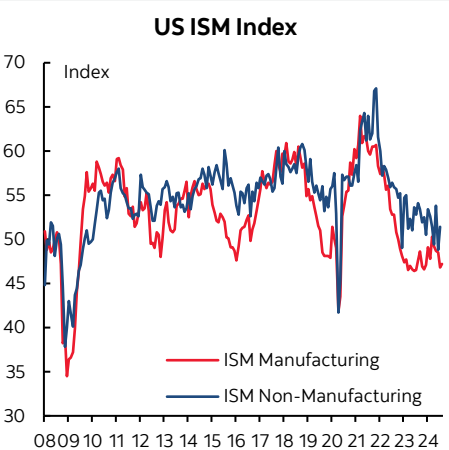


Contributors

Derek Holt

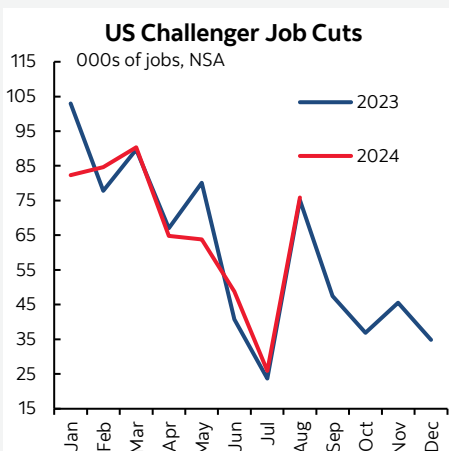
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Chart 1



Sources: Scotiabank Economics, Institute of Supply Management.

Chart 2



Sources: Scotiabank Economics, Challenger, Gray & Christmas Inc.

On Deck for Thursday, September 5

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-05	08:15	ADP Employment Report (000s m/m)	Aug	150.0	145.0	122.0
CA	09-05	08:30	Productivity (q/q a.r.)	2Q	-0.3	-0.1	-0.3
US	09-05	08:30	Initial Jobless Claims (000s)	Aug 31	230	230.0	231.0
US	09-05	08:30	Continuing Claims (000s)	Aug 24	1865	1867.0	1868.0
US	09-05	08:30	Productivity (q/q a.r.)	2Q F	--	2.5	2.3
US	09-05	08:30	Unit Labor Costs (q/q a.r.)	2Q F	--	0.8	0.9
US	09-05	10:00	ISM Non-Manufacturing Composite	Aug	50.0	51.4	51.4

KEY POINTS:

- **Subdued markets await tomorrow's US payrolls, Canadian jobs**
- **US ISM likely to show modest service sector growth**
- **US layoffs surge, but could be a temporary seasonal repeat of 2022–23**
- **US to also update ADP, weekly claims**
- **Canada's political developments mean nothing to markets—yet**
- **Canadian labour productivity probably remains weak**
- **Japanese real wage growth beats expectations**
- **So did German factory orders**

It's the calm before tomorrow's nonfarm payrolls (and Canadian jobs) that is driving muted changes across asset classes amid light developments so far this morning. The main focal points will be more data releases covering the status of the US job market and service sector.

Pre-Nonfarm US Macro Readings

- What happens to ISM-services for the month of August (10amET) deserves much greater attention than Tuesday's ISM-manufacturing report given the much higher weight on services in the US economy. Services have been performing somewhat better than manufacturing but have still witnessed cooling growth (chart 1).
- Mass layoffs surged in August as Challenger job cuts increased to 75,891 from 25,885 in July which is the highest tally since March. One caution is that the numbers are not seasonally adjusted and we saw the same thing happen when July transitioned to August in each of the past two years (chart 2). That offers further reason to be skeptical toward US labour market readings. Pretty much all of the surge in August over July was in tech that went from about 6k layoffs in July to about 40k in August.
- ADP private payrolls for August (8:15amET) often trigger a market reaction, yet they typically offer very poor tracking of private nonfarm payrolls.
- Weekly unemployment insurance claims (8:30amET) will be warm-ups to tomorrow's nonfarm payrolls. This will give us a little better handle on nonfarm risks.

Canada's Smoke and Mirrors Political Moves

Canada will refresh its composite PMI (9:30amET) and probably post weak labour productivity again (8:30amET) which extends the moribund performance to date (chart 3).

In Canada, the left wing NDP's withdrawal from the Supply and Confidence agreement with the also left Libs smells like a smoke and mirrors operation to me. I fielded a bunch of instant questions from investors yesterday and here's what I argued.

- It has no meaningful consequences for Canadian markets whether we're talking USDCAD, bond yields, or stocks—at least not yet. NDP leader Singh was taunted or goaded into withdrawing from the agreement by Conservative leader Poilievre. Nevertheless, it would be political suicide for the NDP to go against Trudeau's Liberals by forcing a confidence vote and voting down the government, thereby triggering an election.
- That's because of polling, because of party finances, and because of all the MPs who could lose their seats and thus eligibility for pensions for those who have not qualified as yet—including the NDP leader himself.
- [This](#) site attempts to convert polling into seat projections and shows a landslide victory by the Conservatives who would win 210 out of 338 seats in Parliament if an election were held today, while the Libs would be cut almost in half to 81 seats and the NDP would lose about a third of its seats down to 16 and the regional Quebec-based BQ party would be little changed at 34 seats.
- What the NDP's withdrawal may achieve is to intensify pressure at the margin on the Libs to give the left wing NDP party even more of what it seeks in the Fall fiscal and economic update and the Winter budget which would play to my thesis that monetary policy easing and fiscal policy easing risk intensifying into an election year.

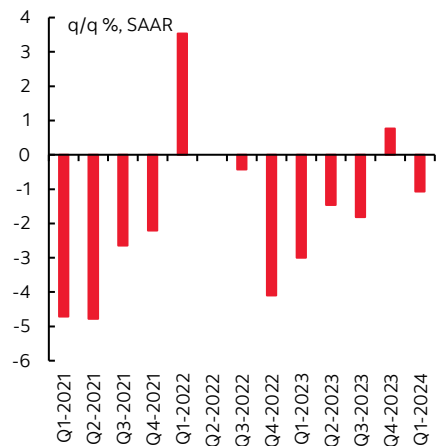
Overnight Macro

Japanese real wage growth remained slightly positive against expectations (chart 4). It was up 0.4% y/y (-0.6% consensus) for the second straight monthly gain. Nominal wages were stronger than expected at 3.6% y/y. The data may reaffirm expectations for another BoJ hike next month but it had no material effect on JGBs or the yen overnight.

German factory orders surprised higher with a 2.9% m/m SA gain in July (-1.7% consensus) with an upward revision to June (4.6% from 3.9%). These gains are at least welcome temporary relief relative to the longer-term trend since the initial recover in global goods production began to abate (chart 5).

Chart 3

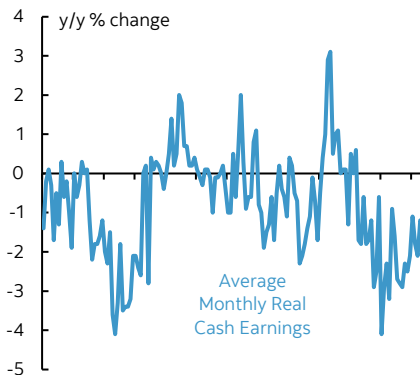
Canadian Labour Productivity Growth



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

Some Real Wage Growth In Japan



Source: Scotiabank Economics, Ministry of Health, Labour and Welfare, Japan.

Chart 5

German Factories' Order Book



Sources: Scotiabank Economics, Bloomberg.

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.	3.77	3.76	3.90	3.56	3.55	3.67	3.77	3.76	3.86	4.07	4.06	4.15	Canada - BoC	4.25
CANADA	3.16	3.15	3.31	2.88	2.86	3.01	3.01	2.99	3.13	3.14	3.12	3.23	US - Fed	5.50
GERMANY	2.32	2.32	2.36	2.11	2.11	2.16	2.23	2.22	2.27	2.47	2.47	2.52	England - BoE	5.00
JAPAN	0.38	0.38	0.37	0.51	0.51	0.51	0.88	0.88	0.90	2.05	2.07	2.08		
U.K.	4.02	4.03	4.11	3.83	3.83	3.92	3.93	3.94	4.02	4.46	4.47	4.54		
Spreads vs. U.S. (bps):														
CANADA	-61	-60	-58	-69	-69	-65	-76	-76	-73	-93	-93	-92	Euro zone - ECB	4.25
GERMANY	-145	-143	-154	-145	-144	-151	-154	-153	-159	-160	-159	-162	Japan - BoJ	-0.10
JAPAN	-339	-338	-353	-306	-304	-316	-289	-287	-296	-202	-199	-207		
U.K.	25	28	22	26	28	25	16	18	16	39	41	40	Mexico - Banxico	10.75
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	23041			-1.7	-0.0	-0.9	3.7	12.9						
Dow 30	40975			38.0	0.1	-0.7	5.9	18.3						
S&P 500	5520			-8.9	-0.2	-1.9	6.4	22.8						
Nasdaq	17084			-52.0	-0.3	-3.8	5.5	21.8						
DAX	18648			56.1	0.3	-1.4	7.5	18.2						
FTSE	8262			-7.4	-0.1	-1.4	3.2	11.1						
Nikkei	36657			-390.5	-1.1	-4.4	5.7	10.3						
Hang Seng	17444			-13.0	-0.1	-1.9	4.8	-5.5						
CAC	7479			-21.8	-0.3	-2.1	4.6	3.1						
Commodities	Level						% change:							
					1 Day	1-wk	1-mo	1-yr						
WTI Crude	69.44			0.24	0.3	-6.8	-4.8	-19.9						
Natural Gas	2.17			0.03	1.3	12.6	11.9	-15.8						
Gold	2515.51			19.79	0.8	-0.2	12.8	30.6						
Silver	28.08			-0.24	-0.8	-4.6	-3.0	16.8						
CRB Index	270.26			0.00	0.0	-2.6	0.5	-5.1						
Currencies	Level						% change:							
					1 Day	1-wk	1-mo	1-yr						
USDCAD	1.3512			0.0006	0.0	0.2	-2.3	-1.0						
EURUSD	1.1096			0.0014	0.1	0.2	1.3	3.5						
USDJPY	143.53			-0.2100	-0.1	-1.0	-0.5	-2.8						
AUDUSD	0.6724			-0.0001	-0.0	-1.1	3.5	5.4						
GBPUSD	1.3160			0.0013	0.1	-0.1	3.0	4.7						
USDCHF	0.8463			-0.0002	-0.0	-0.1	-0.7	-4.9						
									Next Meeting Date					
									Canada - BoC	Oct 23, 2024				
									US - Fed	Sep 18, 2024				
									England - BoE	Sep 19, 2024				
									Euro zone - ECB	Sep 12, 2024				
									Japan - BoJ	June 14, 2024				
									Mexico - Banxico	Sep 26, 2024				
									Australia - RBA	Sep 24, 2024				
									New Zealand - RBNZ	Oct 08, 2024				

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