

Contributors

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Chart 1

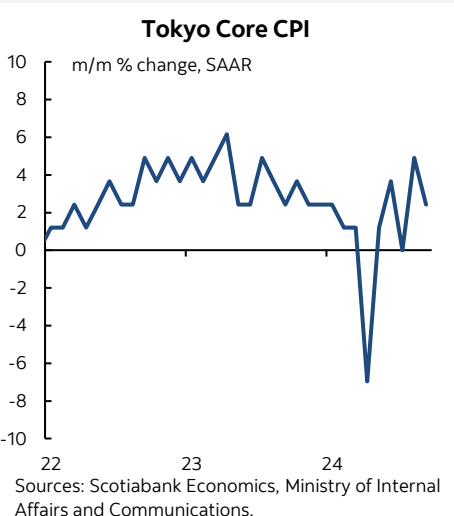
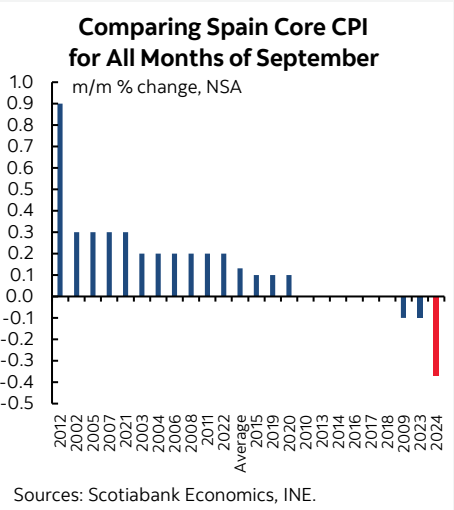


Chart 2



On Deck for Friday, September 27

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09-27	08:30	Real GDP (m/m)	Jul	0.2	0.1	0.0
US	09-27	08:30	PCE Deflator (m/m)	Aug	0.2	0.1	0.2
US	09-27	08:30	PCE Deflator (y/y)	Aug	2.3	2.3	2.5
US	09-27	08:30	PCE ex. Food & Energy (m/m)	Aug	0.2	0.2	0.2
US	09-27	08:30	PCE ex. Food & Energy (y/y)	Aug	2.7	2.7	2.6
US	09-27	08:30	Personal Spending (m/m)	Aug	0.3	0.3	0.5
US	09-27	08:30	Personal Income (m/m)	Aug	0.3	0.4	0.3
US	09-27	08:30	Wholesale Inventories (m/m)	Aug P	--	0.2	0.2
US	09-27	09:30	Fed's Collins, Kugler Travel to Fitchburg, Mass.				
US	09-27	10:00	U. of Michigan Consumer Sentiment	Sep F	--	69.4	69.0

KEY POINTS:

- Yen outperforms the euro as EGB-JGB spreads narrow...
- ...following a firm Tokyo core CPI that drove BoJ hike bets...
- ...and a weak start to tracking Eurozone core CPI that drove ECB cut bets
- Canadian GDP for July and August to improve Q3 tracking
- US core PCE likely to be another soft one
- SEPH payrolls showed that Canadian wage growth soared
- Canadian bond markets to shut early ahead of holiday

The morning's biggest movers are the yen and euro as EGB-JGB spreads narrow in the wake of inflation readings that moved in opposite directions—warm in Japan, cool in the Eurozone. They could be joined by volatility in CAD and the USD following pending data.

BOJ HIKE BETS AMPLIFIED BY TOKYO CORE CPI

The yen is among the class leaders and JGBs are mildly cheaper after a firm Tokyo core CPI reading overnight. The measure was up by 0.2% m/m SA that, when annualized, remains a little above the BoJ's 2% target (chart 1). Headline CPI was soft at -0.2% m/m SA, but that was because of the temporary resumption of energy subsidies from August to October as utility prices fell 8.4% m/m.

Still, there is nothing priced for the BoJ's decision on October 31st, although pricing for the December meeting edged up by about 5bps post data to about 70% priced for a 10bps hike. The BoJ has signalled it will take its time evaluating the US economy and stability considerations before contemplating further policy tightening.

SOFT EUROZONE CORE CPI READINGS ADD TO OCTOBER ECB CUT PRICING

Eurozone inflation tracking got off to a soft start overnight as France and Spain released figures that drove a weaker euro, an EGBs rally and a 5bps increase in pricing for another ECB rate cut on October 17th that is now about 80% priced.

1. Spain's core CPI in m/m NSA terms fell by the biggest amount compared to like months of September (since it's NSA) on record (chart 2).
2. France's headline and core CPI were also weak. Headline CPI fell by 1.2% m/m (consensus -0.8%) as services fell 2.1% m/m, energy was down 1.9%, and food fell 0.3%.

Germany and Italy will release on Monday followed by the Eurozone tally on Tuesday.

Eurozone 1- and 3-year inflation expectations slipped a tick each to 2.7% y/y and 2.3% y/y respectively (chart 3).

TRACKING Q3 CANADIAN GDP

Canada releases estimates for July GDP (with details) and August GDP (flash, sans details) this morning (8:30amET). I've estimated 0.2% m/m SA, consensus is at 0.1%. Statcan had

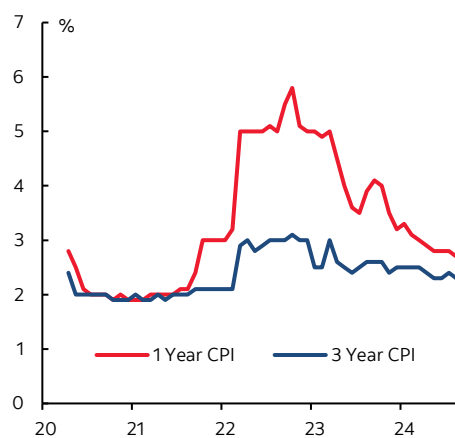
guided “essentially unchanged” on August 30th which usually means -0.1% m/m to +0.1% m/m. Data since then has been more upbeat. Details may also matter including breadth by controlling for energy/mining activity. For more on GDP, see my Global Week Ahead.

Canadian fixed income markets then get a cushy early close today (1pmET) ahead of Monday’s National Day for Truth and Conciliation, aka Orange Shirt Day. Stocks don’t, nor does anyone else. There are eleven early bond market closes each year in what amounts to a global oddity and lost business.

I was away marketing in Montreal yesterday and therefore missed the Canadian SEPH payrolls report. What stood out to me was that wage growth remains hot. While it’s a notoriously lagging survey (July data), its measure of wage growth super-accelerated in m/m terms at a seasonally adjusted and annualized rate (chart 4).

Chart 3

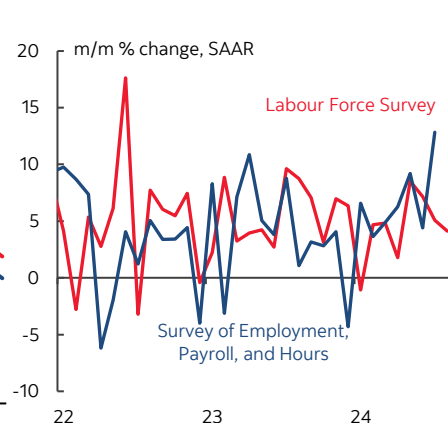
ECB Measure of Inflation Expectations



Sources: Scotiabank Economics, ECB.

Chart 4

BoC's Main Wage Measures



Sources: Scotiabank Economics, Statistics Canada, Bank of Canada, Haver.

FED'S PREFERRED INFLATION GAUGE EXPECTED TO BE SOFT AGAIN

The US releases the Fed’s preferred inflation gauges and estimates for income and spending at households at 8:30amET covering the month of August. Core PCE is expected to follow the soft tone of core CPI with most estimates at 0.2% m/m SA and some at 0.1%. Modest nominal gains in income and spending are also expected.

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.	3.62	3.63	3.59	3.56	3.57	3.50	3.79	3.80	3.74	4.12	4.13	4.08	Canada - BoC	4.25
CANADA	2.98	2.95	2.90	2.81	2.79	2.72	3.02	3.01	2.93	3.20	3.20	3.13	US - Fed	5.00
GERMANY	2.11	2.13	2.23	1.99	2.01	2.07	2.16	2.18	2.21	2.48	2.50	2.51	England - BoE	5.00
JAPAN	0.37	0.35	0.39	0.50	0.47	0.50	0.85	0.83	0.85	2.08	2.09	2.07		
U.K.	3.97	3.96	3.93	3.85	3.85	3.74	4.00	4.01	3.90	4.59	4.60	4.47		
	Spreads vs. U.S. (bps):													
CANADA	-64	-68	-69	-75	-78	-78	-77	-79	-82	-92	-93	-95	Euro zone - ECB	3.65
GERMANY	-151	-150	-136	-157	-156	-143	-163	-161	-153	-164	-163	-158	Japan - BoJ	-0.10
JAPAN	-326	-328	-320	-306	-310	-300	-293	-297	-289	-204	-204	-201		
U.K.	34	33	33	29	28	24	22	21	16	47	47	39	Mexico - Banxico	10.50
Equities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	24034	128.0		0.5	0.7	3.3	23.7							
Dow 30	42175	260.4		0.6	0.4	2.2	25.7							
S&P 500	5745	23.1		0.4	0.6	2.1	34.4							
Nasdaq	18190	108.1		0.6	1.0	2.5	38.9							
DAX	19379	141.1		0.7	3.5	3.7	27.4							
FTSE	8321	35.6		0.4	1.1	-0.3	9.6							
Nikkei	39830	903.9		2.3	7.2	4.0	23.0							
Hang Seng	20632	707.7		3.6	13.0	15.4	17.1							
CAC	7761	19.2		0.2	3.5	2.6	9.7							
Commodities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
WTI Crude	67.91	0.24		0.4	-5.6	-10.1	-27.5							
Natural Gas	2.74	-0.02		-0.6	12.4	43.8	-1.0							
Gold	2664.43	-7.95		-0.3	1.6	19.5	42.1							
Silver	32.48	0.64		2.0	4.2	10.3	41.1							
CRB Index	284.63	-1.53		-0.5	0.9	1.5	-1.0							
Currencies	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
USDCAD	1.3478	0.0013		0.1	-0.7	0.3	-0.1							
EURUSD	1.1164	-0.0013		-0.1	0.0	-0.2	6.3							
USDJPY	143.21	-1.6000		-1.1	-0.4	-0.5	-4.3							
AUDUSD	0.6883	-0.0013		-0.2	1.1	1.3	8.3							
GBPUSD	1.3389	-0.0026		-0.2	0.5	1.0	10.3							
USDCHF	0.8439	-0.0023		-0.3	-0.7	0.3	-8.4							
	Next Meeting Date													
													Canada - BoC	Oct 23, 2024
													US - Fed	Nov 07, 2024
													England - BoE	Nov 07, 2024
													Euro zone - ECB	Oct 17, 2024
													Japan - BoJ	June 14, 2024
													Mexico - Banxico	Nov 14, 2024
													Australia - RBA	Nov 04, 2024
													New Zealand - RBNZ	Oct 08, 2024

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