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GLOBAL ECONOMICS

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 (%):											
	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.	4.51	4.52	4.61	4.14	4.14	4.23	4.22	4.21	4.28	4.43	4.42	4.48
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
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
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
GERMANY	-168	-172	-172	-166	-170	-170	-171	-175	-172	-173	-176	-176
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

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
Dow 30	39754	32.4	0.1	1.1	2.7	15.7
S&P 500	5585	-49.4	-0.9	0.9	3.0	24.9
Nasdaq	18283	-364.0	-2.0	0.5	3.8	31.4
DAX	18613	78.3	0.4	0.7	-0.1	16.2
FTSE	8250	26.9	0.3	0.6	0.4	11.2
Nikkei	41191	-1033.3	-2.4	0.7	6.1	27.2
Hang Seng	18293	461.0	2.6	2.8	2.0	-5.8
CAC	7683	55.7	0.7	0.1	-2.3	4.8
Commodities	Level		% change:			
WTI Crude	83.31	0.69	0.8	0.2	6.1	10.0
Natural Gas	2.26	-0.01	-0.4	-2.5	-25.8	-14.1
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:			
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

Central Banks	
Current Rate	
Canada - BoC	4.75
US - Fed	5.50
England - BoE	5.25
Euro zone - ECB	4.25
Japan - BoJ	-0.10
Mexico - Banxico	11.00
Australia - RBA	4.35
New Zealand - RBNZ	5.50
Next Meeting Date	
Canada - BoC	Jul 24, 2024
US - Fed	Jul 31, 2024
England - BoE	Aug 01, 2024
Euro zone - ECB	Jul 18, 2024
Japan - BoJ	June 14, 2024
Mexico - Banxico	Aug 08, 2024
Australia - RBA	Aug 06, 2024
New Zealand - RBNZ	Aug 13, 2024