

DAILY POINTS

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On Deck for Friday, July 12

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	07-12	08:30	Building Permits (m/m)	May	--	-5.2	20.5
US	07-12	08:30	PPI (m/m)	Jun	0.1	0.1	-0.2
US	07-12	08:30	PPI ex. Food & Energy (m/m)	Jun	0.1	0.2	0.0
CA	07-12	09:00	Existing Home Sales (m/m)	Jun	--	--	-0.6
US	07-12	10:00	U. of Michigan Consumer Sentiment	Jul P	--	68.5	68.2

KEY POINTS:

- **Bonds take a breather after yesterday’s CPI-driven rally**
- **US producer prices, UofM expectations will continue the focus on inflation**
- **US banks commence earnings season**
- **BCRP extends pause**
- **Markets add to Riksbank cut pricing after soft CPI**
- **Canadian home sales to be updated**

Markets are taking a bit of a breather after yesterday’s strong bond rally in the wake of US CPI (recap [here](#)). Yields are gently higher with gilts and EGBs leading the sell off as US Ts and Canadian bonds are little changed. The focus upon US inflation will continue through a pair of releases and is being accompanied by the mixed start of the US bank earnings season. Overnight developments were light, including another BCRP pause and dovish inflation that added to Riksbank cut pricing. It’s increasingly looking like Trump may win the US election by default due to dysfunction within the Democrats.

BCRP Holds Again, Sounds Data Dependent

Peru’s central bank held at 5.75% as widely expected last evening. It’s the second pause in a row after BCRP had cut its reference rate by 200bps since September. The bias was data dependent. Peru has seen faster growth, a drop in the unemployment rate, and an acceleration of inflation while core CPI has remained stuck at around 3% y/y this year.

Markets Add to Riksbank Cut Pricing

The krona is the weakest currency pair to the USD and Sweden’s bull steepening rates curve is outperforming as other curves sell off. The culprit was a softer than expected inflation reading at -0.1% m/m (+0.1% consensus). Underlying inflation ex-energy performed identically in m/m terms and that pushed the y/y rate down from 3% to 2.3%. After cutting on May 8th, the Riksbank passes in June and markets are fully priced for a cut on August 20th. Markets added almost an extra quarter point cut to what is priced by year-end and are priced for 75–100bps worth of further easing this year.

US PPI, UofM, Canadian Home Sales on Tap

US core producer prices are expected to be on the soft side again at 0.2% m/m SA after the prior 0% print (8:30amET). UoM sentiment 1- and 5–10 year inflation expectations were both bang on 3% in June and relatively sticky so far this year (10amET).

JPMorgan and Wells Fargo kicked off earnings season this morning with Citigroup and BoNYM pending. JPMorgan posted adjusted EPS of US\$4.40 (consensus \$4.28). Wells Fargo’s shares slid as NII disappointed.

Canada will update existing home sales for June this morning (9amET). It typically gets ignored by markets. There is no consensus estimate because a) only a few cities release in advance, b) most of them don’t know how to seasonally adjust, and c) even if they did, the seasonal adjustments wouldn’t translate well into a national total.

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.	4.51	4.52	4.61	4.14	4.14	4.23	4.22	4.21	4.28	4.43	4.42	4.48	Canada - BoC	4.75		
CANADA	3.86	3.86	3.94	3.42	3.41	3.48	3.45	3.43	3.50	3.40	3.38	3.43	US - Fed	5.50		
GERMANY	2.83	2.79	2.89	2.49	2.44	2.53	2.51	2.46	2.56	2.69	2.66	2.72	England - BoE	5.25		
JAPAN	0.34	0.34	0.35	0.60	0.61	0.58	1.07	1.09	1.08	2.19	2.24	2.21				
U.K.	4.10	4.07	4.13	3.97	3.92	3.98	4.14	4.07	4.13	4.64	4.59	4.63				
	Spreads vs. U.S. (bps):															
CANADA	-65	-66	-66	-73	-73	-74	-77	-78	-78	-103	-104	-105	Euro zone - ECB	4.25		
GERMANY	-168	-172	-172	-166	-170	-170	-171	-175	-172	-173	-176	-176	Japan - BoJ	-0.10		
JAPAN	-417	-417	-425	-355	-353	-364	-315	-312	-320	-223	-219	-227				
U.K.	-41	-45	-48	-18	-22	-25	-8	-14	-15	22	17	15	Mexico - Banxico	11.00		
Equities	Level						% change:									
	Last	Change		1 Day	1-wk	1-mo	1-yr									
S&P/TSX	22544	193.9		0.9	1.3	2.7	12.3							Australia - RBA	4.35	
Dow 30	39754	32.4		0.1	1.1	2.7	15.7							New Zealand - RBNZ	5.50	
S&P 500	5585	-49.4		-0.9	0.9	3.0	24.9							Next Meeting Date		
Nasdaq	18283	-364.0		-2.0	0.5	3.8	31.4							Canada - BoC	Jul 24, 2024	
DAX	18613	78.3		0.4	0.7	-0.1	16.2							US - Fed	Jul 31, 2024	
FTSE	8250	26.9		0.3	0.6	0.4	11.2							England - BoE	Aug 01, 2024	
Nikkei	41191	-1033.3		-2.4	0.7	6.1	27.2							Euro zone - ECB	Jul 18, 2024	
Hang Seng	18293	461.0		2.6	2.8	2.0	-5.8							Japan - BoJ	June 14, 2024	
CAC	7683	55.7		0.7	0.1	-2.3	4.8							Mexico - Banxico	Aug 08, 2024	
Commodities	Level						% change:									
	Level		Change		1 Day	1-wk	1-mo	1-yr								
WTI Crude	83.31		0.69		0.8	0.2	6.1	10.0							Australia - RBA	Aug 06, 2024
Natural Gas	2.26		-0.01		-0.4	-2.5	-25.8	-14.1							New Zealand - RBNZ	Aug 13, 2024
Gold	2402.40		-13.08		-0.5	0.4	7.7	22.7								
Silver	31.02		0.08		0.3	2.2	6.1	34.1								
CRB Index	290.41		0.70		0.2	-1.2	-1.6	8.2								
Currencies	Level						% change:									
	Level		Change		1 Day	1-wk	1-mo	1-yr								
USDCAD	1.3620		-0.0012		-0.1	-0.1	-0.8	3.3								
EURUSD	1.0889		0.0021		0.2	0.5	0.7	-2.2								
USDJPY	159.01		0.1700		0.1	-1.1	1.5	14.8								
AUDUSD	0.6775		0.0016		0.2	0.4	1.7	-0.2								
GBPUSD	1.2961		0.0046		0.4	1.1	1.3	-0.2								
USDCHF	0.8955		-0.0010		-0.1	-0.0	0.1	3.2								

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