

DAILY POINTS

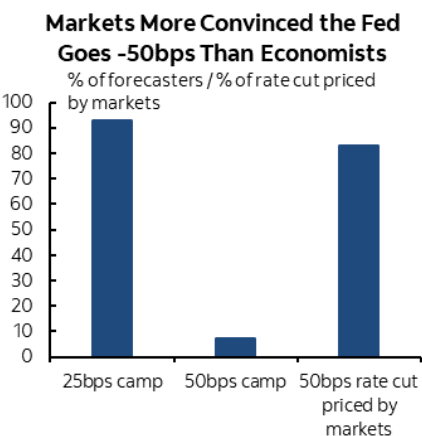
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Chart 1



Sources: Scotiabank Economics, Bloomberg Consensus.

On Deck for Monday, September 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09-16	08:30	Manufacturing Shipments (m/m)	Jul	1.0	1.1	-2.1
US	09-16	08:30	Empire State Manufacturing Index	Sep	--	-4.0	-4.7
CA	09-16	09:00	Existing Home Sales (m/m)	Aug	--	--	-0.7

KEY POINTS:

- **Markets intensify Fed cut pricing, 93% of economists disagree...**
- **...as the Fed has thoroughly mismanaged markets and expectations into this meeting**
- **Absent a Fed signal very soon, 50bps is looking more likely this week...**
- **...as markets are aggressively pushing the Fed around**
- **BoC Governor Macklem's ambiguous FT guidance**
- **Canadian political risk intensifies starting today**
- **Light Canadian indicators on tap**
- **Global Week Ahead reminder**

Canadian politics and BoC speak are in focus this morning amid an otherwise light global calendar to start a packed week. Fed market pricing for this week's meeting has increased absent any weekend catalysts. The US Secret Service's secret is apparently its total inability to secure a reasonable perimeter around a key political figure after a foiled attack on Trump, but there is no clear market effect.

As a reminder please see the Global Week Ahead — Monepalooza Isn't Just About the Fed ([here](#)).

MARKETS UP FED PRICING IN STUNNING DIVERGENCE FROM ECONOMISTS

Markets are now pricing over 80% odds of a 50bps rate cut by the Federal Reserve on Wednesday and about 125bps of cuts by year-end. 93% of forecasters think -25bps with only 7% in the -50bps camp within Bloomberg's survey after eliminating an odd handful of outdated holds (chart 1). That's a stunning divergence of opinion on the eve of the decision that screams out how badly the Fed has managed expectations and markets into this meeting. Markets have messed up big time on Fed pricing this year especially toward the beginning of the year, but to see this on the eve of a major decision is stunning. If the Fed doesn't signal through clandestine communications channels with the media that it disagrees with such pricing before the decision, then the easy path for them would be to deliver -50bps. That would throw out policy guidance to date that the path down wouldn't be the same as the path up, meaning that there wouldn't be a symmetrical path market by big cuts after delivering big hikes. I personally don't think there is such a case for acting in a rush.

CANADIAN POLITICAL RISK INTENSIFIES TODAY

Canada's parliament reconvenes today. We'll get the results from two parliamentary byelections in Montreal and Winnipeg tonight. Depending upon the outcomes there could be further pressure on Liberal and perhaps NDP party leadership. Conservative leader Poilievre has vowed to push for a confidence vote when parliament reconvenes but with uncertain timing. The BQ has offered support to the Libs if needed and for a price, presenting the truly awkward and desperate optics of cozying up to a regional Quebec-based party that wants nothing to do with the rest of Canada.

BOC'S MACKLEM DELIVERS AMBIGUOUS GUIDANCE

Yesterday's FT article ([here](#)) on Governor Macklem had him speaking out of both sides of his mouth in a manner that positioned the article's headline as exaggerated. If growth disappoints their forecasts, "it could be appropriate to move faster on interest rates" but if it doesn't and if a bunch of other factors like **productivity** and shelter costs don't improve then it won't be appropriate. I don't think that told us anything we frankly didn't already know—and with markets already aggressively priced for -75bps over the next two meetings—and I'll come back to the ambiguity of the growth comment. The portrayal of the unemployment rate was simplistic in that it didn't note the role of temps in driving most of the rise and how the temps population is currently in the process of being significantly reduced which should put renewed downward pressure on the UR when further measures kick in.

What Macklem didn't indicate is over what period he would have to see growth disappoint in order to trigger a quicker pace. Q3 is likely to come in materially softer than the BoC projected in the July MPR when they went with 2.8% q/q SAAR that raised eyebrows for why they went relatively high at the time. Would one quarter of downward forecast revisions that is expected in the October MPR do it? What will they indicate for Q4 when they extend out the quarterly forecast by an extra quarter (our guesstimate is 1.6%)? Or is Macklem signalling something longer-lived by way of required growth disappointment?

Wednesday's Fed decision may reveal whether Macklem was front-running Powell after their paths recently crossed. If Powell cuts 50 or signals greater openness toward upsizing then the BoC's communications may be about little more than it likes to be ahead of the Fed, though behind many other central banks that cut well before they did like the SNB and most LatAm central banks.

Personally, I feel that if Macklem ups the pace and is in a rush then the growth and inflation outlook would have to be revised higher. They would risk unleashing major pent-up demand via pent-up savings and a rapidly dwindling and always overstated mortgage reset challenge. If further fiscal stimulus was offered by a politically desperate government into an election year to coincide with the BoC's efforts to prime the economy, then we could be back at lamenting another misjudged inflection point by Governor Macklem. That's among the reasons why I'm concerned that the belly and longer-ends of the curve will cheapen over the coming year. The impact of the US election on fiscal and trade policy and the rates, FX and inflation markets is an unknown factor at this point.

LIGHT N.A. DATA RISK

Data risk will be light today and only includes a sprinkling of Canadian and US releases with nothing material from the overnight session. Canadian manufacturing sales are expected to rise about 1% m/m SA for July based on prior flash guidance from Statcan (8:30amET). The US updates the Empire manufacturing gauge for September to kick off another round of regional surveys on the path to the next ISM-manufacturing report (8:30amET). Canada will update existing home sales for August for which there is no consensus estimate (9amET).

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.	3.54	3.58	3.67	3.41	3.43	3.49	3.63	3.65	3.70	3.96	3.98	4.00	Canada - BoC	4.25
CANADA	2.89	2.94	3.03	2.68	2.72	2.77	2.87	2.90	2.93	3.06	3.09	3.08	US - Fed	5.50
GERMANY	2.20	2.21	2.21	2.01	2.02	2.03	2.14	2.15	2.17	2.42	2.43	2.43	England - BoE	5.00
JAPAN	0.39	0.39	0.40	0.51	0.51	0.53	0.85	0.85	0.90	2.02	2.02	2.06	Euro zone - ECB	3.65
U.K.	3.79	3.80	3.89	3.61	3.62	3.72	3.77	3.77	3.86	4.36	4.36	4.42	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
CANADA	-65	-64	-64	-73	-71	-72	-76	-75	-77	-90	-89	-92	Mexico - Banxico	10.75
GERMANY	-134	-137	-146	-139	-141	-145	-150	-151	-153	-154	-155	-157	Australia - RBA	4.35
JAPAN	-315	-319	-327	-290	-293	-296	-279	-281	-280	-195	-196	-194	New Zealand - RBNZ	5.25
U.K.	25	22	22	21	19	24	13	11	15	39	38	42	Next Meeting Date	
Equities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	23569	93.5		0.4	3.5	2.2	14.3		Canada - BoC		Oct 23, 2024			
Dow 30	41394	297.0		0.7	2.6	1.8	19.6		US - Fed		Sep 18, 2024			
S&P 500	5626	30.3		0.5	4.0	1.3	26.4		England - BoE		Sep 19, 2024			
Nasdaq	17684	114.3		0.7	6.0	0.3	29.0		Euro zone - ECB		Oct 17, 2024			
DAX	18655	-44.6		-0.2	1.1	1.8	17.4		Japan - BoJ		June 14, 2024			
FTSE	8273	0.2		0.0	0.0	-0.5	7.3		Mexico - Banxico		Sep 26, 2024			
Nikkei	36582	-251.5		-0.7	0.5	-3.9	9.1		Australia - RBA		Sep 24, 2024			
Hang Seng	17422	53.0		0.3	1.3	-0.0	-4.2		New Zealand - RBNZ		Oct 08, 2024			
CAC	7466	0.5		0.0	0.5	0.2	1.2							
Commodities	Level			% change:										
WTI Crude	69.30	0.65		0.9	0.9	-9.6	-23.7							
Natural Gas	2.31	0.00		0.1	6.4	8.7	-12.7							
Gold	2582.54	4.84		0.2	3.0	15.8	34.2							
Silver	29.97	1.20		4.2	3.9	8.2	30.8							
CRB Index	273.84	0.85		0.3	2.6	-0.6	-5.4							
Currencies	Level			% change:										
USDCAD	1.3579	-0.0006		-0.0	0.1	-0.7	0.7							
EURUSD	1.1123	0.0048		0.4	0.8	0.9	4.0							
USDJPY	139.93	-0.9200		-0.7	-2.3	-5.2	-5.2							
AUDUSD	0.6746	0.0042		0.6	1.3	1.2	4.8							
GBPUSD	1.3197	0.0073		0.6	0.9	2.0	6.6							
USDCHF	0.8445	-0.0043		-0.5	-0.6	-2.5	-5.9							

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