

Contributors

Derek Holt

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

Chart 1

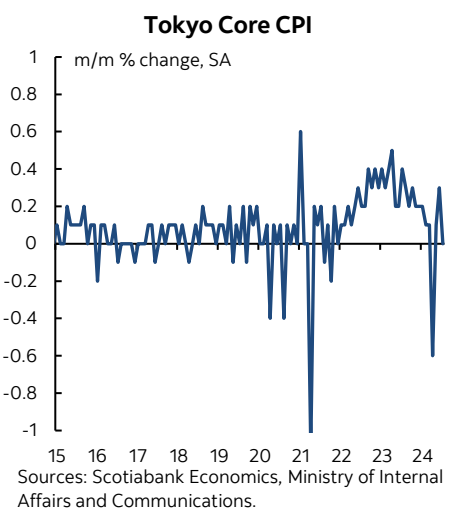
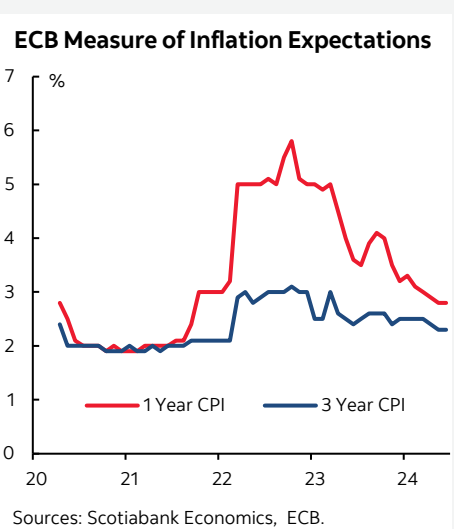


Chart 2



On Deck for Friday, July 26

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07-26	08:30	PCE Deflator (m/m)	Jun	0.0	0.1	0.0
US	07-26	08:30	PCE Deflator (y/y)	Jun	2.4	2.4	2.6
US	07-26	08:30	PCE ex. Food & Energy (m/m)	Jun	0.1	0.2	0.1
US	07-26	08:30	PCE ex. Food & Energy (y/y)	Jun	2.5	2.5	2.6
US	07-26	08:30	Personal Spending (m/m)	Jun	0.7	0.3	0.2
US	07-26	08:30	Personal Income (m/m)	Jun	0.4	0.4	0.5
US	07-26	10:00	U. of Michigan Consumer Sentiment	Jul F	-	66.4	66.0

KEY POINTS:

- Markets ending the week in a calmer place — so far
- Tokyo CPI takes some wind out of the yen, calms down carry trade reversal
- How low will US core PCE land?
- US consumption and incomes expected to post solid growth
- ECB inflation expectations stabilize
- Russian central bank hikes 200bps as inflation rises

Tokyo CPI came and went in somewhat dovish fashion and the focus now shifts to how US inflation data may inform Fed expectations. Markets are in a somewhat better place so far this morning with a positive mood in equities, little change in sovereign debt yields and calmer FX markets with the safe havens like the USD, CHF and yen on softer footings.

Tokyo core CPI ex-f&e was markedly softer in July compared to the recent trend. It landed at 0% m/m SA which helped to drive the y/y rate down to 1.5% from 1.8% previously (chart 1). This is the last inflation reading ahead of next week's Bank of Japan meeting. That took some steam out of the yen overnight, left pricing for next week's BoJ meeting at about 7bps of a 10bps hike, and offered no incremental impact on the carry trade.

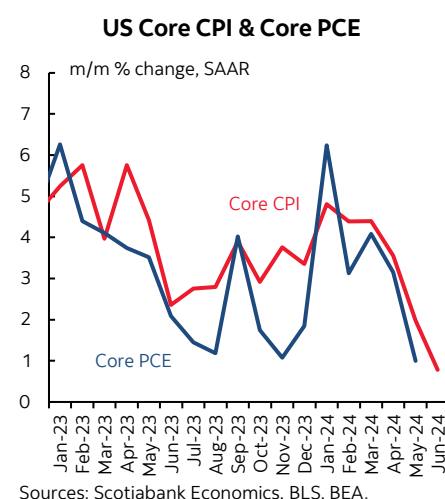
The ECB's measures of inflation expectations were unchanged in the June readings and remain somewhat above the ECB's inflation target (chart 2).

The Fed's preferred core PCE reading lands this morning (8:30amET). It's a close call with very similar numbers of forecasters in the 0.1% and 0.2% m/m SA camps and we shouldn't discount the possibility of an even weaker print. Chart 3 shows core PCE tends to undershoot core CPI that itself was just +0.06% m/m SA. Yesterday morning's Q2 upside surprise of 2.9% q/q SAAR (2.7% consensus) was probably driven by revisions to at least April and May while it left Q1 unchanged, but we can't tell how until we get the monthly break down this morning and therefore we cannot tell how the jumping off point for June's estimate might have been altered.

Also watch for what will probably be a solid US consumer spending print.

Russia's central bank resurrected mega-hikes as inflation risk intensifies. It raised the key rate by 200bps to 18% and the hawkish bias indicated further tightening lies ahead. The ruble depreciated in the aftermath. Reagan would've doubled down on Russia imo as Russia is running out of weaponry and under intensifying macroeconomic pressures caused by Putin's war. Instead, Trump wants to help out his buddy.

Chart 3



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.	4.43	4.43	4.51	4.13	4.13	4.17	4.24	4.24	4.24	4.49	4.48	4.45	Canada - BoC	4.50
CANADA	3.63	3.63	3.71	3.29	3.31	3.35	3.37	3.40	3.38	3.41	3.42	3.35	US - Fed	5.50
GERMANY	2.65	2.63	2.78	2.37	2.35	2.42	2.44	2.42	2.47	2.66	2.63	2.66	England - BoE	5.25
JAPAN	0.40	0.39	0.35	0.64	0.63	0.59	1.07	1.06	1.04	2.16	2.17	2.15	Euro zone - ECB	4.25
U.K.	3.96	3.95	4.00	3.92	3.92	3.93	4.14	4.13	4.12	4.69	4.67	4.64	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	11.00
CANADA	-80	-80	-81	-84	-83	-82	-87	-85	-86	-108	-106	-110	Australia - RBA	4.35
GERMANY	-178	-180	-173	-176	-178	-175	-180	-182	-177	-183	-186	-178	New Zealand - RBNZ	5.50
JAPAN	-403	-404	-417	-349	-351	-357	-318	-318	-320	-233	-232	-230		
U.K.	-47	-48	-51	-21	-21	-24	-10	-11	-12	21	19	19		
Equities	Level						% change:						Next Meeting Date	
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	22608		-31.5		-0.1		-0.5		3.7		10.0		Canada - BoC	Sep 04, 2024
Dow 30	39935		81.2		0.2		-1.8		2.1		12.4		US - Fed	Jul 31, 2024
S&P 500	5399		-27.9		-0.5		-2.6		-1.4		18.2		England - BoE	Aug 01, 2024
Nasdaq	17182		-160.7		-0.9		-3.9		-3.5		21.6		Euro zone - ECB	Sep 12, 2024
DAX	18355		55.9		0.3		1.0		1.1		13.8		Japan - BoJ	June 14, 2024
FTSE	8242		55.3		0.7		1.1		0.2		7.4			
Nikkei	37667		-202.1		-0.5		-6.0		-5.0		15.3		Mexico - Banxico	Aug 08, 2024
Hang Seng	17021		16.3		0.1		-2.3		-5.9		-12.1		Australia - RBA	Aug 06, 2024
CAC	7495		68.1		0.9		-0.5		-1.5		2.5		New Zealand - RBNZ	Aug 13, 2024
Commodities	Level						% change:							
WTI Crude	77.97		-0.31		-0.4		-2.7		-3.6		-1.0			
Natural Gas	2.04		-0.00		-0.0		-4.1		-22.4		-23.5			
Gold	2373.67		9.11		0.4		-1.1		6.4		20.4			
Silver	27.99		-1.30		-4.4		-8.1		-5.3		14.0			
CRB Index	279.69		-0.06		-0.0		-2.1		-4.0		-0.4			
Currencies	Level						% change:							
USDCAD	1.3814		-0.0011		-0.1		0.6		0.8		4.6			
EURUSD	1.0855		0.0009		0.1		-0.2		1.6		-2.1			
USDJPY	154.58		0.6400		0.4		-1.8		-3.9		10.2			
AUDUSD	0.6562		0.0024		0.4		-1.8		-1.3		-2.9			
GBPUSD	1.2869		0.0018		0.1		-0.3		2.0		-0.6			
USDCHF	0.8836		0.0019		0.2		-0.6		-1.5		2.6			

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