

DAILY POINTS

July 8, 2024 @ 6:55 EST

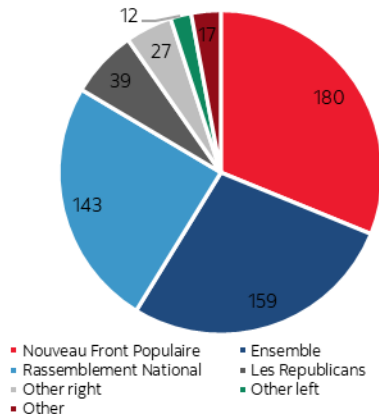
Contributors

Derek Holt

VP & Head of Capital Markets Economics  
 Scotiabank Economics  
 416.863.7707  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

Chart 1

France's Divided Parliament



Sources: Scotiabank Economics, Ministry of the Interior, FT.

On Deck for Monday, July 8

| Country | Date  | Time  | Indicator                              | Period | BNS | Consensus | Latest |
|---------|-------|-------|--|--------|-----|-----------|--------|
| US      | 07-08 | 11:00 | NY Fed's 1-year Inflation Expectations | June   | --  | --        | 3.17   |
| US      | 07-08 | 15:00 | Consumer Credit (US\$ bn m/m)          | May    | --  | 9.0       | 6.4    |

KEY POINTS:

- **Markets welcome France's hung parliament**
- **Extreme right and extreme left were held at bay in France**
- **German trade figures fall sharply**
- **No material N.A. developments today**
- **Global Week Ahead reminder**

It could've been a worse start to the week. That's about all that needs to be said.

Sovereign bonds have a mild cheapening bias with yields up by the low single digits across global benchmarks. The dollar is little changed and so is the euro. Stocks are mixed as they are roughly flat in N.A. futures, mildly higher in Europe, but ended broadly lower in Asia.

France's election outcome portrayed the National Rally as the biggest loser relative to expectations while the left outperformed, but the outcome is a hung parliament. If you're a fan of the saying that the best government is that which governs least, then you'd like. The outcome is music to the market's ears that would not have fared well under a majority scenario particularly for the National Rally or the extreme left.

The left-wing coalition called Nouveau Front Populaire secured the most seats in France's legislature (180) with Macron's Ensemble landed second at 159 and the far-right National Rally securing only 143 (chart 1). The rest was spread across a mess of other parties. National Rally's outcome is far weaker than polls had been indicating after the 'Republican Front' tactic had emerged. Polls mapped onto seat projections were predicting that National Rally would win between 230–280 seats. 289 are required for a majority. Now France faces gridlock but that's a lesser concern than had either the far right or far left emerged with a majority.

Efforts to put together a coalition government will proceed between Macron's Ensemble and the left—or portions of it—and, if not, then a minority government faces instability. Macron may decide to impose a technocratic choice for PM and wait at least another year which is required until another election can be held.

Other developments are very light to start the week. German trade figures were weaker than expected with exports down 3.6% m/m (-2.8% consensus) and imports tumbling by 6.6% m/m (-1% consensus). The NY Fed's 1-year inflation expectations gauge for June is due at 11amET after the prior print was still sticky at 3.2% y/y.

The week's other main developments will include Thursday's US CPI, and Friday's start of the US bank earnings season. You might toss in Chair Powell's two rounds of testimony tomorrow and Wednesday, but he's unlikely to say anything materially new.

For more, see the Global Week Ahead—Human Error [here](#).

| 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.                    | 4.63                         | 4.61    | 4.76 | 4.25   | 4.23  | 4.43  | 4.30      | 4.28  | 4.46 | 4.49    | 4.48  | 4.62 | Canada - BoC     | 4.75               |               |
| CANADA                  | 3.94                         | 4.05    | 3.99 | 3.49   | 3.61  | 3.51  | 3.50      | 3.61  | 3.50 | 3.43    | 3.51  | 3.39 | US - Fed         | 5.50               |               |
| GERMANY                 | 2.92                         | 2.89    | 2.92 | 2.55   | 2.53  | 2.59  | 2.57      | 2.56  | 2.61 | 2.73    | 2.72  | 2.80 | England - BoE    | 5.25               |               |
| JAPAN                   | 0.36                         | 0.35    | 0.37 | 0.60   | 0.58  | 0.60  | 1.10      | 1.08  | 1.06 | 2.22    | 2.21  | 2.26 |                  |                    |               |
| U.K.                    | 4.13                         | 4.13    | 4.20 | 3.98   | 3.98  | 4.11  | 4.13      | 4.13  | 4.28 | 4.64    | 4.63  | 4.78 |                  |                    |               |
| Spreads vs. U.S. (bps): |                              |         |      |        |       |       |           |       |      |         |       |      |                  |                    |               |
| CANADA                  | -68                          | -56     | -76  | -76    | -62   | -92   | -80       | -67   | -96  | -106    | -97   | -123 | Euro zone - ECB  | 4.25               |               |
| GERMANY                 | -171                         | -172    | -183 | -170   | -170  | -184  | -173      | -172  | -186 | -177    | -176  | -183 | Japan - BoJ      | -0.10              |               |
| JAPAN                   | -426                         | -425    | -439 | -364   | -364  | -382  | -320      | -320  | -340 | -228    | -227  | -237 |                  |                    |               |
| U.K.                    | -50                          | -48     | -56  | -27    | -25   | -32   | -17       | -15   | -18  | 14      | 15    | 15   | Mexico - Banxico | 11.00              |               |
| Equities                | Level                        |         |      |        |       |       | % change: |       |      |         |       |      |                  |                    |               |
|                         | Last                         | Change  |      | 1 Day  | 1-wk  | 1-mo  | 1-yr      |       |      |         |       |      |                  |                    |               |
| S&P/TSX                 | 22059                        | -185.0  |      | -0.8   | 0.5   | 0.2   | 11.2      |       |      |         |       |      |                  | Australia - RBA    | 4.35          |
| Dow 30                  | 39376                        | 67.9    |      | 0.2    | 0.5   | 1.5   | 16.7      |       |      |         |       |      |                  | New Zealand - RBNZ | 5.50          |
| S&P 500                 | 5567                         | 30.2    |      | 0.5    | 1.5   | 4.1   | 26.6      |       |      |         |       |      |                  | Next Meeting Date  |               |
| Nasdaq                  | 18353                        | 164.5   |      | 0.9    | 2.8   | 7.1   | 34.3      |       |      |         |       |      |                  | Canada - BoC       | Jul 24, 2024  |
| DAX                     | 18547                        | 72.0    |      | 0.4    | 1.4   | -0.1  | 18.9      |       |      |         |       |      |                  | US - Fed           | Jul 31, 2024  |
| FTSE                    | 8223                         | 18.9    |      | 0.2    | 0.7   | -0.3  | 13.3      |       |      |         |       |      |                  | England - BoE      | Aug 01, 2024  |
| Nikkei                  | 40781                        | -131.7  |      | -0.3   | 2.9   | 5.4   | 25.9      |       |      |         |       |      |                  | Euro zone - ECB    | Jul 18, 2024  |
| Hang Seng               | 17524                        | -275.5  |      | -1.5   | -1.1  | -4.6  | -4.6      |       |      |         |       |      |                  | Japan - BoJ        | June 14, 2024 |
| CAC                     | 7696                         | 20.8    |      | 0.3    | 1.8   | -3.8  | 8.2       |       |      |         |       |      |                  | Mexico - Banxico   | Aug 08, 2024  |
| Commodities             | Level                        |         |      |        |       |       | % change: |       |      |         |       |      |                  |                    |               |
| WTI Crude               | 82.27                        | -0.89   |      | -1.1   | 0.9   | 8.9   | 11.4      |       |      |         |       |      |                  | Australia - RBA    | Aug 06, 2024  |
| Natural Gas             | 2.32                         | -0.00   |      | -0.1   | -10.9 | -20.6 | -10.3     |       |      |         |       |      |                  | New Zealand - RBNZ | Jul 09, 2024  |
| Gold                    | 2373.01                      | -19.15  |      | -0.8   | 1.8   | 6.4   | 23.3      |       |      |         |       |      |                  |                    |               |
| Silver                  | 30.58                        | 0.25    |      | 0.8    | 4.1   | 3.3   | 34.1      |       |      |         |       |      |                  |                    |               |
| CRB Index               | 293.43                       | -0.59   |      | -0.2   | 0.7   | 1.2   | 11.0      |       |      |         |       |      |                  |                    |               |
| Currencies              | Level                        |         |      |        |       |       | % change: |       |      |         |       |      |                  |                    |               |
| USDCAD                  | 1.3642                       | 0.0002  |      | 0.0    | -0.7  | -0.9  | 2.7       |       |      |         |       |      |                  |                    |               |
| EURUSD                  | 1.0829                       | -0.0011 |      | -0.1   | 0.8   | 0.6   | -1.6      |       |      |         |       |      |                  |                    |               |
| USDJPY                  | 160.94                       | 0.1900  |      | 0.1    | -0.3  | 2.5   | 13.9      |       |      |         |       |      |                  |                    |               |
| AUDUSD                  | 0.6737                       | -0.0012 |      | -0.2   | 1.2   | 1.9   | 0.9       |       |      |         |       |      |                  |                    |               |
| GBPUSD                  | 1.2819                       | 0.0004  |      | 0.0    | 1.3   | 0.7   | -0.3      |       |      |         |       |      |                  |                    |               |
| USDCHE                  | 0.8963                       | 0.0006  |      | 0.1    | -0.7  | -0.0  | 1.2       |       |      |         |       |      |                  |                    |               |

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