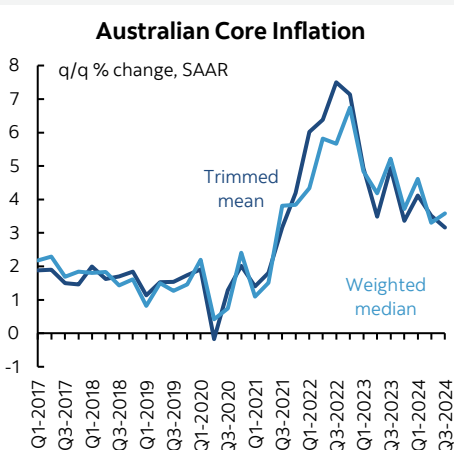


Contributors

Derek Holt

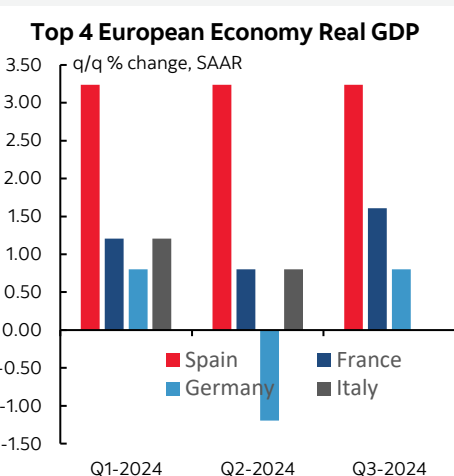
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Chart 1



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

On Deck for Wednesday, October 30

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-30	07:00	MBA Mortgage Applications (w/w)	Oct 25	--	--	-6.7
US	10-30	08:15	ADP Employment Report (000s m/m)	Oct	100	110.5	143.0
US	10-30	08:30	GDP (q/q a.r.)	3Q A	3.0	2.9	3.0
US	10-30	08:30	GDP Deflator (q/q a.r.)	3Q A	--	1.9	2.5
US	10-30	10:00	Pending Home Sales (m/m)	Sep	--	1.9	0.6
CA	10-30	16:15	BOC's Macklem and Rogers Speak to Senators in Ottawa				

KEY POINTS:

- **Fundamentals Day isn't having much effect upon asset classes, so far**
- **Gilts outperforming ahead of the UK's tax-and-spend budget**
- **Eurozone GDP grows at fastest pace since 2022Q3...**
- **...as most of the major countries beat expectations**
- **Mixed and partial Eurozone inflation readings**
- **The US economy probably put in another hot quarter...**
- **...driven by strong consumer spending**
- **US core PCE tracking ~2% q/q SAAR**
- **US ADP payrolls may provide an early glimpse at hurricane, strike effects**
- **Aussie core inflation remains hot, pushes cut pricing down and out**
- **Mexico's GDP growth probably accelerated in Q3**
- **BoC testimony likely to be a dull replay**

It's fundamentals day! It's both fun, and numbingly tedious, but here we go. A mixture of growth, inflation and jobs reports across Europe, Australia, the US and Mexico are not having much effect on markets so far, but we'll see when the US figures land. The UK Budget's mixture of higher taxes and spending will be released shortly with gilts outperforming into it, although these events are typically so well telegraphed and leaked in advance that there is often little surprise on release. And with all of it we're merely passing the time until potentially all heck breaks loose next week with the US election and a deluge of central bank decisions.

AUSSIE INFLATION LOWERS RBA CUT PRICING

Australian yields climbed by about 2bps across the curve following the overnight release of CPI figures. Key is that the core measures were slightly firmer than expected which shaved several basis points off of February and April RBA cut pricing. Trimmed mean was revised up a tick to 0.9% q/q SA nonannualized in Q2 and Q3 landed at 0.8%, while weighted median CPI was up 0.9% after 0.8% previously. That leaves the two quarters running hot with average core inflation up by about 0.85%. At annualized rates, core is running at an average of 3.4% and hence above the RBA's headline inflation target range of 2-3% (chart 1).

EUROZONE ECONOMY GROWS AT FASTEST PACE IN TWO YEARS

European data was mixed as growth beat expectations, but inflation signals conflicted. As a result, EGBs are little changed on somewhat flatter curves.

Eurozone GDP grew by 0.4% q/q SA, doubling the consensus estimate of 0.2% with most of the bigger economies doing better than forecast. That's the strongest growth since 2022Q3. Here's the country break down (chart 2):

- Germany avoided technical recession, but on a technicality. Q3 GDP was up by 0.2% q/q SA (-0.1% consensus) significantly because the prior quarter was revised lower (-0.3% q/q instead of -0.1%). That still makes for a weak economy.
- Spain’s economy outperformed expectations by posting growth of 0.8% q/q SA (0.6% consensus).
- France’s economy beat expectations (0.4% q/q, 0.3% consensus).
- Italy’s economy missed expectations (0% q/q SA, 0.2% consensus).

MIXED EUROZONE INFLATION READINGS

Spain and Germany provided the first glimpses of what to expect for the Eurozone CPI tally on Thursday. Spain’s headline CPI was up 0.6% m/m (0.7% consensus) and core CPI increased by 0.48% m/m NSA which remains one of the weakest seasonally unadjusted readings compared to like months of October in history (chart 3). We’ll get the German national reading later this morning (9amET), but so far the individual states that have released are landing at 0.4–0.5% m/m which is pointing toward a materially stronger reading than the consensus national estimate of 0.2% m/m.

On tap into the N.A. session will be US and Mexican releases.

MEXICO’S ECONOMY PROBABLY ACCELERATED

Mexico’s economy is expected to accelerate to the strongest since Q3 of last year in q/q SAAR terms. GDP is expected to grow by about 0.7% q/q SA with most estimates varying between 0.4 and 1% (8amET).

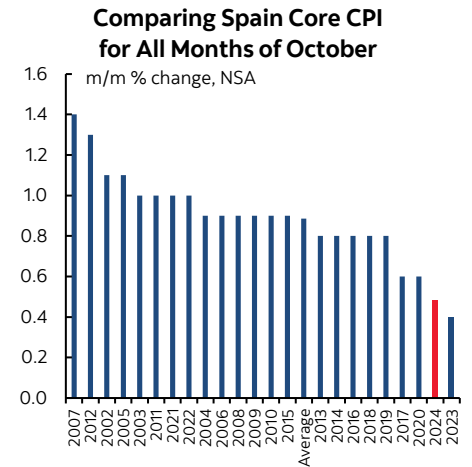
US ADP, Q3 GDP AND Q3 CORE PCE POSE MODEST DATA RISK

Then US data starts to hit with ADP private payrolls (8:15amET) to distract ahead of Friday’s nonfarm payrolls, and Q3 GDP that is expected to be 3-ish and led by the consumer that is expected to grow by well over 3% for the strongest quarter since at least 2023Q4 as shown in chart 4 (8:30amET). Have you ever chased Halloween inflatables across the lawn on a windy day? That’s a good time...but welcome to GDP nowcasting with every new data point.

Anyways, also watch Q3 core PCE (8:30amET) that is tracking 2% q/q SA assuming tomorrow’s estimate for September lands on 0.2% m/m SA (my estimate) within a consensus that is split between 0.2 and 0.3. The Q3 core PCE figure may embed monthly revisions alongside the implied September estimate which could retain risk into tomorrow’s monthly print.

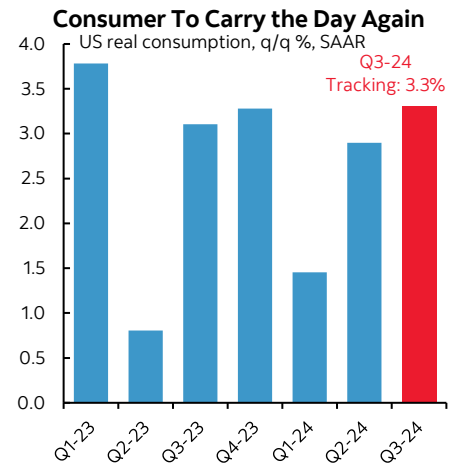
There is low risk in Canada with just round two of parliamentary testimony by Governor Macklem and SDG Rogers on tap after the close (4:15pmET). Yesterday’s first round of testimony was a snoozer.

Chart 3



Sources: Scotiabank Economics, INE.

Chart 4



Sources: Scotiabank Economics, BEA.

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.	4.08	4.10	4.08	4.06	4.08	4.06	4.22	4.26	4.25	4.47	4.50	4.52	Canada - BoC	3.75
CANADA	3.05	3.07	3.05	3.00	3.02	3.02	3.21	3.24	3.26	3.32	3.36	3.41	US - Fed	5.00
GERMANY	2.16	2.14	2.10	2.16	2.16	2.11	2.31	2.34	2.30	2.59	2.63	2.63	England - BoE	5.00
JAPAN	0.45	0.46	0.45	0.59	0.60	0.60	0.96	0.98	0.98	2.23	2.22	2.22		
U.K.	4.17	4.26	4.09	4.10	4.19	4.04	4.22	4.32	4.20	4.70	4.79	4.73		
Spreads vs. U.S. (bps):														
CANADA	-104	-103	-103	-106	-106	-104	-101	-101	-98	-114	-114	-111	Euro zone - ECB	3.40
GERMANY	-192	-196	-198	-190	-192	-194	-191	-192	-194	-188	-187	-189	Japan - BoJ	-0.10
JAPAN	-363	-364	-363	-347	-348	-346	-326	-327	-326	-224	-228	-230		
U.K.	9	16	1	4	11	-2	-1	6	-5	23	29	21	Mexico - Banxico	10.50
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	24563			-3.1	-0.0	-0.6	2.3	30.3						
Dow 30	42233			-154.5	-0.4	-1.6	-0.2	28.3						
S&P 500	5833			9.4	0.2	-0.3	1.2	40.0						
Nasdaq	18713			145.6	0.8	0.8	2.9	46.3						
DAX	19325			-152.6	-0.8	-0.3	0.0	31.3						
FTSE	8195			-24.2	-0.3	-0.8	-0.5	11.8						
Nikkei	39277			373.7	1.0	3.1	3.6	28.0						
Hang Seng	20381			-320.5	-1.5	-1.8	-3.6	17.1						
CAC	7410			-100.8	-1.3	-1.2	-3.0	8.6						
Commodities	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
WTI Crude	67.78		0.57	0.8	-4.2	-0.6	-17.7							
Natural Gas	2.85		-0.00	-0.2	21.9	-2.4	-14.9							
Gold	2780.43		5.69	0.2	2.4	24.7	39.3							
Silver	34.15		0.76	2.3	-0.8	7.0	50.1							
CRB Index	278.33		0.62	0.2	-2.1	-2.3	-0.9							
Currencies	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
USDCAD	1.3924		0.0009	0.1	0.6	3.0	0.7							
EURUSD	1.0832		0.0013	0.1	0.5	-2.7	2.0							
USDJPY	152.91		-0.4500	-0.3	0.1	6.5	2.6							
AUDUSD	0.6576		0.0015	0.2	-0.9	-4.9	3.2							
GBPUSD	1.2968		-0.0047	-0.4	0.4	-3.0	6.6							
USDCHF	0.8674		0.0001	0.0	0.1	2.6	-3.8							
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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