

DAILY POINTS

September 13, 2024 @ 8:00 EST

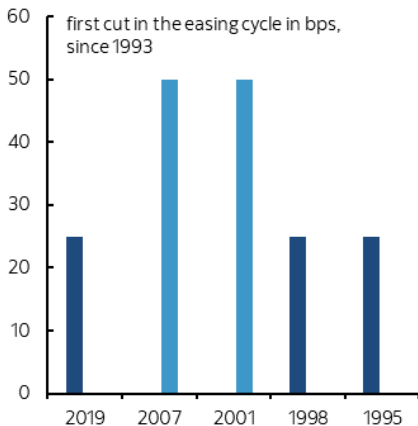
Contributors

Derek Holt

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

Chart 1

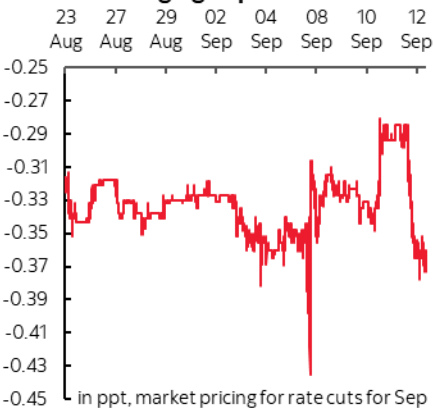
The First Cut is the Deepest - Sometimes



Sources: Scotiabank Economics, Bloomberg.

Chart 2

Clearly the Fed's Not Doing Well At Managing Expectations



Sources: Scotiabank Economics, Bloomberg.

On Deck for Friday, September 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09-13	08:30	Capacity Utilization (%)	2Q	--	78.8	78.5
CA	09-13	08:30	Wholesale Trade (m/m)	Jul	--	-1.1	-0.6
US	09-13	08:30	Export Prices (m/m)	Aug	--	-0.2	0.7
US	09-13	08:30	Import Prices (m/m)	Aug	--	-0.2	0.1
US	09-13	10:00	U. of Michigan Consumer Sentiment	Sep P	68.0	68.5	67.9

KEY POINTS:

- **Friday the 13th isn't so scary to markets**
- **Markets rally around return of upsize speculation...**
- **...as Fed -50bps speculation is being driven by a baseless WSJ article**
- **The Fed is thoroughly mismanaging communications into this meeting**
- **Trump's latest foolish tax proposal could promote nasty side effects**
- **Peru's central bank cut -25bps**
- **Russia's central bank delivers another mega-hike to counter war-driven inflation**
- **Light data on tap**

Friday the 13th isn't so scary so far. Stocks are broadly higher, though gently so. Sovereign bonds are also slightly richer. The dollar is broadly softer. Oil prices are up by about 1%.

The catalyst seems to be the return of speculation toward a 50bps cut by the Fed next week. Markets increased pricing starting early yesterday afternoon around the time that speculative pieces in the WSJ argued a case for 50bps. I didn't see any attempt at signalling by the Fed in those articles versus just interpreting them as offering the reporter's loose speculation that spoke to both scenarios (25 and 50).

Chart 1 is a reminder of what has happened in past first-moves by the Fed. I still think the case for 25 outweighs the case for 50 and will present both cases in my weekly later today.

If the FOMC is really uncomfortable with market pricing and if such pricing remains on the fence, then the possibility of putting out a message into early next week remains significant.

That said, FOMC communications have been very sloppy and poorly managed around this important issue. Enter chart 2 that shows the gyrations in market pricing for this upcoming meeting dating back to when Chair Powell spoke at Jackson Hole on August 23rd. Either they have abandoned efforts to avoid uncertainty and surprises on game day that guided them throughout the pandemic, or they are truly divided and lacking coordination which isn't a great signal, or we should expect clarity in story plants between now and early next week.

Otherwise, it should be a relatively light way to close out the week at least in terms of calendar-based risk.

Peru's central bank cut 25bps last evening as widely expected.

Russia's central bank hiked by 100bps this morning, taking the policy rate up to 19% that only three out of 13 within consensus had anticipated versus holds for the others. Serves you right, I say. The key rate has risen by 950bps since just before Putin invaded Ukraine in February 2022 and yet the Russian ruble has still depreciated by over 15% to the dollar over this period. Inflation is running at over 9% y/y as a partial consequence to ruble weakness and hence a partial driver of rate hikes. The war is exacting a heavy toll against Russian aggression.

N.A. data will be light with the main feature being UMich consumer sentiment (10amET). The US also updates the terms of trade for August (8:30amET).

Canada updates wholesale sales that were initially guided to have dropped by about 1% m/m SA (8:30amET) along with the Q2 capacity utilization (8:30amET) that probably slipped given the soft tone to GDP after removing the role played by government spending and government cap-ex.

Trump offered another desperate tax policy option late yesterday by saying he'd end taxes on overtime. There goes US productivity! This could drive more shirking during regular hours as the tax incentive at the margin would encourage shifting effort into expanded hours. Tax distortions that create warped incentives to 'work' longer hours can further weaken the social fabric including family time. Maybe it would motivate employers to take offsetting measures if this happened, like reducing willingness to have workers work overtime if it comes at the measurable expense of productivity during regular hours. The proposal follows the Biden administration's loosening of overtime pay rules back in the Spring that added an estimated 4.3 million more eligible workers filing overtime relative to the earlier threshold provisions of the 1938 Fair Labour Standards Act. [This](#) post by the left-leaning Economic Policy Institute explains those earlier changes. Trump's proposal makes as little sense as eliminating taxes on tips.

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.	3.59	3.64	3.65	3.43	3.47	3.49	3.65	3.67	3.71	3.98	3.99	4.02	Canada - BoC	4.25
CANADA	2.96	3.00	3.05	2.72	2.74	2.80	2.89	2.91	2.96	3.07	3.08	3.11	US - Fed	5.50
GERMANY	2.21	2.23	2.23	2.02	2.03	2.05	2.15	2.15	2.17	2.43	2.43	2.44	England - BoE	5.00
JAPAN	0.39	0.39	0.38	0.51	0.51	0.50	0.85	0.87	0.85	2.02	2.06	2.02		
U.K.	3.81	3.82	3.95	3.63	3.64	3.77	3.77	3.78	3.89	4.36	4.38	4.43		
Spreads vs. U.S. (bps):														
CANADA	-63	-64	-60	-72	-72	-68	-76	-76	-75	-90	-91	-91	Euro zone - ECB	3.65
GERMANY	-138	-142	-142	-142	-144	-144	-151	-152	-154	-155	-156	-158	Japan - BoJ	-0.10
JAPAN	-320	-325	-327	-293	-295	-299	-281	-281	-286	-196	-193	-200		
U.K.	22	18	31	19	17	29	12	11	18	38	39	41	Mexico - Banxico	10.75
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	23475		264.0		1.1		2.1		3.8		15.8		Australia - RBA	
Dow 30	41097		235.1		0.6		0.8		3.3		18.9		New Zealand - RBNZ	
S&P 500	5596		41.6		0.7		1.7		3.0		25.3			
Nasdaq	17570		174.2		1.0		2.6		2.2		27.2			
DAX	18608		89.9		0.5		1.7		4.5		18.9			
FTSE	8264		23.2		0.3		1.0		0.4		9.8			
Nikkei	36582		-251.5		-0.7		0.5		-3.9		9.1		Canada - BoC	
Hang Seng	17369		128.7		0.7		-0.4		-0.4		-4.5		US - Fed	
CAC	7448		12.6		0.2		1.3		2.4		3.1		Next Meeting Date	
Commodities	Level						% change:							
WTI Crude	69.79		0.82		1.2		3.1		-10.9		-21.2		England - BoE	
Natural Gas	2.36		0.00		0.1		3.7		9.9		-11.9		Euro zone - ECB	
Gold	2567.49		9.59		0.4		2.8		15.1		34.6		Japan - BoJ	
Silver	28.77		-0.06		-0.2		0.2		2.9		25.6		June 14, 2024	
CRB Index	272.99		3.63		1.3		0.6		-1.2		-5.1			
Currencies	Level						% change:							
USDCAD	1.3590		0.0010		0.1		0.1		-0.8		0.3		Mexico - Banxico	
EURUSD	1.1085		0.0011		0.1		0.0		0.8		3.3		Australia - RBA	
USDJPY	140.82		-1.0000		-0.7		-1.0		-4.1		-4.5		Sep 24, 2024	
AUDUSD	0.6697		-0.0025		-0.4		0.4		0.9		4.3			
GBPUSD	1.3122		-0.0002		-0.0		-0.1		2.0		5.1		New Zealand - RBNZ	
USDCHF	0.8470		-0.0042		-0.5		0.5		-2.1		-5.2			

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