

DAILY POINTS

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On Deck for Tuesday, January 14

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|-------------------------------------------|------------|------------------|---------------|
| US | 01-14 | 08:30 | PPI (m/m) | 0.3 | 0.4 | 0.4 |
| US | 01-14 | 08:30 | PPI ex. Food & Energy (m/m) | 0.2 | 0.3 | 0.2 |
| US | 01-14 | 10:00 | Fed's Schmid Gives Remarks in Kansas City | | | |
| US | 01-14 | 15:05 | Fed's Williams Gives Opening Remarks | | | |

KEY POINTS:

- **Equities rally on two fragile theories**
- **A temporary Israel-Hamas cease fire may be in the works**
- **What does Trump think of his advisers' tariff proposal that would lose face?**
- **US producer prices to inform PCE expectations amid bigger issues**
- **Light Fed-speak on tap**
- **Carney might have sounded supportive of 'axe the tax' but with a catch**

A very light set of calendar-based developments is on tap out of the US after a quiet overnight session and ahead of tomorrow's US CPI and US bank earnings. Sovereign yields are little changed so far this morning across most major benchmarks but with a very slight cheapening bias across US and Canadian curves. Equities are up by between a little in TSX futures to 1% in some European exchanges after a mixed Asian session with Tokyo back from holiday and pushing lower against gains elsewhere. The USD depreciated late yesterday afternoon when a story plant by some of Trump's advisers hit (see below) but has since treaded water and is mixed this morning with gains being registered against CAD, sterling and the yen.

A Temporary Cease Fire?

What's partly driving these moves is some combination of reports of a cease-fire deal between Israel and Hamas involving the release of some hostages that may at least temporarily deescalate some geopolitical tensions, plus potential tariff developments in the US.

What Does Trump Think of a Tariff Proposal That Would Lose Face?

I wouldn't put much stock in the piece from late yesterday afternoon about how the Trump camp is considering gradually raising tariffs in increments of 2-5% a month.

First, it's his advisers saying this, and we know full well that Trump often doesn't listen to his advisers that can have a tendency to go rogue, and so just wait for the possible counter from Trump.

Second, it's hard to see how Trump would stand down from his constant threat of imposing large tariffs without seriously losing face as some of his advisers apparently seek to rein in the craziness.

Third, they haven't presented it to him, except, well, now through the media which is a tactic that I'm sure he'll love...

Fourth, it may be a sign of de-escalation of the threat, but with the same likely retaliatory response from US trade partners.

Fifth, the whole rationale for US tariffs in the first place is unwise and marked by constantly shifting motives and goals.

Finally, the theory being offered that it would mean less inflationary pressure is bonkers; it would just mean putting higher inflation on a slower fuse, like a water torture approach to prices paid by Americans but with the same end result.

US PPI To Inform PCE, Light Fed-Speak

US producer prices will be updated with the December reading this morning (8:30amET). The report is likely to be of little use given bigger considerations at hand and pushed out Fed pricing.

But US producer prices for December will be used to inform expectations for PCE at month-end. Watch the PPI components that feed into PCE (chart 1) that, when combined with the next day's CPI figures, will be used to firm up PCE and core PCE estimates. They include items like air transportation, portfolio

| Category in PCE | Weight | PPI Components for PCE |
|---------------------------------------------------|-------------|----------------------------|
| Air transportation | 1.0 | Airline Passenger services |
| Portfolio management & investment advice services | 1.5 | Portfolio management |
| Outpatient Serv | 8.0 | Hospital outpatient care |
| - Physician Services | 4.0 | Physician care |
| - Home Health Care | 0.9 | Home health, hospice care |
| Hospital & Nursing Home Serv | 8.8 | Hospital inpatient care |
| - Nursing Homes | 1.3 | Nursing Home care |
| Total | 19.3 | |

management, outpatient services and hospital/nursing home services that have a cumulative weight of 19.3% in PCE.

There will also be light Fed-speak before Saturday's rather fortuitous blackout kicks in ahead of Trump week. I bet Powell & Co are thankful they get to sit out some of the crazy stuff for a week and a half.

Carney May Have Hinted At Part of a Platform

[This](#) interview with Mark Carney could be interpreted to mean that he's leaning toward an 'axe the tax' policy stance in reference to the carbon tax in that he says the flaw is making everyday Canadians pay for emissions mostly generated by the oil industry that needs to be cleaned up. One can't much argue with that, except for the politics in energy-sensitive parts of the country. So, 'axe the tax' but replace it with something more directed at the oil and gas sector?

| Fixed Income | Government Yield Curves (%): | | | | | | | | | | | | Central Banks | |
|--------------|------------------------------|---------|------|-----------|-------|------|---------|-------|------|---------|-------|------|--------------------|--------------|
| | 2-YEAR | | | 5-YEAR | | | 10-YEAR | | | 30-YEAR | | | Current Rate | |
| | Last | 1-day | 1-wk | Last | 1-day | 1-wk | Last | 1-day | 1-wk | Last | 1-day | 1-wk | | |
| U.S. | 4.39 | 4.38 | 4.29 | 4.61 | 4.60 | 4.47 | 4.79 | 4.78 | 4.69 | 4.98 | 4.96 | 4.91 | Canada - BoC | 3.25 |
| CANADA | 3.16 | 3.14 | 2.94 | 3.27 | 3.24 | 3.01 | 3.53 | 3.50 | 3.30 | 3.61 | 3.58 | 3.41 | US - Fed | 4.50 |
| GERMANY | 2.29 | 2.29 | 2.20 | 2.44 | 2.40 | 2.28 | 2.63 | 2.61 | 2.48 | 2.84 | 2.81 | 2.72 | | |
| JAPAN | 0.69 | 0.65 | 0.64 | 0.86 | 0.83 | 0.80 | 1.25 | 1.20 | 1.14 | 2.34 | 2.31 | 2.32 | England - BoE | 4.75 |
| U.K. | 4.59 | 4.60 | 4.47 | 4.61 | 4.60 | 4.45 | 4.89 | 4.89 | 4.68 | 5.43 | 5.44 | 5.25 | | |
| | Spreads vs. U.S. (bps): | | | | | | | | | | | | | |
| CANADA | -123 | -124 | -135 | -134 | -135 | -146 | -127 | -128 | -139 | -138 | -139 | -150 | Euro zone - ECB | 3.15 |
| GERMANY | -210 | -209 | -210 | -217 | -220 | -219 | -217 | -217 | -220 | -214 | -215 | -220 | Japan - BoJ | -0.10 |
| JAPAN | -371 | -373 | -366 | -375 | -377 | -367 | -355 | -358 | -355 | -265 | -265 | -260 | | |
| U.K. | 20 | 22 | 18 | 0 | 0 | -2 | 9 | 11 | -0 | 45 | 48 | 33 | Mexico - Banxico | 10.00 |
| Equities | Level | | | % change: | | | | | | | | | Next Meeting Date | |
| | Last | Change | | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | | |
| S&P/TSX | 24536 | -231.4 | | -0.9 | -1.9 | -2.9 | 16.9 | | | | | | Australia - RBA | 4.35 |
| Dow 30 | 42297 | 358.7 | | 0.9 | -1.0 | -3.5 | 12.5 | | | | | | New Zealand - RBNZ | 4.25 |
| S&P 500 | 5836 | 9.2 | | 0.2 | -1.8 | -3.6 | 22.0 | | | | | | | |
| Nasdaq | 19088 | -73.5 | | -0.4 | -2.7 | -4.2 | 27.5 | | | | | | | |
| DAX | 20287 | 154.5 | | 0.8 | -0.3 | -0.6 | 21.4 | | | | | | | |
| FTSE | 8224 | -0.0 | | -0.0 | -0.3 | -0.9 | 7.9 | | | | | | | |
| Nikkei | 38474 | -716.1 | | -1.8 | -2.1 | -2.5 | 8.1 | | | | | | Canada - BoC | Jan 29, 2025 |
| Hang Seng | 19220 | 345.6 | | 1.8 | -1.2 | -3.8 | 18.3 | | | | | | US - Fed | Jan 29, 2025 |
| CAC | 7483 | 74.7 | | 1.0 | -0.1 | 1.0 | 0.2 | | | | | | England - BoE | Feb 06, 2025 |
| Commodities | Level | | | % change: | | | | | | | | | | |
| | | Change | | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | | |
| WTI Crude | 78.55 | -0.27 | | -0.3 | 5.8 | 10.2 | 8.1 | | | | | | Euro zone - ECB | Jan 30, 2025 |
| Natural Gas | 3.79 | -0.15 | | -3.8 | 9.8 | 15.4 | 14.3 | | | | | | Japan - BoJ | Dec 19, 2024 |
| Gold | 2670.02 | 6.86 | | 0.3 | 0.8 | 19.7 | 30.3 | | | | | | | |
| Silver | 29.88 | -0.48 | | -1.6 | -1.3 | -2.8 | 29.6 | | | | | | | |
| CRB Index | 309.02 | 3.05 | | 1.0 | 3.4 | 5.1 | 16.9 | | | | | | | |
| Currencies | Level | | | % change: | | | | | | | | | | |
| | | Change | | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | | |
| USDCAD | 1.4393 | 0.0014 | | 0.1 | 0.2 | 1.1 | 7.2 | | | | | | Mexico - Banxico | Feb 06, 2025 |
| EURUSD | 1.0246 | 0.0001 | | 0.0 | -0.9 | -2.5 | -6.4 | | | | | | | |
| USDJPY | 158.09 | 0.6100 | | 0.4 | 0.0 | 2.6 | 8.5 | | | | | | Australia - RBA | Feb 17, 2025 |
| AUDUSD | 0.6171 | -0.0006 | | -0.1 | -0.9 | -3.1 | -7.3 | | | | | | | |
| GBPUSD | 1.2163 | -0.0039 | | -0.3 | -2.5 | -4.1 | -4.4 | | | | | | New Zealand - RBNZ | Feb 18, 2025 |
| USDCHF | 0.9170 | 0.0000 | | 0.0 | 0.8 | 2.5 | 7.2 | | | | | | | |

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