

### DAILY POINTS

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Chart 1

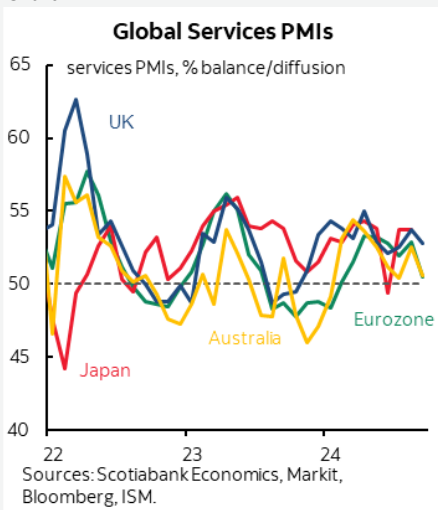
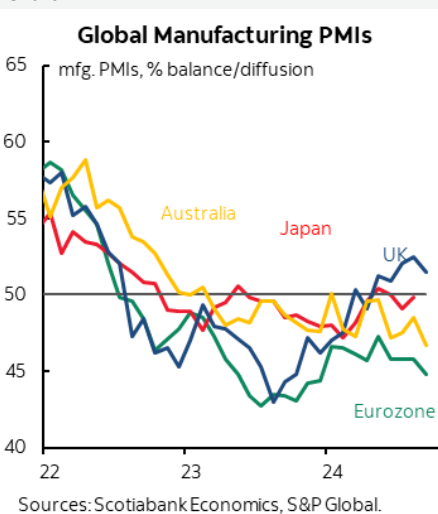


Chart 2



### On Deck for Monday, September 23

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-23	08:00	Fed's Bostic Gives Speech on Economic Outlook				
US	09-23	10:15	Fed's Goolsbee Speaks in Fireside Chat				
US	09-23	13:00	Fed's Kashkari Participates in Q&A on Childcare				

#### KEY POINTS:

- **Sovereign yields decline on softer growth signals, developments in France & China**
- **Global PMIs signal weaker growth**
- **France's government at risk following weekend developments**
- **PBOC's 14-day repo rate cut does not signal any new policy stance...**
- **...but tomorrow's PBOC briefing might**
- **Canada's consumers are alive and kicking**
- **Fed-speak should attempt to explain poor communications...**
- **...and why GDP growth was unchanged at a higher UR despite more projected cuts...**
- **...as markets move on to price another 50bps cut despite their guidance**

Global market risk appetite is mixed to start the week on the heels of significant developments out of France and China alongside a wave of PMI updates. Sovereign bonds are richer across most benchmarks and stocks are mixed with small gains in the US, flat futures in Toronto, and mild gains and losses mixed across European benchmarks. A bit more data lies ahead into the N.A. open.

#### FRANCE'S POLITICAL DIVISIONS RISK THE GOVERNMENT'S COLLAPSE

France is on watch for the prospect of a no-confidence vote that may cause the government to collapse and spark fresh elections amid highly uncertain timing that could take a while as budget preparations gradually unfold. This follows the weekend announcement by PM Michel Barnier about a new cabinet that included only conservatives and centrists and excluded left-wing parties that hold the most seats France's lower house. The New Popular Front Alliance has accordingly said that it will vote down the government as soon as possible and may get support from the opposite end of the political spectrum if Marine Le Pen's National Rally joins in.

All of this is occurring against the backdrop of France's fiscal mess as the deficit-to-GDP ratio stands at -5½% and threatens moving higher absent significant measures, while debt-to-GDP is over 110%. Barnier said over the weekend that he advocates spending cuts and hinted at raising taxes on upper income individuals and corporations by saying "I won't exclude that the richest participate" and "some very big companies, multinationals that are working well, can also contribute." That may appeal to the left, but not to the centrist parties upon whom Macron's support rests.

#### TOMORROW'S PBOC PRESSER COULD BE KEY

The PBOC's 10bps cut to its 14-day repo rate overnight does not on its own signal additional moves to add stimulus since it follows the cut in July to the more important 7-day rate that has become the main policy rate in China around which adjustments to other rates are anchored.

What may be more significant, however, is that PBOC Governor Pan Gongsheng will hold a press conference tomorrow with other regulators. Markets will monitor guidance on key

variables like the 7-day repo rate and required reserve ratios. China is widely expected to add further stimulus over the remainder of this year especially after the Federal Reserve’s 50bps cut that enhanced policy optionality by lessening financial stability risks derived from yuan instability.

**GLOBAL PURCHASING MANAGERS SIGNAL WEAKER GROWTH, ESPECIALLY IN EUROZONE POST-OLYMPICS**

The monthly PMI dump is underway. Here’s a summary of what we know so far alongside charts 1 and 2:

- The Eurozone composite PMI fell back into contraction for the first time since February at 48.9 from 51 prior. That was mostly driven by services (50.5, 52.9 prior) but manufacturing also weakened (44.8, 45.8 prior).
- France drove most of that and particularly in services as the Paris Olympics effect dropped out. Services slipped back into contraction (48.3, 55 prior) and manufacturing was stable at 44 (43.9 prior).
- Germany’s composite PMI also weakened to 47.2 (48.4 prior) due to both services (50.6, 51.2 prior) and manufacturing (40.3, 42.4 prior).
- The UK’s composite PMI signalled softer growth at 52.9 (53.8 prior). That was due to both services (52.8, 53.7 prior) and manufacturing (51.5, 52.5 prior).
- Australia’s composite PMI fell back into contraction (49.8, 51.7 prior) as both services (50.6, 52.5 prior) and manufacturing (46.7, 48.5 prior) slowed.
- India’s composite PMI signalled slightly slower growth (59.3, 60.7) as both services and manufacturing slowed a touch.

The US will update its PMIs later this morning (9:45amET). Fed-speak is also on tap along with light Mexican data including retail sales (8amET) and July’s GDP guide, the Economic Activity Index (8amET).

**WATCH FED-SPEAKERS WIGGLE**

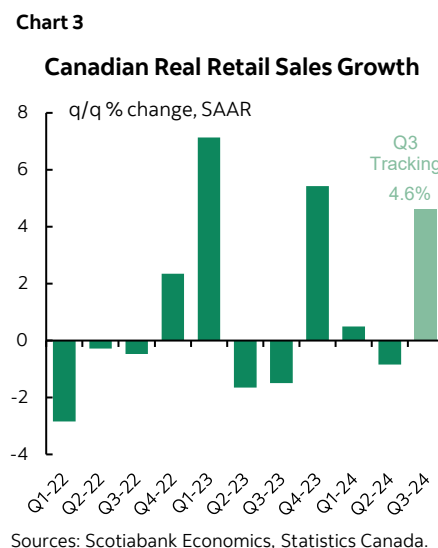
Fed-speak will include Bostic (8amET), Goolsbee (10:15amET) and Kashkari (1pmET). Let’s see them squirm as Fed officials try to defend their awful communications leading up to the decision.

Since the 50bps reduction, markets have done what was largely predictable regardless of what the dot plot showed in terms of only 50bps of cumulative easing this year being signalled by officials. Markets are pricing a good shot at another 50bps cut in November and 75bps of cuts over the combined November and December meetings. I wouldn’t pay much attention to the Committee’s forward guidance as we seem to have transitioned to a different era in which Powell & Co will no longer be holding hands into decisions in a marked departure from the earlier playbook.

I would like to hear them explain how you can revise up projected easing this year and next, yet leave growth projections unchanged and revise up unemployment rate forecasts with no explanation offered about what the Fed thinks to be competing downside risks as argued [here](#).

**CANADA’S CONSUMERS ARE ALIVE AND KICKING**

I was away marketing in Calgary and Winnipeg toward the end of last week when Canadian consumer data landed. Canada will be quiet today on the heels of Friday’s strong retail sales report for July and continued momentum in the August flash. Retail sales volumes are tracking a rise of 4.6% q/q SAAR (chart 3). I maintain that the Canadian consumer and housing market are poised for significant upside potential and that the BoC has to be careful in cutting. There is widespread pent-up demand and a massive amount of pent-up savings in both narrow and broad wealth terms just waiting to be unleashed by rate cuts that are heavily priced in the Canada curve, alongside lagging effects of immigration stimulus, mortgage stimulus, elevated buying intentions and probably further fiscal stimulus into an election year.



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.	3.57	3.59	3.55	3.50	3.50	3.40	3.75	3.74	3.62	4.10	4.08	3.93	Canada - BoC	4.25
CANADA	2.92	2.93	2.88	2.75	2.75	2.68	2.96	2.95	2.87	3.16	3.14	3.06	US - Fed	5.00
GERMANY	2.17	2.23	2.18	2.02	2.07	2.00	2.17	2.21	2.12	2.50	2.51	2.40	England - BoE	5.00
JAPAN	0.39	0.39	0.39	0.50	0.50	0.51	0.85	0.85	0.85	2.07	2.07	2.02		
U.K.	3.92	3.93	3.79	3.75	3.74	3.61	3.92	3.90	3.76	4.49	4.47	4.35		
	Spreads vs. U.S. (bps):													
CANADA	-66	-66	-67	-75	-75	-73	-80	-79	-75	-95	-94	-87	Euro zone - ECB	3.65
GERMANY	-141	-136	-137	-149	-143	-141	-158	-153	-150	-161	-158	-153	Japan - BoJ	-0.10
JAPAN	-319	-320	-316	-300	-300	-290	-290	-289	-277	-203	-201	-191		
U.K.	35	33	24	25	24	21	16	16	14	39	39	42	Mexico - Banxico	10.75
Equities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	23867	1.1			0.0	1.3	2.5	20.7					Australia - RBA	4.35
Dow 30	42063	38.2			0.1	1.6	2.2	23.8					New Zealand - RBNZ	5.25
S&P 500	5703	-11.1			-0.2	1.4	1.2	32.0					Next Meeting Date	
Nasdaq	17948	-65.7			-0.4	1.5	0.4	35.9					Canada - BoC	Oct 23, 2024
DAX	18817	97.2			0.5	1.0	1.0	21.0					US - Fed	Nov 07, 2024
FTSE	8215	-14.8			-0.2	-0.8	-1.4	6.9					England - BoE	Nov 07, 2024
Nikkei	37724	568.6			1.5	2.4	-1.7	16.4					Euro zone - ECB	Oct 17, 2024
Hang Seng	18247	-11.5			-0.1	5.1	3.6	1.1					Japan - BoJ	June 14, 2024
CAC	7483	-16.9			-0.2	0.5	-1.2	4.2					Mexico - Banxico	Sep 26, 2024
Commodities	Level						% change:							
WTI Crude	71.28	0.28			0.4	1.7	-4.7	-20.8					Australia - RBA	Sep 24, 2024
Natural Gas	2.49	0.05			2.2	4.8	23.0	-5.7					New Zealand - RBNZ	Oct 08, 2024
Gold	2623.72	1.85			0.1	1.6	17.7	36.3						
Silver	31.32	0.16			0.5	4.5	5.2	34.5						
CRB Index	282.39	0.20			0.1	3.1	1.3	-1.3						
Currencies	Level						% change:							
USDCAD	1.3549	-0.0020			-0.1	-0.3	0.3	0.7						
EURUSD	1.1123	-0.0039			-0.3	-0.1	-0.6	5.0						
USDJPY	143.61	-0.2400			-0.2	2.1	-0.5	-3.5						
AUDUSD	0.6833	0.0026			0.4	1.2	0.6	6.4						
GBPUSD	1.3315	-0.0006			-0.0	0.7	0.8	9.0						
USDCHF	0.8498	-0.0002			-0.0	0.6	0.2	-6.8						

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