

DAILY POINTS

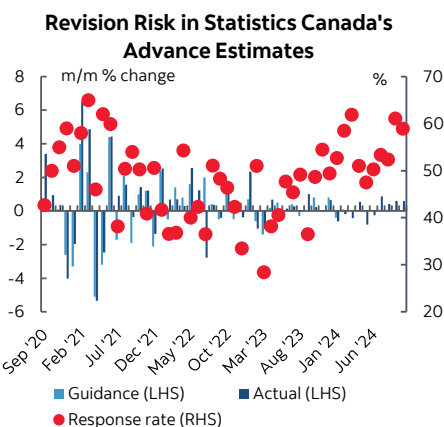
January 23, 2025 @ 7:30 EST

Contributors

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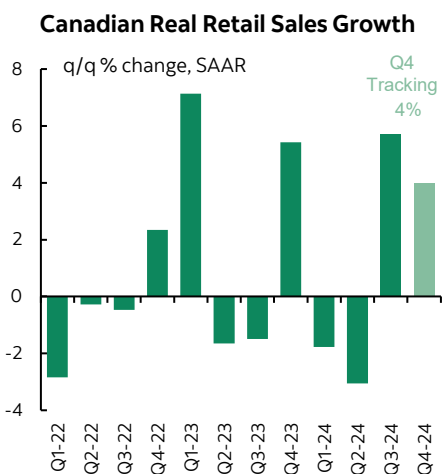
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Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Thursday, January 23

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01-23	08:30	Retail Sales (m/m)	Nov	0.1	0.2	0.6
CA	01-23	08:30	Retail Sales ex. Autos (m/m)	Nov	--	0.1	0.1
US	01-23	08:30	Initial Jobless Claims (000s)	Jan 18	215	220.0	217.0
US	01-23	08:30	Continuing Claims (000s)	Jan 11	1875	1866.0	1859.0

KEY POINTS:

- **Markets brace for more Trump volatility**
- **Trump to be a (virtual) cat amongst the Davos pigeons today**
- **8 billion folks should leave an isolationist US in the dust**
- **Canadian retail sales: still tracking strongly?**
- **Suspending patent rights could be Canada's ultimate weapon in a trade war**
- **Norges held, Turkey cut—both as expected**

There will be two main developments this morning after a quiet overnight session. So far, asset classes are mixed perhaps out of apprehension toward what lies next. There is a slight cheapening bias across sovereign bonds on balance, US equity futures are a touch lower with tech leading decliners while most European indices are higher. The dollar is slightly firmer.

Trump Will Probably Crash the Davos Party

One is whether there will be any more sparks from Trump's video participation on a panel at the Davos WEF late this morning (11amET).

With Trump, you expect bombastic division and confrontation, not diplomacy, and so with that anything may go on topics such as tariffs and a whole host of others. Trump is clearly an isolationist and a protectionist who seeks a more insular perspective on America's connections with the world across a whole range of policy areas from trade to climate to health and social policies.

In my opinion, this is an opportunity for the rest of the world's 8 billion folks to leave them in the dust if that's the route they wish to pursue. Instead of kowtowing and emulating, cherry pick the best policies and pivot away from America.

This isn't the 1950s, yet the Trump administration's romantic fawning over America's status in the past sounds like it thinks that can be restored. That's a shame in a zero sum, us-versus-them sense. The greatest achievement of the post WWII period was the dispersion of growth across the world; America's declining share of global GDP over the decades is nothing to lament, as smart policy would get its own house in order and leverage growth abroad rather than starting trade wars that will create long-term damage for the US economy and status in the world.

Canadian Retail Sales—Still Tracking Strongly?

Canadian retail sales will be updated for November and December (8:30amET). They were guided by Statcan to be "relatively little changed" when they issued their preliminary guidance on December 20th for November. That doesn't necessarily mean much, given the shaky tracking and low sampling rate for the preliminary readings (chart 1). We'll get the revised tally plus the preliminary guidance for December that will inform holiday sales and the overall Q4 result. Tracking is quite strong (chart 2); in volume terms, Q3 was up by 5.7% q/q SAAR and Q4 is tracking at 4.3% based solely on the October jump and the Q3 average. We'll have a better handle on that tomorrow, but the consumer has been rebounding in Canada.

No Surprises From Central Banks

Norges Bank held at 4.5% as universally expected because they had said at the prior meeting they would hold and cut again in March, which they repeated. The Central Bank of Turkey cut by 250bps in line with consensus.

Could Patents be Canada's Ultimate Anti-Tariffs Weapon?

[This](#) is an interesting proposal to pop into Canada's toolkit against US tariffs. Obviously I'm no patent expert (glad you were sitting for that one...), but if the proposal it were to gain traction and pass a broader sniff test, then there would be significant sector and market implications in the US and Canada.

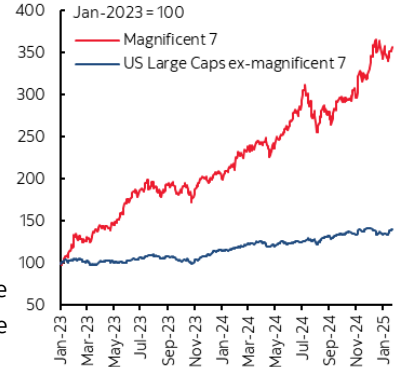
Basically, the author is saying that Canada should suspend patent rights held by US controlled companies in key sectors like tech and pharma. The aims, according to the author, would be to recapture Canadian rewards for research done here but not compensated over the years as the reward flows to the US and is protected by very long patents, to address the fact that US companies are not delivering on their R&D agreements in Canada, and to attract investment to produce lower cost medicines, AI-related products and climate-related technology for production and export to the world.

There are many other spinoff consequences if Canada were to take this step—and perhaps there is a case for doing it anyway—including effects on drug prices in the US and globally, and on US company valuations including for the 'Magnificent Seven' that dominate equity returns (chart 3). Out of threats may come opportunities in a careful-what-you-started sense.

It's possible that if Canada were to ever do that, then perhaps it would be the greatest potential countermeasure of more significance over time than tools like retaliatory tariffs or export restrictions on key resources. If Canada plays its cards right, then while it has to deal with the crisis it potentially faces in the short-run, it has the potential to be a world leader on growth across resources, tech, pharma, AI that leverages a vibrant tech sector that's already here, and environmental policies. Burn-baby-burn is only going to get worse, and with that, the opportunity to help counter or at least manage it.

Chart 3

Seven Stocks Dominate the S&P500



Sources: Scotiabank Economics, Bloomberg.

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.	4.30	4.30	4.23	4.46	4.44	4.40	4.64	4.61	4.61	4.86	4.83	4.86	Canada - BoC	3.25
CANADA	2.96	2.96	2.96	3.04	3.02	3.05	3.33	3.30	3.34	3.46	3.44	3.46	US - Fed	4.50
GERMANY	2.24	2.24	2.23	2.35	2.34	2.35	2.54	2.53	2.55	2.77	2.75	2.78	England - BoE	4.75
JAPAN	0.70	0.70	0.69	0.88	0.88	0.87	1.21	1.20	1.21	2.27	2.26	2.32	Euro zone - ECB	3.15
U.K.	4.36	4.35	4.38	4.37	4.35	4.41	4.65	4.63	4.68	5.20	5.18	5.24	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
CANADA	-134	-134	-128	-142	-141	-134	-131	-131	-127	-140	-139	-139	Mexico - Banxico	10.00
GERMANY	-206	-206	-200	-211	-210	-205	-210	-208	-207	-209	-207	-207	Australia - RBA	4.35
JAPAN	-360	-360	-354	-358	-356	-352	-343	-341	-341	-259	-256	-253	New Zealand - RBNZ	4.25
U.K.	6	5	15	-9	-8	1	1	2	7	34	36	39	Next Meeting Date	
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	25312		29.9		0.1		2.1		2.3		20.3		Australia - RBA	
Dow 30	44157		130.9		0.3		3.9		2.9		16.5		New Zealand - RBNZ	
S&P 500	6086		37.1		0.6		4.2		1.9		25.1			
Nasdaq	20009		252.6		1.3		5.1		1.2		29.7			
DAX	21310		55.4		0.3		3.2		7.4		28.2			
FTSE	8538		-6.7		-0.1		1.7		5.4		14.1			
Nikkei	39959		312.6		0.8		3.6		2.0		9.4		Canada - BoC	
Hang Seng	19701		-78.2		-0.4		0.9		-0.9		28.3		US - Fed	
CAC	7868		30.4		0.4		3.1		8.2		6.5		England - BoE	
Commodities	Level						% change:							
WTI Crude	75.69		0.25		0.3		-5.4		9.3		1.8		Euro zone - ECB	
Natural Gas	3.99		0.03		0.7		-2.3		9.1		62.8		Japan - BoJ	
Gold	2744.93		-11.55		-0.4		1.1		23.1		35.3		Mexico - Banxico	
Silver	30.80		0.31		1.0		2.7		6.9		38.7		Australia - RBA	
CRB Index	309.38		0.51		0.2		0.7		6.2		15.4		New Zealand - RBNZ	
Currencies	Level						% change:							
USDCAD	1.4408		0.0029		0.2		0.1		0.3		7.0		Euro zone - ECB	
EURUSD	1.0400		-0.0009		-0.1		1.0		-0.0		-4.2		Japan - BoJ	
USDJPY	156.49		-0.0400		-0.0		0.9		-0.4		5.5		Mexico - Banxico	
AUDUSD	0.6263		-0.0011		-0.2		0.8		0.2		-4.8		Australia - RBA	
GBPUSD	1.2308		-0.0008		-0.1		0.6		-1.8		-3.0		New Zealand - RBNZ	
USDCHE	0.9081		0.0012		0.1		-0.3		1.1		4.4			

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