

DAILY POINTS

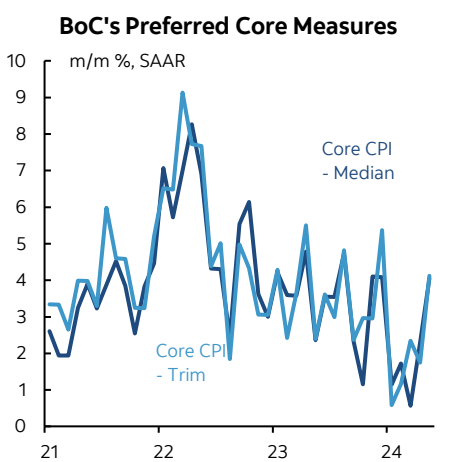
July 16, 2024 @ 7:10 EST

Contributors

Derek Holt

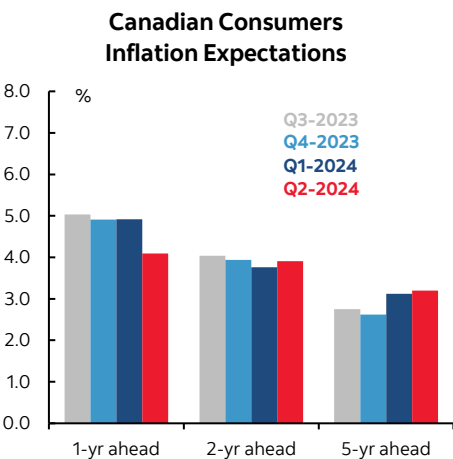
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Bank of Canada.

On Deck for Tuesday, July 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	07-16	08:15	Housing Starts (000s a.r.)	Jun	275	254.1	264.5
CA	07-16	08:30	Core CPI - Median (y/y)	Jun	--	2.7	2.8
CA	07-16	08:30	Core CPI - Trim (y/y)	Jun	--	2.8	2.9
CA	07-16	08:30	CPI, All items (m/m)	Jun	0.1	0.1	0.6
CA	07-16	08:30	CPI, All items (y/y)	Jun	2.8	2.7	2.9
CA	07-16	08:30	CPI, All items (index)	Jun	--	161.6	161.5
US	07-16	08:30	Export Prices (m/m)	Jun	--	-0.1	-0.6
US	07-16	08:30	Import Prices (m/m)	Jun	--	-0.2	-0.4
US	07-16	08:30	Retail Sales (m/m)	Jun	-0.3	-0.3	0.1
US	07-16	08:30	Retail Sales ex. Autos (m/m)	Jun	0.0	0.1	-0.1
CA	07-16	08:30	Core CPI - Common (y/y)	Jun	--	--	2.4
US	07-16	10:00	Business Inventories (m/m)	May	--	0.5	0.3
US	07-16	10:00	NAHB Housing Market Index	Jul	--	43.0	43.0
US	07-16	14:45	Fed's Kugler Speaks at NABE Conference				

KEY POINTS:

- Sovereign bonds rally, equities little changed to lower ahead of key data
- US retail sales are expected to be soft
- Canadian CPI may not matter to the BoC whatever happens
- Trump's VP pick doubles down on a deeply divisive agenda with market implications
- US bank earnings continue

Sovereign bonds are richer, while stocks are flat in N.A. and mostly lower elsewhere. Taken together, markets are signalling a bit of unease this morning but with no material overnight developments to consider and after Chair Powell's interview yesterday was a dull non-event. Canadian CPI and US retail sales will land at the same time which could complicate any hope of a clear reaction in Canadian markets. US bank earnings continue this morning with the focus on Bank of America and Morgan Stanley.

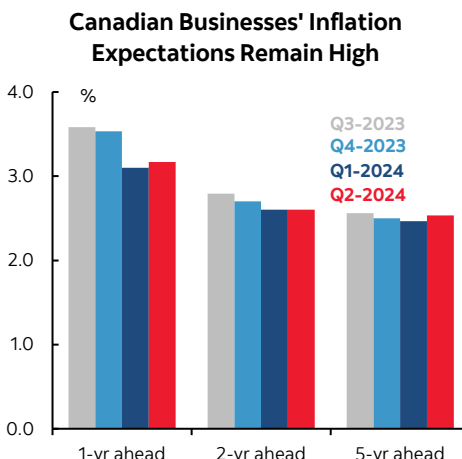
Canadian CPI—Hot or Cold, it May Not Matter

I went with 0.1% m/m NSA and SA for Canadian CPI and 0.2% m/m NSA or 0.3% m/m SA for traditional core CPI (8:30amET). I can't tell you what to expect for trimmed mean or weighted median in m/m SAAR terms. No one can if they are being professionally honest.

If TM and WM are soft, Macklem cuts on July 24th by pointing to 5 out of the last 6 reports as having been weak and reinforcing that with freshened forecasts.

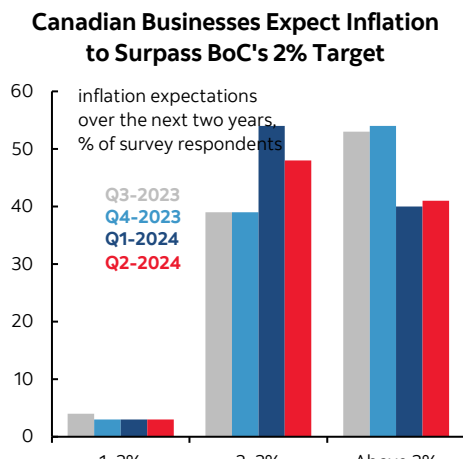
Another hot month following May's reacceleration to 4.1% m/m SAAR for both preferred core measures (chart 1) makes a July 24th BoC cut more complicated, but not at all out of

Chart 3



Sources: Scotiabank Economics, Bank of Canada.

Chart 4



Sources: Scotiabank Economics, Bank of Canada.

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the question. Macklem has pivoted more toward how the BoC forecasts inflation to be on target well within the medium-term and relatively away from pure data dependence that he expects to be volatile. Their forecast for 2% inflation embeds an unknown path in Governing Council's collective mind for the policy rate; if Macklem's guidance that "several cuts" are reasonable to expect is not delivered, then they are signalling that inflation would be more likely to undershoot.

The CPI update follows yesterday's BoC surveys that didn't move the dial one bit at least from the standpoint of any market reaction. Consumers' near-term inflation expectations edged lower (chart 2). Businesses' inflation expectations remained sticky but mostly in the BoC's 1–3% target range with a still high share indicating inflation is expected to remain above 3% over the next two years (charts 3, 4).

Canada also updates housing starts for June this morning (8:15amET). They typically garner little to no market reaction even when a major report doesn't quickly retake the spotlight.

US Retail Sales Are Expected to be Soft

Most expect US retail sales to be lower in June over May in nominal terms and hence lower yet in volume terms (8:30amET). Some of the drivers include lower gasoline prices and lower auto sales. Tracking abilities for core sales and especially the retail sales control group are weak. The latter serves as input into the BEA's consumption estimates in GDP and it has been tracking softly so far in Q2 with data up to May (chart 5). Watch for revisions that can be significant.

US retail sales may spark market volatility but should play little role as input into timing Fed policy rate expectations. On that note, however, Powell has warned on several occasions that the FOMC has shifted away from explicit forward guidance in advance of meetings to more of a meeting-by-meeting approach.

Trump Appointed a 'Mini-Me' As his VP Pick—And What it Means to the Economy, Markets

My what an opportune moment for Trump's hand-picked 'judge' to throw out his confidential documents case yesterday. Equally impactful was Trump's choice for a VP running mate.

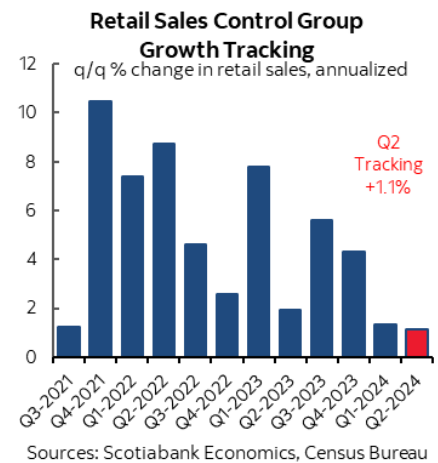
So much for the assassination attempt being a chance to build unity which was a ludicrous concept in some media outlets that had about a 24-hour shelf life. Trump is incurable. He'll never be the unity President. It's not in his blood. He's doubling down.

Trump couldn't have picked a more divisive guy who is on the immature side of 39 and a product of a highly unstable upbringing. Vance is often criticized as a political chameleon who changes his views when it suits him in the moment. Vance transformed himself into a mini-Trump and was likely appointed because he'll comply with Trump's orders.

There is no shortage of articles this morning on what Vance's pick represents. Here is my take with a bit more of a markets and economics angle as shared with staff and clients yesterday.

- Vance's chameleon label is well deserved. He's a born again 'never-Trump' guy, having gone from very harshly criticizing Trump (including "Hitler" references) in the past and outside of the "MAGA" camp to supporting him now while having become the poster boy for "MAGA" hype. He also swapped religions from Protestantism to Catholicism. He appears to have undergone a transformation of his own identity to suit the political times and opportunities. If there is one thing I can't stand in a person it's unprincipled shiftiness.
- As part of his post-2016 transformation, Vance is an election denier who thinks Trump had a legitimate claim to reject the 2020 election outcome. Vance believed there was widespread voter fraud which has never been proven in umpteen investigations.
- He is blaming the attempted assassination of Trump on Biden's portrayals of the man and harshly rebukes the Democrats' portrayal of Trump even though he once advanced the same portrayal. This is obviously an attempt at turning the tables compared to Trump's repeatedly violent rhetoric in my opinion.
- Vance advocates tougher barriers against corporate mergers.
- He also supports higher minimum wages and is a strong supporter of unions.
- He supports broader protections for US manufacturers.

Chart 5



- He advocates breaking up big tech firms like Google and Meta
- He's a hardliner at whatever cost on the debt limit. He voted against increasing the federal debt limit earlier last year. This is playing Russian roulette with US credit risk and financial markets.
- He wants to remove China from the list of most favoured nations for trade policy purposes.
- He doesn't believe there is a climate crisis of any shape or form.
- He has argued that the President has full immunity and broad pardon authorities.
- He favours the states setting abortion laws but supports abortion limits even in cases of incest and rape by saying "two wrongs don't make a right."
- He supports building 'the wolll'—the big, 'uuuuge' beautiful wolll.
- I don't know Vance's views on monpol. He might not either.
- Vance advocates scaling back military aid to Ukraine and ceding territory to Russia. Hello Neville Chamberlain....is that you again? After meeting with Trump and Putin in violation of diplomatic norms, Hungary's like-minded Orban is saying that Trump has a plan to immediately demand peace talks.

On the latter point, these arrogant superpowers of varying legitimacy always think they can control the outcome by either bashing their way to victory or pulling their support. Clearly they learned nothing in places like Vietnam. Or Afghanistan. There may always be war in Ukraine with or without US support either because someone will always stand with them and/or because an organized rebel group will survive and drive instability for years to come. If the US appeases Putin and it emboldens him to come at another part of Europe, then like it or not, the US will be pulled in, begrudgingly and late as per the norm. The US was never first to the front in major conflicts as we saw in WWI and WWII when the US embraced an isolationist stance at first that is reminiscent of the current isolationist bias.

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.	4.42	4.46	4.63	4.09	4.13	4.24	4.18	4.23	4.30	4.41	4.46	4.49	Canada - BoC	4.75
CANADA	3.78	3.80	3.93	3.33	3.36	3.48	3.37	3.41	3.49	3.36	3.40	3.42	US - Fed	5.50
GERMANY	2.76	2.80	2.92	2.39	2.45	2.56	2.43	2.47	2.58	2.62	2.66	2.74	England - BoE	5.25
JAPAN	0.32	0.34	0.36	0.57	0.60	0.59	1.03	1.07	1.09	2.17	2.19	2.22	Euro zone - ECB	4.25
U.K.	4.00	4.07	4.13	3.88	3.94	4.00	4.06	4.10	4.16	4.57	4.61	4.66	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-64	-66	-70	-76	-77	-77	-81	-82	-81	-105	-106	-107	Mexico - Banxico	11.00
GERMANY	-166	-166	-170	-170	-169	-168	-175	-176	-172	-178	-180	-175	Australia - RBA	4.35
JAPAN	-410	-412	-427	-352	-354	-366	-315	-317	-320	-224	-227	-227	New Zealand - RBNZ	5.50
U.K.	-42	-39	-50	-20	-19	-24	-12	-13	-14	16	15	17		
Equities	Level						% change:						Next Meeting Date	
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	22752			78.2			0.3	2.8	5.1	12.3			Canada - BoC	Jul 24, 2024
Dow 30	40212			210.8			0.5	2.2	4.2	16.5			US - Fed	Jul 31, 2024
S&P 500	5631			15.9			0.3	1.0	3.7	25.0			England - BoE	Aug 01, 2024
Nasdaq	18473			74.1			0.4	0.4	4.4	30.9			Euro zone - ECB	Jul 18, 2024
DAX	18507			-84.0			-0.5	1.5	2.8	14.9			Japan - BoJ	June 14, 2024
FTSE	8161			-21.9			-0.3	0.3	0.2	9.8				
Nikkei	41275			84.4			0.2	1.2	6.3	27.4				
Hang Seng	17728			-288.0			-1.6	1.2	-1.2	-8.7				
CAC	7572			-60.3			-0.8	0.8	0.9	2.7				
Commodities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
WTI Crude	81.05			-0.86			-1.0	-0.4	3.3	7.5			England - BoE	Aug 01, 2024
Natural Gas	2.18			0.02			0.8	-7.2	-24.5	-14.3			Euro zone - ECB	Jul 18, 2024
Gold	2439.96			17.69			0.7	3.2	9.4	24.8			Japan - BoJ	June 14, 2024
Silver	30.74			0.02			0.1	-0.8	5.2	24.1				
CRB Index	288.39			-2.05			-0.7	-0.9	-1.9	6.5				
Currencies	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
USDCAD	1.3684			0.0001			0.0	0.4	-0.3	3.7			Mexico - Banxico	Aug 08, 2024
EURUSD	1.0898			0.0004			0.0	0.8	1.5	-3.0			Australia - RBA	Aug 06, 2024
USDJPY	158.43			0.3700			0.2	-1.8	0.4	14.2			New Zealand - RBNZ	Aug 13, 2024
AUDUSD	0.6742			-0.0018			-0.3	0.0	2.0	-1.1				
GBPUSD	1.2966			-0.0002			-0.0	1.4	2.1	-0.8				
USDCHF	0.8958			0.0000			0.0	-0.2	0.7	4.1				

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