

### DAILY POINTS

November 1, 2024 @ 6:25 EST

#### Contributors

##### Derek Holt

VP & Head of Capital Markets Economics  
Scotiabank Economics  
416.863.7707  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

Chart 1

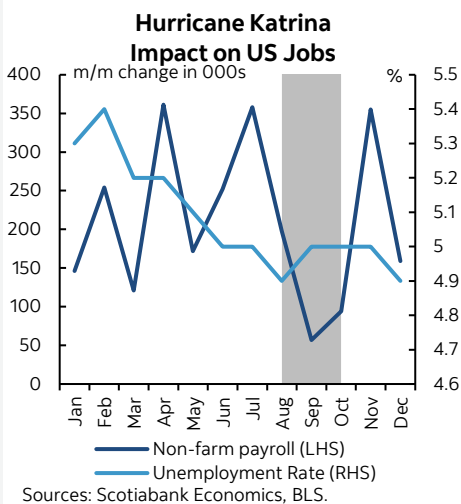
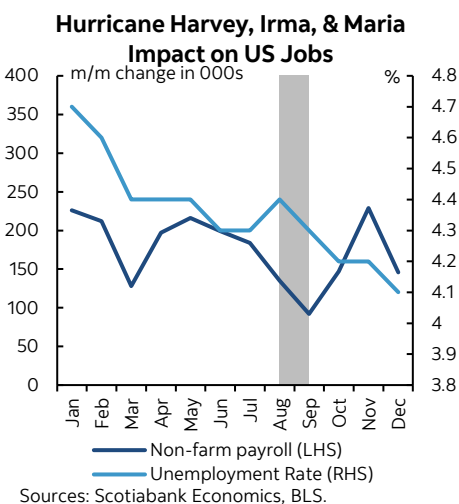


Chart 2



### On Deck for Friday, November 1

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11-01	08:30	Average Hourly Earnings (m/m)	Oct	0.3	0.3	0.4
US	11-01	08:30	Average Hourly Earnings (y/y)	Oct	4.0	4.0	4.0
US	11-01	08:30	Average Weekly Hours	Oct	--	34.2	34.2
US	11-01	08:30	Nonfarm Employment Report (000s m/m)	Oct	95	100.0	254.0
US	11-01	08:30	Unemployment Rate (%)	Oct	4.2	4.1	4.1
US	11-01	08:30	Household Employment Report (000s m/m)	Oct	--	--	430.0
US	11-01	09:00	Total Vehicle Sales (mn a.r.)	Oct	16	15.8	15.8
US	11-01	09:45	Fed's Logan Gives Welcoming Remarks				
US	11-01	10:00	Construction Spending (m/m)	Sep	0.0	0.0	-0.1
US	11-01	10:00	ISM Manufacturing Index	Oct	47.0	47.6	47.2

#### KEY POINTS:

- **Stocks higher on mixed earnings ahead of payrolls**
- **Scotia's Nonfarm Payrolls Preview**
- **Oil up on reports Iran is preparing to attack Israel**
- **Other US data: ISM-mfrg, construction spending, vehicle sales**
- **Swiss CPI miss has SNB pricing on the fence between 25 or 50**

Stocks are broadly higher ahead of US payrolls as the calendar flips over with month-end portfolio effects dissipating, and partly on the back of mixed earnings reports. Markets are taking Apple's earnings negatively, but Amazon's and Intel's positively. Gilts continue to cheapen post-Budget, although the pace has slowed with 2s and 10s up by about 25–30bps each since the Budget. Oil prices are up another couple of bucks as the rumour mill indicates that Iran is planning to retaliate against Israel's retaliation to Iran...and so on.

Overnight calendar-based risk was low with just Swiss CPI coming in softer than expected and driving a slightly dearer front-end and weaker CHF; markets are on the fence between a 25bps and 50bps SNB cut on December 12<sup>th</sup>.

Some other US data will follow payrolls including ISM-manufacturing (10amET), construction spending (10amET) and then vehicle sales by the end of the day. The Fed's Logan (9:45amET) will be the only scheduled Fed speaker to potentially react to payrolls, but there may well be others chiming in.

The rest will focus upon Scotia's nonfarm and related estimates that were submitted early on in consensus surveys.

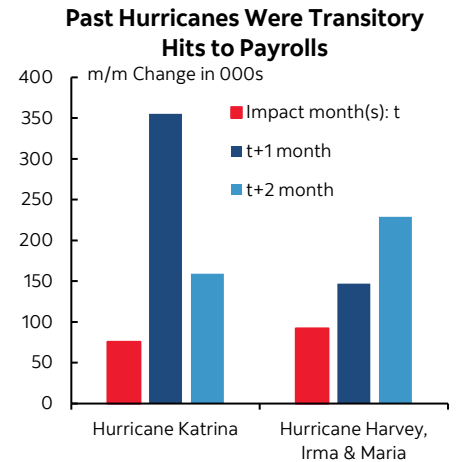
#### NONFARM PAYROLLS PREVIEW

- Median consensus: 100k
- Scotia: 95k (5<sup>th</sup> ranked out of 75 forecasters)
- Mean: 106k (ie: no material skewness)
- Range: Most are within about 75k and 150k with a low of -10k and high of 180k
- Whisper number: 140k (enter yours at WHIS <go>!)
- Std dev: 35.9k
- 90% confidence interval: +/-130k
- UR: 4.1% unchanged / Scotia 4.2%
- Wages: 0.3% m/m / Scotia same (4<sup>th</sup> ranked out of 59 forecasters)

Here are the drivers and rationale for the estimates.

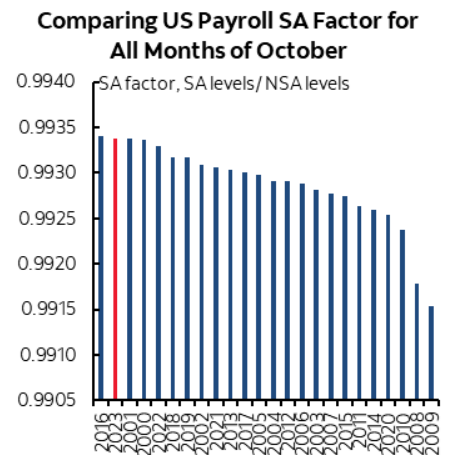
- See my fuller preview in the Global Week Ahead put out last Friday ([here](#)).
- the usual caveat on high white noise applies. A standout call relative to consensus would be a drop, or a gain of 230k+. Nobody is in those tails of the confidence bands.
- Hurricanes hit between the September and October nonfarm reference periods. Helene struck on September 26<sup>th</sup>–27<sup>th</sup> and Milton hit on October 9<sup>th</sup>. Their timing is likely to slow payrolls.
- We saw the effect of hurricanes on job growth with Katrina in 2005 and the trio of hurricanes in 2017 (charts 1, 2).
- Chart 3 shows that those past hurricanes offered transitory hits to payrolls; job growth rebounded over the next 1–2 months.
- You don't fall off payrolls per se when storms strike unless you're off the payrolls for the entire reference period. The BLS estimates two-thirds of payroll employees have a 2week, semi-monthly or monthly pay period and therefore a majority of workers only have to work one hour to be counted.
- But, getting to interviews for both hiring managers and candidates, completing the paperwork etc can be negatively affected in terms of job offers and acceptance.
- Further, there were significant strikes that are also unlikely to directly impact payrolls, but the business interruption effects could constrain job growth.
- Seasonal adjustments may be distorting once more and that could be a big influence. There is a recency bias to SA factors toward the last few years and that means job growth tends to be overstated early in the year, understated in the summer, and now we're back in the period in which SA factors overstate job growth. Last October's SA factor for payrolls was the second highest in the history of October SA factors (chart 4).
- I went with an up-tick on the UR drawn from the companion household survey which registered a job gain of 430k last month and a labour force gain of 150k. I think relative mean reversion will kick in to drive UR up.
- Wage growth has been running above trend of late and several major contract settlements may influence the figures (chart 5).
- Among advance indicators, ADP private payrolls equalled 233k with upward revisions. There is only about a 10% chance that nonfarm would come in at 100k or less and a 5% chance that nonfarm declines. Chart 6 shows the historical distribution of the spread between initial ADP and initial private nonfarm payroll estimates since ADP began revising its methodology.
- JOLTS job openings fell about 418k to 7.44 million in September
- consumer confidence jobs plentiful slipped a touch in October
- NFIB small business hiring plans were stable
- NFIB small business jobs hard to fill increased
- Challenger layoffs were 56k which given its NSA data was higher than seasonally normal
- Initial jobless claims were little changed between nonfarm reference periods
- Nonfarm frequently does not follow these other advance indicators partly due to methodological issues such as how nonfarm counts multiple jobs per person and excludes by

Chart 3



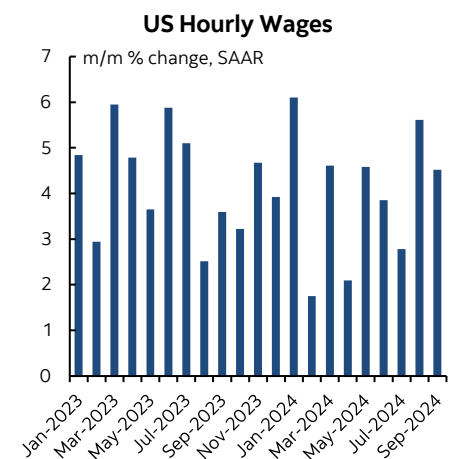
Sources: Scotiabank Economics, BLS.

Chart 4



Sources: Scotiabank Economics, BLS.

Chart 5



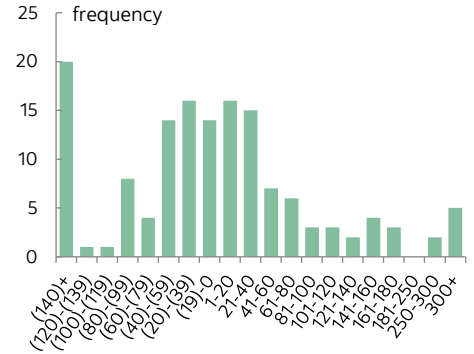
Sources: Scotiabank Economics, Statistics Canada.

definition any off-payroll jobs like many small businesses. The household survey captures the latter and only counts employed bodies to avoid double or triple counting multiple job holders, but the household survey has a ridiculously wide confidence band.

Markets and the Fed:

- a meaningfully positive surprise given the high statistical noise (like well over 200k again) would be surprising in light of the above and a sign that storms etc weren't a big enough factor to hold back underlying strength unless SA factors are wonky. The Fed could take that as a further sign of strength and bonds sell off
- A jobs downside would probably be taken in stride by the Fed depending in part on composition, but markets may not at least temporarily.
- All of which will likely be transitory effects as we move onto the US election and multiple central banks next week.

Chart 6  
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.	4.18	4.17	4.11	4.17	4.16	4.06	4.29	4.29	4.24	4.48	4.48	4.50	Canada - BoC	3.75
CANADA	3.07	3.10	3.07	3.02	3.05	3.01	3.22	3.26	3.24	3.29	3.34	3.37	US - Fed	5.00
GERMANY	2.26	2.28	2.12	2.27	2.27	2.12	2.40	2.39	2.29	2.64	2.60	2.60	England - BoE	5.00
JAPAN	0.47	0.45	0.45	0.59	0.59	0.58	0.95	0.95	0.96	2.22	2.22	2.18	Euro zone - ECB	3.40
U.K.	4.45	4.44	4.17	4.35	4.32	4.10	4.47	4.45	4.23	4.90	4.88	4.74	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	10.50
CANADA	-111	-107	-103	-115	-111	-106	-107	-102	-100	-119	-114	-113	Australia - RBA	4.35
GERMANY	-192	-189	-199	-190	-189	-195	-189	-190	-195	-184	-188	-190	New Zealand - RBNZ	4.75
JAPAN	-371	-373	-365	-358	-357	-348	-334	-333	-328	-226	-225	-232		
U.K.	27	26	6	18	16	4	18	16	-1	43	40	23		
Equities	Level						% change:						Next Meeting Date	
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	24157	-350.9		-1.4	-1.6	0.5	26.6							
Dow 30	41763	-378.1		-0.9	-1.4	-0.9	25.5							
S&P 500	5705	-108.2		-1.9	-1.8	-0.1	34.6							
Nasdaq	18095	-512.8		-2.8	-1.7	1.0	38.5							
DAX	19177	99.4		0.5	-1.5	-0.2	28.5							
FTSE	8162	51.9		0.6	-1.1	-1.4	11.2							
Nikkei	38054	-1027.6		-2.6	0.4	-1.5	20.4							
Hang Seng	20506	189.1		0.9	-0.4	-3.0	19.9							
CAC	7391	40.6		0.6	-1.4	-2.4	6.6							
Commodities	Level						% change:							
WTI Crude	71.12	1.86		2.7	-0.9	1.8	-11.6							
Natural Gas	2.71	0.00		0.1	5.8	-6.5	-22.5							
Gold	2748.71	4.74		0.2	0.0	23.3	38.6							
Silver	33.59	-0.44		-1.3	-1.6	8.1	44.8							
CRB Index	279.86	-0.40		-0.1	-0.9	-2.3	0.3							
Currencies	Level						% change:							
USDCAD	1.3933	-0.0001		-0.0	0.3	3.3	0.6							
EURUSD	1.0856	-0.0028		-0.3	0.6	-1.9	2.7							
USDJPY	152.76	0.7300		0.5	0.3	6.4	1.2							
AUDUSD	0.6565	-0.0017		-0.3	-0.7	-4.6	2.7							
GBPUSD	1.2913	0.0014		0.1	-0.4	-2.8	6.3							
USDCHF	0.8682	0.0041		0.5	0.2	2.6	-4.4							
								Mexico - Banxico	Nov 14, 2024					
								Australia - RBA	Nov 04, 2024					
								New Zealand - RBNZ	Nov 26, 2024					

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