silver ("Lula" for short) won Brazil's Presidential election. He defeated Flavio Bolsonaro—the son of former President Jair Bolsonaro—by a margin of 51.79% to 48.21%, or about 4½ million votes (official results here). That's a decisive margin, yet Flavio Bolsonaro announced he will not accept the result because the Supreme Court extended voting hours at the last minute at the request of Lula's campaign due to transportation issues in some parts of the country. It's not clear this would have impacted the results and Bolsonaro himself had also requested an extension due to bad weather in some areas. Regardless, it suggests that Brazil is poised for potentially similar post-election uncertainty and aftermath as when Jair Bolsonaro was defeated in the prior election. Recall that Jair Bolsonaro launched a coup, and was implicated in a conspiracy to assassinate Lula, his VP and a Supreme Court judge.

Brazilians knew what they'd get with Lula which isn't impressive in terms of falling short of the country's potential for an extended period. Not enough of them were willing to gamble on Flavio Bolsonaro since a) pardoning his father was the main part of his platform, and b) while representing the right wing, really had very little to offer by way of policies.

Russia, China and a handful of others congratulated Lula. Israel certainly did not. Trump won't either and had openly interfered in Brazilian politics and could reignite actions against the country such as escalation of trade tensions.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Watch for Brazilian assets to plummet today. Stock futures are falling sharply (chart 3). They had rallied following the first-round victory by Jair Bolsonaro and are sure to take back much of the gains by the real and local stock market.

BC ELECTION—WILL A CONSERVATIVE MAJORITY IMPROVE BC'S FORTUNES?

Whoops. Calling an election two years earlier than necessary backfired badly on NDP Premier Eby as his party lost in stunning fashion to a long disorganized Conservative party with a previously unknown interim leader, Lorne Doerkson, who will be sworn in as Premier.

The Conservatives won 61 out of 89 seats for a large 68.5% majority in the provincial legislature backed by 48.1% of the popular vote versus 37.4% for the NDP. Maps shown **here** portray a blue wave across the province.

Premier-elect Doerkson's victory speech and platform pledged to:

- reduce the province's fiscal deficit at a modest pace including a formal spending review.
- hold a BC business summit next year in Vancouver focused upon investment.
- to cut red tape
- to double natural gas production by 2032 and triple it by 2035
- work more closely with the federal government and Alberta in support of the Pacific Link pipeline from Alberta through BC in order to export more oil to Asia.
- speed up permits to months instead of years
- back mining exploration
- a $1,000 tax cut per person with no new taxes
- replace the George Massey Tunnel with a 10-lane bridge and scrap the current tunnel replacement plan.
- repeal the Declaration on the Rights of Indigenous Peoples Act (DRIPA) that was passed in 2019 by claiming that doing so would improve investment appetite toward the province and to the benefit of the permitting process.

Much of that is music to a business audience's ear. Delivery and execution risk now take over.

BC's provincial government spreads may be unlikely to show much of any reaction. Like most province's debt spreads, BC's had narrowed over the past couple of years and the election outcome won't be a surprise to polling. At about 43bps over 10-year Canadian government bonds, BC's spread closed on Friday at seventh widest among the ten provinces, wider than only Alberta, Saskatchewan and Ontario.

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.	4.69	4.68	4.77	4.81	4.81	4.94	4.98	5.00	5.14	5.30	5.32	5.47
CANADA	3.35	3.36	3.42	3.57	3.57	3.67	3.83	3.84	3.96	4.13	4.13	4.27
GERMANY	3.10	3.06	3.13	3.20	3.17	3.25	3.37	3.35	3.46	3.70	3.68	3.82
JAPAN	1.89	1.88	1.90	2.25	2.23	2.32	2.80	2.81	2.91	3.84	3.84	4.00
U.K.	4.91	4.91	4.93	4.97	4.99	5.01	5.33	5.36	5.43	5.73	5.76	5.90
	Spreads vs. U.S. (bps):											
CANADA	-134	-133	-136	-124	-124	-127	-115	-115	-118	-118	-119	-120
GERMANY	-159	-162	-165	-161	-164	-169	-161	-165	-168	-160	-164	-165
JAPAN	-280	-280	-287	-256	-258	-263	-218	-219	-223	-146	-149	-146
U.K.	22	23	15	17	18	7	35	36	29	43	43	43

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	35788	-185.3	-0.5	-1.1	-0.0	17.9
Dow 30	52215	-652.8	-1.2	0.4	0.7	10.6
S&P 500	7624	-39.8	-0.5	-0.5	-1.5	12.3
Nasdaq	25955	-53.5	-0.2	-0.7	-4.1	11.9
DAX	25398	216.8	0.9	0.3	-0.0	4.8
FTSE	10739	48.7	0.5	-0.2	0.4	11.3
Nikkei	62190	-503.5	-0.8	-4.2	-6.3	26.1
Hang Seng	23212	118.4	0.5	-4.0	-5.3	-11.3
CAC	7841	58.0	0.7	-0.3	-2.9	-4.7
Commodities	Level		% change:			
WTI Crude	100.98	-2.29	-2.2	-2.6	9.3	64.2
Natural Gas	2.51	-0.13	-4.9	-17.9	-21.5	-24.0
Gold	4014.32	18.22	0.5	-3.1	-2.5	0.8
Silver	53.95	0.06	0.1	-5.5	-11.0	15.1
CRB Index	418.60	3.62	0.9	-0.3	0.0	38.2
Currencies	Level		% change:			
USDCAD	1.4015	0.0012	0.1	-0.7	-1.1	0.2
EURUSD	1.1200	-0.0002	-0.0	-0.1	-1.5	-3.8
USDJPY	157.34	0.4700	0.3	-0.7	-0.0	2.9
AUDUSD	0.7032	-0.0004	-0.1	0.7	0.2	7.3
GBPUSD	1.3351	-0.0023	-0.2	0.3	0.7	0.1
USDCHF	0.8256	0.0006	0.1	-0.1	-0.8	3.8

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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