

DAILY POINTS

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Contributors

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Chart 1

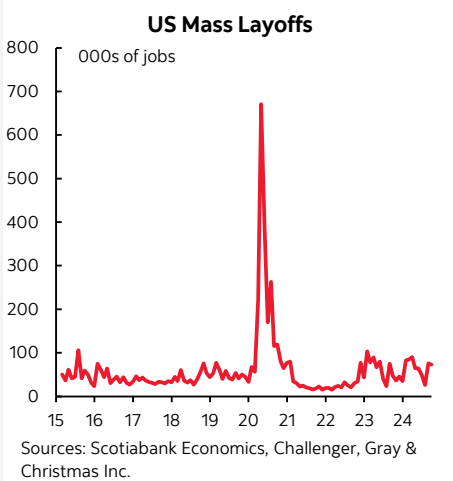
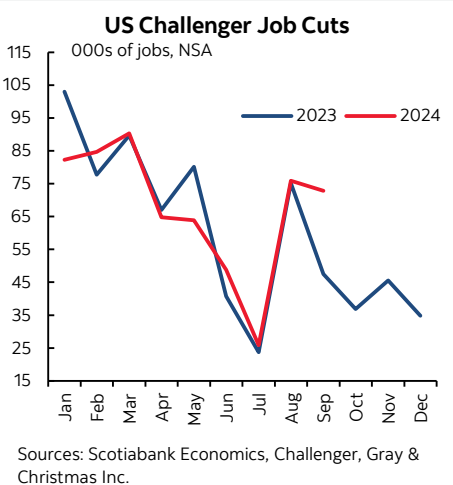


Chart 2



On Deck for Thursday, October 3

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10/03	08:30	Initial Jobless Claims (000s)	Sep 28	220	221.0	218.0
US	10/03	08:30	Continuing Claims (000s)	Sep 21	1830	1830.0	1834.0
US	10/03	10:00	Factory Orders (m/m)	Aug	0.1	0.1	5.0
US	10/03	10:00	ISM Non-Manufacturing Composite	Sep	51.5	51.7	51.5
US	10/03	10:40	Fed's Kashkari Moderates Chat w/ Bostic on Inclusive Economy				

KEY POINTS:

- **Markets playing defence ahead of US payrolls...**
- **...as oil continues to climb on Middle East fears**
- **BoE's Bailey drives gilts to outperform all others**
- **Swiss CPI adds to SNB cut pricing with the lower bound back in sight**
- **US job cuts merely following the same seasonal pattern as last year**
- **US initial jobless claims vulnerable to Hurricane Helene distortions**
- **US ISM-services likely to continue signalling moderate growth**
- **ADP signalled low risk of a bad nonfarm payrolls report**

With a couple of exceptions, global markets are trading cautiously as sovereign bonds are mostly cheaper, most equity benchmarks are slightly softer, oil prices are up by about another 2% or so on Middle East-watch, and the dollar is broadly stronger.

US macro data could spark market volatility this morning. Ongoing pressures in US funding markets that have driven higher short-term rates around quarter-end funding—though a rounding error compared to the repo blow-up in late 2019—and geopolitical risk around developments in the Middle East could pose off-calendar risk. Overnight markets took down slightly more dovish comments from BoE Governor Bailey and softer than expected Swiss inflation.

BOE'S BAILEY DRIVES GILTS TO OUTPERFORM

Gilts are outperforming all other main sovereign bond benchmarks following comments from BoE Governor Bailey. In an interview with The Guardian, Bailey said the BoE could become “a bit more aggressive” reducing Bank Rate and “a bit more activist” as long as inflation figures are supportive. As a result, pricing for the November BoE decision added about 2bps to slightly over a quarter point reduction, with the bigger move being to raise pricing for the December meeting by 5bps to a cumulative 43bps of cuts, hence leaning toward back-to-back reductions.

SWISS CPI ADDS TO SNB RATE CUT PRICING

Swiss CPI came in a bit softer than expected and that is driving mild outperformance by short-term Swiss rates relative to EGBs. CPI fell -0.3% m/m NSA (-0.1% consensus). Core CPI fell -0.2% m/m. Markets slightly increased pricing for SNB cuts and lean toward more than a quarter point cut at the next decision on December 12th and a terminal rate of 0.25% next year from 1% now. The lower bound may be in sight for the SNB, although the franc has depreciated since its latest cut which alleviates some pressure given that the central bank has been battling currency strength.

US MACRO DATA TO TEASE BEFORE TOMORROW'S PAYROLLS

US weekly claims might face a Hurricane Helene effect that could temporarily depress filings (8:30amET). The first-round effect of major storms tends to mean fewer folks going to file and fewer folks there to file as offices shut and folks stay home. The question is

whether this will be significant enough to matter given that Helene made landfall last Thursday evening in Florida and later up the panhandle into the Carolinas. The second-round effect could be higher filings in next week's data. Be careful to control for any such influences by examining the affected states.

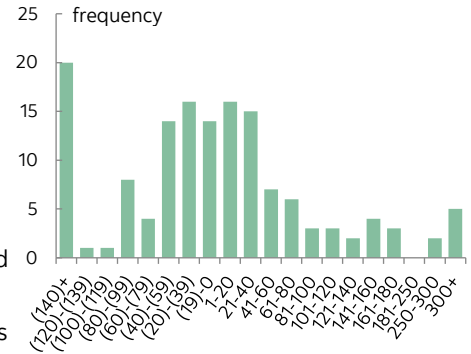
Challenger job cuts held steady at 72,821 in September which was little changed from the prior month's 75,891. They remain compatible with job growth and relatively low (chart 1). It is seasonally unadjusted data that is merely following the same pattern as last year (chart 2); layoffs peak at the start of the new company fiscal year, wane into summer, temporarily pick-up toward the end of summer and then resume a declining trend.

ISM-services has been signalling moderate growth with persistently significant price pressures and flat employment. September's update won't impact nonfarm estimates (10amET). The US also updates factory orders for August that are expected to post mild growth driven by nondurables as durable goods orders were flat that month (10amET).

Yesterday's ADP private payrolls landed at +143k (consensus 125k, Scotia 140k) which avoided a fear factor should it have signalled a weaker job market rather than a mild pick-up from the prior month's 103k gain. Chart 3 shows the historical spread between initial ADP and initial nonfarm payroll change estimates. It can be used in multiple ways, one of which to indicate that there is a low roughly 10% chance that nonfarm payrolls come in negative (with ADP overshooting nonfarm by 140k or more) and an even lower chance of a materially negative nonfarm payrolls report.

Chart 3

Differences Between Initial ADP and Private Non-Farm Payrolls 2012-2024



000s; parentheses indicate negative values; positive values indicate ADP overshoots
Sources: Scotiabank Economics, BLS, ADP.

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.	3.66	3.64	3.63	3.57	3.55	3.57	3.81	3.78	3.80	4.15	4.13	4.13	Canada - BoC	4.25
CANADA	2.99	2.98	2.98	2.83	2.81	2.81	3.05	3.02	3.02	3.23	3.20	3.20	US - Fed	5.00
GERMANY	2.07	2.04	2.13	1.97	1.92	2.01	2.14	2.09	2.18	2.47	2.42	2.50	England - BoE	5.00
JAPAN	0.37	0.37	0.35	0.49	0.49	0.47	0.83	0.83	0.83	2.08	2.07	2.09	Euro zone - ECB	3.65
U.K.	3.97	4.02	3.96	3.86	3.90	3.85	4.02	4.03	4.01	4.60	4.59	4.60	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-66	-66	-65	-75	-75	-76	-76	-76	-78	-92	-93	-93	Mexico - Banxico	10.50
GERMANY	-159	-160	-150	-161	-163	-156	-166	-169	-161	-168	-171	-163	Australia - RBA	4.35
JAPAN	-328	-327	-328	-309	-307	-310	-297	-296	-297	-207	-206	-204	New Zealand - RBNZ	5.25
U.K.	32	37	33	29	34	28	21	24	21	45	46	47		
Equities	Level						% change:						Next Meeting Date	
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	24002			-32.4			-0.1	0.4	4.2			26.2	Canada - BoC	Oct 23, 2024
Dow 30	42197			39.5			0.1	0.7	3.1			27.9	US - Fed	Nov 07, 2024
S&P 500	5710			0.8			0.0	-0.2	3.3			35.0	England - BoE	Nov 07, 2024
Nasdaq	17925			14.8			0.1	-0.9	4.6			37.3	Euro zone - ECB	Oct 17, 2024
DAX	19091			-74.1			-0.4	-0.8	1.8			26.6	Japan - BoJ	June 14, 2024
FTSE	8327			36.3			0.4	0.5	0.3			11.5	Mexico - Banxico	Nov 14, 2024
Nikkei	38552			743.3			2.0	-1.0	4.1			26.3	Australia - RBA	Nov 04, 2024
Hang Seng	22114			-330.2			-1.5	15.6	26.7			28.6	New Zealand - RBNZ	Oct 08, 2024
CAC	7532			-46.0			-0.6	-2.7	-0.6			7.6		
Commodities	Level						% change:							
			Change			1 Day	1-wk	1-mo			1-yr			
WTI Crude			0.64			0.9	4.5	0.6			-20.7			
Natural Gas			0.04			1.5	13.3	32.9			-0.7			
Gold			-11.88			-0.4	-1.0	18.7			45.2			
Silver			0.04			0.1	-1.4	9.7			45.2			
CRB Index			0.76			0.3	0.3	5.3			2.0			
Currencies	Level						% change:							
			Change			1 Day	1-wk	1-mo			1-yr			
USDCAD			0.0032			0.2	0.5	-0.1			-1.3			
EURUSD			-0.0001			-0.0	-1.2	0.0			5.5			
USDJPY			0.2700			0.2	1.3	0.9			-1.5			
AUDUSD			-0.0038			-0.6	-0.7	2.0			8.6			
GBPUSD			-0.0169			-1.3	-2.4	-0.1			8.5			
USDCHF			-0.0003			-0.0	0.4	-0.1			-7.8			

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