

DAILY POINTS

October 1, 2024 @ 7:30 EST

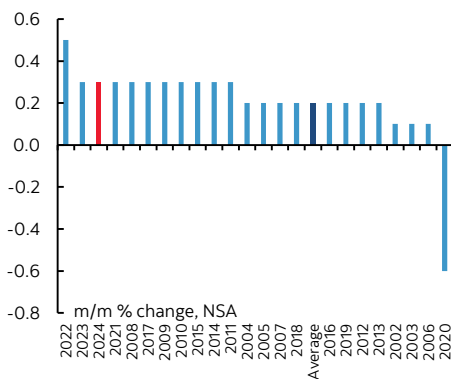
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Chart 1

Comparing Eurozone Core CPI for All Months of September



Sources: Scotiabank Economics, Eurostat.

On Deck for Tuesday, October 1

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10/01	09:00	Total Vehicle Sales (mn a.r.)	Sep	15.8	15.67	15.1
US	10/01	10:00	Construction Spending (m/m)	Aug	0.5	0.2	-0.3
US	10/01	10:00	ISM Manufacturing Index	Sep	47.5	47.5	47.2
US	10/01	10:00	JOLTS Job Openings (000s)	Aug	-	7673.0	7673.0
US	10/01	11:00	Fed's Bostic Gives Opening Remarks				
US	10/01	11:10	Fed's Bostic Moderates Conversation with Lisa Cook				
US	10/01	18:15	Fed's Bostic, Barkin, Collins on Moderated Panel				

KEY POINTS:

- Markets adopt defensive tone to kick off October
- Fed cut pricing mildly reined in after Chair Powell's talk
- Canadian rates underperforming as they catch up from holiday
- The ECB still has some work to do on core CPI
- US ISM-mfrg, construction spending, vehicle sales on tap
- More Fed-speak on tap
- A light week for Canada
- Global Week Ahead [reminder](#)

Markets are seeking safe havens to start the new month. The USD is broadly stronger, sovereign yields are broadly but gently lower except for Canada's front-end, and equities are mixed with mild losses alongside small gains across regional exchanges. Canada's shorter-term yields are higher coming back from yesterday's holiday as they catch up to less dovishness from Fed Chair Powell and after Friday's better GDP growth than Statcan had guided and reasons to ignore their August GDP flash (recap [here](#)). Chinese markets are now shut for Golden Week after starting the week with a huge rally.

Catalysts may include a mixture of a slightly less dovish tone from Fed Chair Powell yesterday afternoon and geopolitical risk as Israel's forces entered Lebanon. Markets will monitor the US port strike in terms of longevity and its potential to impact a broad swath of macro data ahead of the peak holiday shopping season.

Powell's talk yesterday is responsible for shaving about 6–7bps off of year-end pricing for cumulative FOMC cuts in November and December and about 10bps off cumulative rate cut pricing by about the middle of next year. His short speech had a somewhat defensive tone that felt as if the goal was to cool enthusiasm toward pricing of the size and pace of further cuts. Frankly, the FOMC should have known that markets would respond in such fashion to going against expectations with a large 50bps cut which they've only previously done into major shocks like the GFC and dot-com periods. He reinforced that FOMC participants see two more 25bps cuts this year which contrasts to market pricing for about 75bps, and that the Committee would move toward a more neutral setting "over time" which is Fed language for perhaps not being in as much of a hurry as markets are indicating.

Eurozone CPI was probably already priced when France and Spain released on Friday and then Germany and Italy updated yesterday. EGBs shrugged by the time the Eurozone tally was released this morning and they were already rallying before hand. Still, the numbers still showed progress, but further progress is needed. Core eurozone CPI was up 0.3% m/m NSA which is a touch above the 0.2% historical average for like months of September (chart 1). Services CPI was a touch weaker than an average month of September in m/m NSA terms. Year-over-year core CPI fell a tick to 2.7%.

There is more Fed-speak on tap today along with modest US data risk. Bostic speaks (11amET) alongside Governor Cook (11:10amET) and then Bostic reappears along with Richmond’s Barkin and Boston’s Collins on a panel (6:15pmET).

We’ll also get ISM-manufacturing for September that is expected to be little changed (10amET), construction spending for August that is expected to return to growth (10amET), and vehicle sales for September with industry guidance pointing toward a sizeable gain (end of day).

Canada only updates the little watched S&P manufacturing PMI for September (9:30amET) in what is generally a very quiet week for Canadian calendar-based macro risk.

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	3.64	3.54	3.53	3.56	3.47	3.74	3.78	3.73	4.07	4.12	4.09	Canada - BoC	4.25
CANADA	2.94	2.91	2.90	2.74	2.73	2.74	2.94	2.96	2.95	3.11	3.14	3.15	US - Fed	5.00
GERMANY	2.04	2.07	2.10	1.90	1.95	1.97	2.05	2.12	2.15	2.38	2.46	2.48	England - BoE	5.00
JAPAN	0.39	0.39	0.35	0.50	0.51	0.47	0.86	0.86	0.82	2.08	2.09	2.07		
U.K.	3.96	3.98	3.92	3.83	3.86	3.77	3.95	4.00	3.94	4.53	4.58	4.52		
	Spreads vs. U.S. (bps):													
CANADA	-68	-73	-64	-79	-82	-73	-80	-83	-78	-96	-98	-93	Euro zone - ECB	3.65
GERMANY	-158	-157	-144	-163	-161	-150	-169	-166	-158	-170	-166	-161	Japan - BoJ	-0.10
JAPAN	-323	-325	-319	-303	-305	-300	-289	-292	-291	-200	-203	-201		
U.K.	34	34	38	30	30	30	21	22	21	45	46	43	Mexico - Banxico	10.50
Equities	Level			% change:										
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	24000			43.5	0.2	0.4	2.8	22.8					Australia - RBA	4.35
Dow 30	42330			17.2	0.0	0.5	1.8	26.3					New Zealand - RBNZ	5.25
S&P 500	5762			24.3	0.4	0.8	2.0	34.4						
Nasdaq	18189			69.6	0.4	1.2	2.7	37.6						
DAX	19409			84.2	0.4	2.2	2.7	26.1						
FTSE	8275			37.7	0.5	-0.1	-1.2	8.8						
Nikkei	38652			732.4	1.9	1.9	-0.1	21.7					Canada - BoC	Oct 23, 2024
Hang Seng	21134			501.4	2.4	15.8	17.5	18.7					US - Fed	Nov 07, 2024
CAC	7635			-1.2	-0.0	0.4	0.0	7.0						
Commodities	Level			% change:										
WTI Crude	67.66			-0.51	-0.7	-5.4	-8.0	-25.5					England - BoE	Nov 07, 2024
Natural Gas	2.90			-0.02	-0.7	13.8	36.5	-0.9					Euro zone - ECB	Oct 17, 2024
Gold	2648.01			13.43	0.5	-0.3	18.8	43.2					Japan - BoJ	June 14, 2024
Silver	31.08			-0.84	-2.6	1.5	5.4	34.7						
CRB Index	284.94			-1.00	-0.3	0.3	2.9	0.1						
Currencies	Level			% change:										
USDCAD	1.3525			0.0000	0.0	0.7	0.2	-1.1					Mexico - Banxico	Nov 14, 2024
EURUSD	1.1086			-0.0049	-0.4	-0.8	0.1	5.8						
USDJPY	143.71			0.0800	0.1	0.3	-2.2	-4.1					Australia - RBA	Nov 04, 2024
AUDUSD	0.6904			-0.0009	-0.1	0.2	1.7	8.5						
GBPUSD	1.3318			-0.0057	-0.4	-0.7	1.3	10.2					New Zealand - RBNZ	Oct 08, 2024
USDCHF	0.8467			0.0011	0.1	0.4	-0.6	-7.8						

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