

DAILY POINTS

October 24, 2024 @ 7:00 EST

Contributors

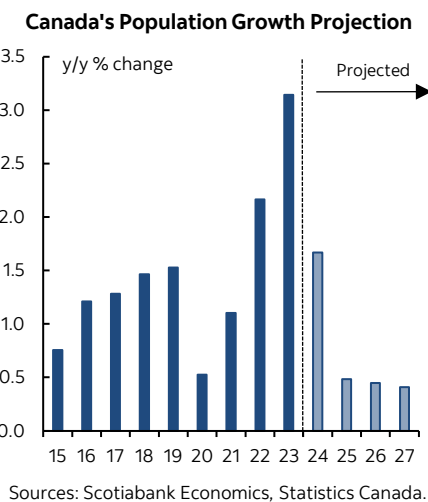
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Chart 1



Chart 2



On Deck for Thursday, October 24

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-24	08:30	Initial Jobless Claims (000s)	Oct 19	295	241.5	241.0
US	10-24	08:30	Continuing Claims (000s)	Oct 12	1910	1875.0	1867.0
US	10-24	08:45	Fed's Hammack Gives Welcome Remarks				
US	10-24	10:00	New Home Sales (000s a.r.)	Sep	700	720.0	716.0

KEY POINTS:

- **Weak global PMIs supporting mostly lower sovereign yields**
- **Japan's PMIs were the weakest, India's the strongest**
- **US weekly claims, new home sales, PMIs on tap**
- **Canada to auction 30s**
- **Canada to announce immigration changes today; assessing the impact**
- **Gold continues to rally on US fiscal policy-driven inflation fears**

Sovereign bonds are rallying across most markets (except the UK) after a wave of purchasing managers' indices generally disappointed. They signalled weak economies across the Eurozone, UK, Japan, and Australia and, if backed by hard data instead of just soft sentiment surveys—keep central banks in easing mode. India's economy bucked the trend.

Canada's curve continues to rally in sync with global sovereign bonds but also in the wake of yesterday's BoC communications (recap [here](#)).

Also watch light US data on claims and new home sales today. Gold is up by more than another US\$20/oz this morning on one of the best winning streaks of any asset class and largely on inflation fears related to the US election as the past relationship with the real 10-year Treasury yield has broken down (chart 1).

Here's a rundown of the PMIs:

- The Eurozone composite PMI was flat (49.7, 49.6 prior) with little change in both services (51.2, 51.4 prior) and manufacturing (45.9, 45.0 prior). France deteriorated while Germany improved, but both countries' composite PMIs remain in contraction.
- The UK composite PMI fell 0.9 points to 51.7 as both services (51.8, 52.4 prior) and manufacturing (50.3, 51.5 prior) decelerated.
- Japan's composite PMI fell into contraction (49.4, 52.0 prior) mainly due to services (49.3, 53.1 prior) as manufacturing fell by less (49.0, 49.7 prior).
- Australia's composite PMI was little changed (49.8, 49.6 prior) and remains slightly in contraction territory. Services are barely expanding (50.6, 50.5 prior) while manufacturing continues to contract (46.6, 46.7 prior). Yet the job market is ripping.
- India's composite PMI inched higher to 58.6 (58.3 prior) mainly on a 0.9 jump in manufacturing to 57.4 as services continued to grow at a solid pace (57.9, 57.7 prior).

South Korean rates rallied after Q3 GDP disappointed (0.1% q/q SA, 0.4% consensus).

Watch US weekly jobless claims (8:30amET) for a possible lagging hurricane effect after the double-barrelled hit from Helene that made landfall on September 26th and then Milton on October 9th. The US also releases its PMIs (9:45amET) and new home sales (10amET).

Canada will be quiet with just a 30 year auction at noon.

ASSESSING CANADA'S IMMIGRATION POLICY CHANGES

Canada will announce changes to immigration plans today that were leaked yesterday.

Canada's population growth will grind lower to about ½% y/y or less in each of the next three years with the Trudeau government's pending announcements on immigration policy changes today.

If press reports are accurate—and I'm sure the Trudeau

Liberals did not deliberately leak the figures to [this](#) newspaper in particular!—then chart 2 is the likely outcome for population growth. This projection incorporates Statistics Canada's projections for births, deaths and emigration and uses the projections for permanent residents to be formally announced today (chart 3) and temporary residents (chart 4).

The temps projection calculates the implied annual reductions in the temp population from 7.2% of total population now to the 5% target three years from now. In order to achieve this, the temp category would have to decline outright by about a quarter million per year. The permanent residents projection uses the figures from the previously cited article.

This curtailment of immigration has positives and negatives. A positive is that population growth had been excessive in terms of the ability of the country's labour market, housing market, social/health/education services, and overall infrastructure to absorb this and so curtailment it will help ease some of the pressures at the margin.

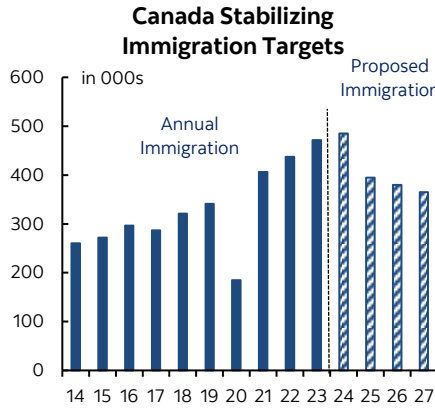
Another positive is that we should see the per capita consumption and per capita GDP figures go higher over the next three years (charts 5, 6) using these population projections and what I think are highly conservative forecasts for GDP and consumption. Canada will still have ongoing productivity challenges that will impair growth in these per capita readings, but at least one part of the challenge—excessive population growth—will be addressed. As argued for a long while now, the

harshest critics do not separate out the drivers of falling per capita readings which is unfortunate. They also exhibit no patience; it takes time to integrate a surge in population from a consumption and GDP standpoint and that doesn't just happen in a year or two.

For the Bank of Canada, this curtailment of population will have competing effects. Slower population growth will eventually impact housing and consumption growth, but not for a long while as Canada has a backlog of immigration to work through, deep structural housing shortages to clear out that will take many years, and pent-up domestic demand for housing and consumption. The slower population growth will also lower potential GDP growth—or the supply side's growth limits—which is likely to mean capacity constraints and a tight labour market—unless productivity growth accelerates which seems unlikely.

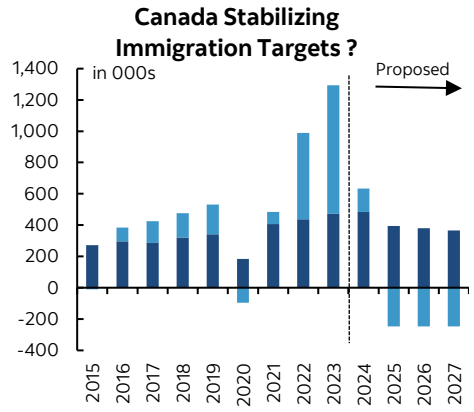
A significant negative, however, is that mismanagement of Canada's immigration programs will cost this country for many years. Potential immigrants have choices. They've seen Canada ramp up in uncontrolled fashion, then throw their status in limbo and then remove many of them midstream. Potential future arrivals have to be able to rely on the rules for years at a time in order to have confidence in their decision to arrive in Canada. Otherwise, they'll go to, say, the US, or Australia, or NZ etc. Why court the risk of future instability in Canadian immigration policies after deciding to take the leap? There must be accountability for the damage done to Canada's stature as a welcoming, reliable nation for new arrivals. Frankly, as both an economist and a Canadian, I'm utterly ashamed of how this government has so severely botched the immigration file for several years now.

Chart 3



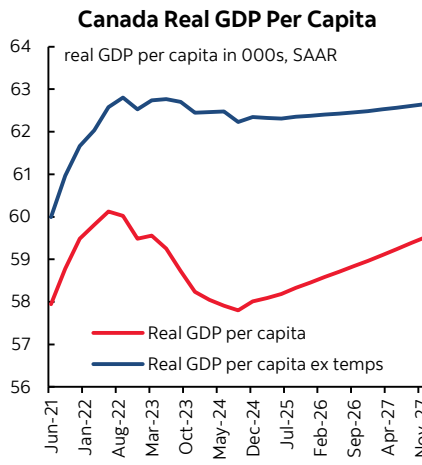
Sources: Scotiabank Economics, Statistics Canada, Ministry of Immigration, Refugees & Citizenship Canada.

Chart 4



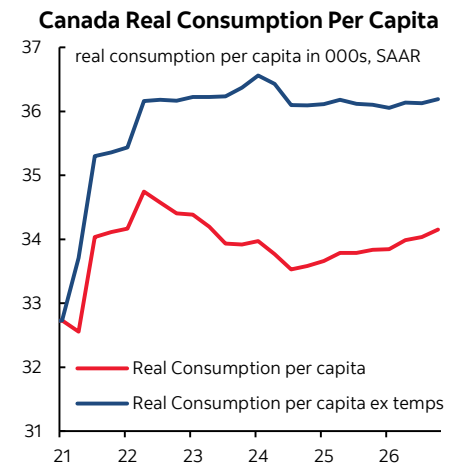
Sources: Scotiabank Economics, Statistics Canada, Ministry of Immigration, Refugees & Citizenship Canada.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

Chart 6



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.	4.05	4.08	3.97	4.01	4.06	3.90	4.19	4.25	4.09	4.46	4.52	4.39	Canada - BoC	3.75
CANADA	3.02	3.05	3.01	2.97	3.02	2.93	3.21	3.26	3.16	3.36	3.41	3.31	US - Fed	5.00
GERMANY	2.06	2.10	2.15	2.07	2.11	2.05	2.26	2.30	2.21	2.59	2.63	2.52	England - BoE	5.00
JAPAN	0.45	0.45	0.44	0.58	0.60	0.59	0.96	0.98	0.97	2.21	2.22	2.14		
U.K.	4.11	4.09	4.03	4.06	4.04	3.95	4.22	4.20	4.09	4.75	4.73	4.62		
	Spreads vs. U.S. (bps):													
CANADA	-103	-103	-96	-103	-104	-97	-98	-98	-93	-110	-111	-108	Euro zone - ECB	3.40
GERMANY	-199	-198	-183	-194	-194	-185	-193	-194	-188	-188	-189	-187	Japan - BoJ	-0.10
JAPAN	-359	-363	-354	-342	-346	-331	-323	-326	-312	-226	-230	-225		
U.K.	7	1	6	6	-2	5	3	-5	-0	28	21	23	Mexico - Banxico	10.50
Equities	Level					% change:								
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	24574	-143.1			-0.6	0.1	2.6	29.4						
Dow 30	42515	-409.9			-1.0	-1.3	0.7	28.3						
S&P 500	5797	-53.8			-0.9	-0.8	1.1	36.5						
Nasdaq	18277	-296.5			-1.6	-0.5	1.1	39.1						
DAX	19504	126.8			0.7	-0.4	2.7	31.1						
FTSE	8307	47.9			0.6	-0.9	0.3	12.4						
Nikkei	38143	38.4			0.1	-2.0	0.5	22.8						
Hang Seng	20490	-270.5			-1.3	2.0	7.8	20.6						
CAC	7556	58.9			0.8	-0.4	-0.6	9.6						
Commodities	Level					% change:								
		Change			1 Day	1-wk	1-mo	1-yr						
WTI Crude	71.56	0.79			1.1	1.3	0.0	-14.5						
Natural Gas	2.39	0.05			2.0	1.7	-6.4	-19.6						
Gold	2737.95	22.40			0.8	1.7	22.8	38.9						
Silver	34.51	0.09			0.2	8.5	12.7	48.8						
CRB Index	283.44	-0.80			-0.3	0.6	-1.4	0.6						
Currencies	Level					% change:								
		Change			1 Day	1-wk	1-mo	1-yr						
USDCAD	1.3817	-0.0019			-0.1	0.2	2.9	0.6						
EURUSD	1.0801	0.0019			0.2	-0.3	-3.4	2.0						
USDJPY	151.84	-0.9200			-0.6	1.1	6.0	1.3						
AUDUSD	0.6657	0.0023			0.3	-0.6	-3.4	4.8						
GBPUSD	1.2973	0.0052			0.4	-0.3	-3.3	6.7						
USDCHF	0.8655	-0.0009			-0.1	-0.1	2.6	-3.1						
		Next Meeting Date												
													Canada - BoC	Dec 11, 2024
													US - Fed	Nov 07, 2024
													England - BoE	Nov 07, 2024
													Euro zone - ECB	Dec 12, 2024
													Japan - BoJ	June 14, 2024
													Mexico - Banxico	Nov 14, 2024
													Australia - RBA	Nov 04, 2024
													New Zealand - RBNZ	Nov 26, 2024

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