

DAILY POINTS

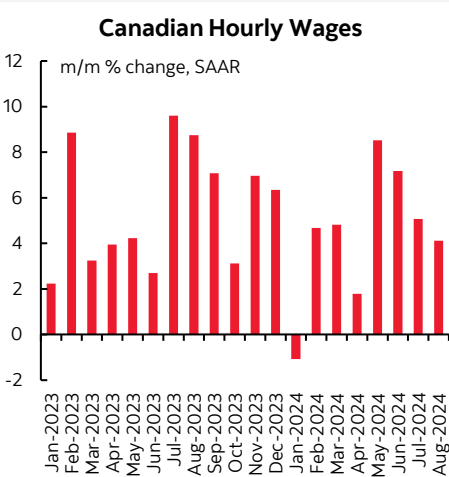
October 11, 2024 @ 7:05 EST

Contributors

Derek Holt

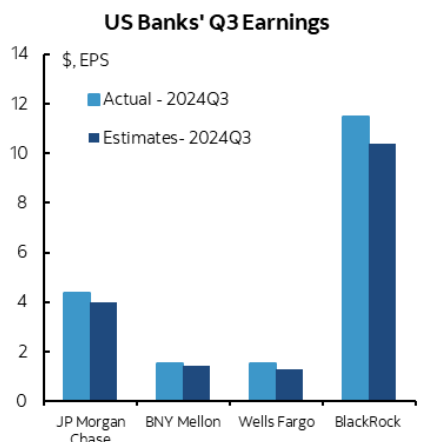
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Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

On Deck for Friday, October 11

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	10/11	08:30	Building Permits (m/m)	Aug	--	-7.8	22.1
CA	10/11	08:30	Employment (000s m/m)	Sep	10.0	27.0	22.1
CA	10/11	08:30	Unemployment Rate (%)	Sep	6.8	6.7	6.6
US	10/11	08:30	PPI (m/m)	Sep	0.1	0.1	0.2
US	10/11	08:30	PPI ex. Food & Energy (m/m)	Sep	0.2	0.2	0.3
US	10/11	10:00	U. of Michigan Consumer Sentiment	Oct P	70.0	71.0	70.1
CA	10/11	10:30	Business Outlook Future Sales	3Q	--	--	1.0
US	10/11	09:45	Fed's Goolsbee Gives Opening Remarks				
US	10/11	10:45	Fed's Logan Participates in Panel Discussion				
US	10/11	13:10	Fed's Bowman Speaks on Community Banking				

KEY POINTS:

- **Stocks and bonds mildly cheaper into long weekends in Canada, US**
- **Chinese stocks drop ahead of MoF announcements tonight**
- **Canadian jobs could inform BoC's size and pace expectations...**
- **...and so could the BoC's surveys including inflation expectations**
- **Friday Humour: Canada's Federal government is done with spending, bwah!**
- **US producer prices to further inform core PCE estimate**
- **US bank earnings generally beat expectations**
- **UK macro data was constructive with little market effect...**
- **...ahead of next week's key CPI, jobs, wages and retail sales**
- **BCRP surprises with a hold**
- **BoK delivers first cut of the cycle**
- **Another early bond close in Canada**

Markets are in a cautious frame of mind so far this morning. Sovereign bonds and equities are mildly cheaper as key US earnings reports start rolling in ahead of US producer prices that may firm up core PCE estimates after yesterday's warmer than expected core CPI print. Canada updates jobs and wages followed two hours later by the BoC's surveys and ahead of next week's CPI that should combine to firm up our BoC call. Overnight developments were fairly light, with a notable market outlier behind the 2 ½%–4% declines in Chinese equities ahead of tonight's MoF presser (10pmET).

On tap are the following:

1. US PPI (8:30amET): The September figures arrive coincidentally to the next thing on the list and may dominate market reactions. This will be used to inform core PCE estimates. A mild gain in core PPI of 0.2% m/m is expected. The US also updates the UMich consumer sentiment reading for October this morning (10amET) that will include inflation expectations.
2. Canadian jobs (8:30amET): See separate preview below and more in the Global Week Ahead. A key is wage growth (chart 1).
3. US banks kicked off the US earnings season this morning. BlackRock and JP Morgan crushed it, BoNYM beat expectations, but Wells Fargo's shares fell as net interest income missed (chart 2).
4. BoC surveys of consumers and businesses including inflation expectations arrive two hours after jobs (10:30amET). Key will be whether inflation expectations show material further progress or continue to indicate sticky, elevated levels (charts 3, 4).

Overnight developments included the following.

SOLID UK MACRO DATA IS A JUST A WARM-UP

UK macro data was constructive but only added about 1bp to November BoE pricing that is mostly priced for a quarter point cut. Next week’s deluge of data on jobs, wages, inflation and retail sales will be more important to gilts and sterling. For now, August data rebounded from prior softness. GDP was on the screws at +0.2% m/m. Industrial output was stronger at +0.5% m/m (0.2% consensus) with a slight upward revision (-0.7% instead of -0.8). Manufacturing led the way at +1.1% m/m (0.2% consensus) with only some of that offset by a downward revision (-1.2% m/m instead of -1%). Services were a mild disappointment (+0.1% m/m, 0.2% consensus). And the trade side of the picture posted a narrower deficit.

PERU'S CENTRAL BANK SURPRISINGLY WHIFFED

Peru’s central bank surprised by holding its reference rate unchanged at 5.25% last evening. Most had expected a quarter point cut. The statement ([here](#)) flagged expectations for inflation to remain within the target range and committed to remaining data dependent for future decisions.

BANK OF KOREA COMMENCES EASING CYCLE

The Bank of Korea cut 25bps as expected overnight. It was the first cut of the cycle for the BoK. Reference to a “restrictive stance” was deleted from remarks that were offered after the statement’s publication.

CANADIAN JOBS PREVIEW

Here is an outline of expectations for the jobs report.

Consensus median: 27k

Consensus mean: 31k (slight skewness above the median but slanted by one usual wild outlier)

Scotia: 10k

Range: Most are within around 10–40k

Whisper number: N/A for Canada

Std dev: 23k

95% confidence interval: +/-57k

UR: 6.7% / Scotia 6.8%

Wages: N/A, running hot m/m SAAR for four straight months

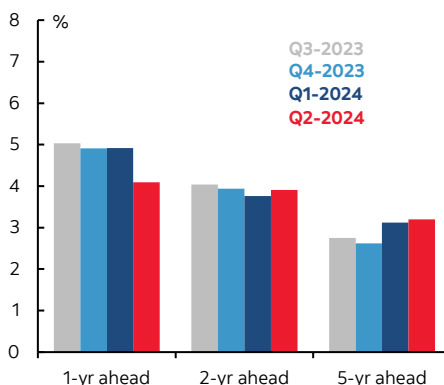
Rationale:

There is a lot of white noise in the labour force survey so anything can happen but see my week ahead article that discusses the policy changes affecting temporary residents last month which may mean more vacancies.

Media coverage of the temps issue is often distorted by making it sound like there is no progress toward reducing the inflows. That’s not true. The quarter-over-quarter change in temps has been decelerating for the past three quarters and even though their numbers continue to rise, they are doing so at a progressively lower and lower rate. Then enter the policy changes into Q4 that should begin to bite more significantly.

Chart 3

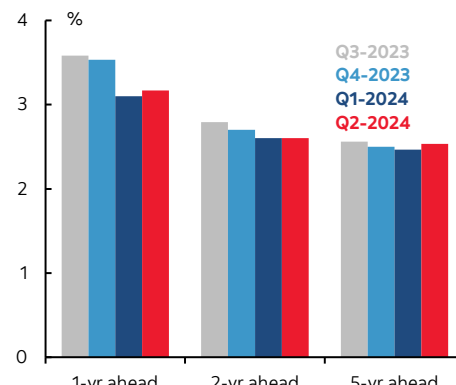
Canadian Consumers Inflation Expectations



Sources: Scotiabank Economics, Bank of Canada.

Chart 4

Canadian Businesses' Inflation Expectations Remain High



Sources: Scotiabank Economics, Bank of Canada.

Canada also has some seasonality issues to be mindful toward. Last year's September SA factor, for instance, was the second biggest on record compared to like months of September (chart 5).

The UR is forecast to rise another two-tenths as aggregate population and labour force growth outpaces employment gains. This argument is getting closer to maturity.

Hours worked will help to further inform GDP tracking in Q3 given that GDP is hours times labour productivity. So far, hours are tracking +2.6% q/q SAAR pending September's number.

FRIDAY HUMOUR—CANADA'S FEDERAL GOVERNMENT IS DONE WITH SPENDING, BWAH!

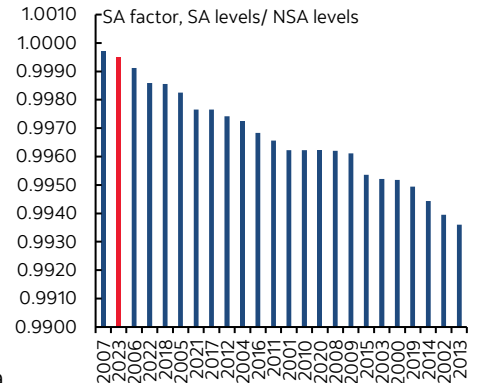
So, we're asked to believe that the Canadian Fall Economic Statement (FES) won't include any new measures that would risk a confidence vote that could topple the government. Count me skeptical, and the BoC should be skeptical too since yesterday's story plant on fiscal policy is coming before the BoC's upcoming rate decision the week after next. If the government wants a bigger rate cut and seeks to manipulate the BoC in that direction, then planting a story about no further fiscal stimulus in the FES could be one way of doing it. Fool me once.....

Or maybe the 'source familiar with the matter' who is saying the FES may be slim just isn't PM Trudeau who calls the shots. Or NDP leader Singh who tells Trudeau what to do or else he'll topple the government and recall that the NDP always has a long list of wishes (on top of the Bloc's). Or maybe they're saving it for peak impact in a Winter budget. All of this is conjecture at this point as we're too far away from a mini-budget, the contents of which usually get leaked in the days leading up to the date that isn't set yet. Nevertheless, I still like the assumption that a desperate government that is polling horribly ([here](#)) will at some point pull out the stops to bribe us with our own money—whether it's next month in a FES, or in a Winter budget.

Today brings another early 1pmET bond close in Canada ahead of Canadian Thanksgiving.

Chart 5

Comparing Canada LFS SA Factor for All Months of September



Sources: Scotiabank Economics, Statistics Canada.

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.	3.98	3.96	3.92	3.92	3.89	3.81	4.10	4.06	3.97	4.40	4.36	4.25	Canada - BoC	4.25
CANADA	3.11	3.10	3.13	3.03	3.00	3.02	3.25	3.22	3.20	3.38	3.36	3.33	US - Fed	5.00
GERMANY	2.28	2.23	2.20	2.16	2.11	2.07	2.30	2.26	2.21	2.58	2.55	2.49	England - BoE	5.00
JAPAN	0.42	0.42	0.37	0.58	0.57	0.50	0.95	0.96	0.89	2.17	2.19	2.09	Euro zone - ECB	3.65
U.K.	4.22	4.19	4.14	4.12	4.08	4.02	4.24	4.21	4.13	4.78	4.75	4.68	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-87	-85	-79	-89	-88	-79	-85	-84	-77	-102	-100	-93	Mexico - Banxico	10.50
GERMANY	-171	-173	-172	-176	-177	-173	-180	-181	-176	-182	-181	-176	Australia - RBA	4.35
JAPAN	-357	-354	-355	-334	-332	-331	-315	-310	-308	-223	-217	-216	New Zealand - RBNZ	4.75
U.K.	24	23	22	20	19	21	14	15	16	38	39	43		
Equities	Level						% change:						Next Meeting Date	
	Last	Change		1 Day		1-wk		1-mo		1-yr				
S&P/TSX	24302	77.4		0.3		1.4		4.7		23.6		Canada - BoC	Oct 23, 2024	
Dow 30	42454	-57.9		-0.1		1.1		3.9		25.6		US - Fed	Nov 07, 2024	
S&P 500	5780	-12.0		-0.2		1.4		4.1		32.1		England - BoE	Nov 07, 2024	
Nasdaq	18282	-9.6		-0.1		2.0		5.1		33.8		Euro zone - ECB	Oct 17, 2024	
DAX	19241	29.9		0.2		0.6		5.0		24.5		Japan - BoJ	June 14, 2024	
FTSE	8224	-13.5		-0.2		-0.7		0.4		7.9		Mexico - Banxico	Nov 14, 2024	
Nikkei	39606	224.9		0.6		2.5		11.2		24.0		Australia - RBA	Nov 04, 2024	
Hang Seng	21252	614.7		3.0		-3.9		24.2		18.8		New Zealand - RBNZ	Nov 26, 2024	
CAC	7549	7.5		0.1		0.1		2.1		5.9				
Commodities	Level						% change:							
WTI Crude	75.23	-0.62		-0.8		1.1		11.8		-9.9				
Natural Gas	2.70	0.03		1.0		-5.3		19.1		-20.0				
Gold	2640.52	10.78		0.4		-0.5		18.4		40.9				
Silver	30.67	-0.02		-0.0		-2.6		7.9		41.2				
CRB Index	290.63	4.49		1.6		-0.2		7.9		4.8				
Currencies	Level						% change:							
USDCAD	1.3771	0.0029		0.2		1.4		1.4		1.3				
EURUSD	1.0935	0.0001		0.0		-0.4		-0.7		3.0				
USDJPY	149.13	0.5600		0.4		0.3		4.8		-0.0				
AUDUSD	0.6732	-0.0007		-0.1		-0.9		0.9		5.0				
GBPUSD	1.3063	0.0004		0.0		-0.4		0.2		6.1				

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