

#### Contributors

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Chart 1

#### DOTs Do Reasonably Well in the Current Year

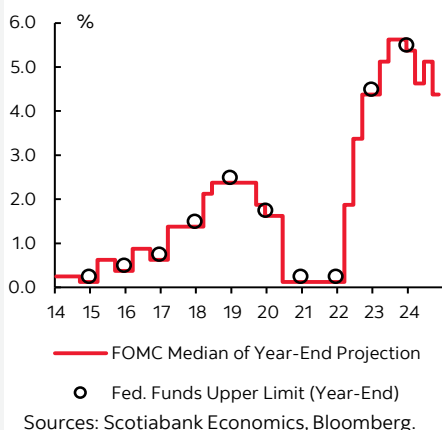
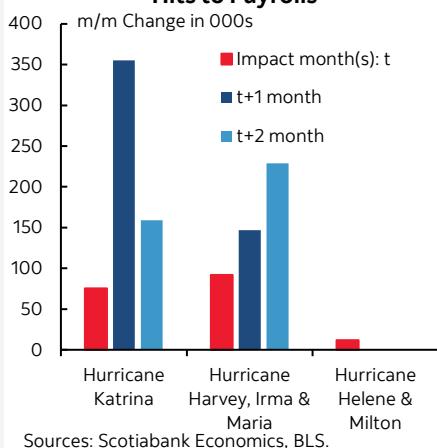


Chart 2

#### Past Hurricanes Were Transitory Hits to Payrolls



### On Deck for Thursday, November 7

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11-07	08:30	Initial Jobless Claims (000s)	Nov 02	235	222	216
US	11-07	08:30	Continuing Claims (000s)	Oct 26	1910	1873	1862
US	11-07	08:30	Productivity (q/q a.r.)	3Q P	2.2	2.5	2.5
US	11-07	08:30	Unit Labor Costs (q/q a.r.)	3Q P	1.0	1.0	0.4
<b>US</b>	<b>11-07</b>	<b>14:00</b>	<b>FOMC Interest Rate Meeting (%)</b>	<b>Nov 7</b>	<b>4.75</b>	<b>4.75</b>	<b>5.00</b>
US	11-07	15:00	Consumer Credit (US\$ bn m/m)	Sep	--	12.2	8.9

#### KEY POINTS:

- **The Trump trade gives way to the central bank trade**
- **FOMC expected to cut, but the outlook has become cloudier**
- **US productivity growth is not paying for rising employment costs as data disappoints**
- **BoE delivered a hawkish cut**
- **Riksbank cut 50bps, signalled more ahead**
- **Brazil's central bank hiked 50bps with a hawkish bias**
- **Peru's central bank expected to cut this evening**

From the now calmer Trump trade we transition to central banks that will now weigh in post-election and led by the FOMC. The BoE delivered a hawkish sounding 25bps cut, Brazil hiked 50bps last evening and the Riksbank cut 50bps overnight as expected. The Fed and Peru are on tap today. Data risk will be modest.

#### BoE Delivers a Hawkish Cut

The Bank of England cut Bank Rate by 25bps as widely expected. Markets took the set of forecasts and guidance as being slightly less dovish than expected. Sterling appreciated a touch and the yield on 2-year gilts increased a few basis points in the immediate aftermath. That's because of a few things. One is that the cut wasn't unanimous, but close to being so (8–1) with one dissenter (Mann) who preferred no change. Forecasts indicated that the recent UK Budget would add about a half percentage point to inflation at the peak effects and raise GDP by 0.75% with inflation expected to persistently run above 2% until 2027Q2. Forecasts embedded market pricing for the policy rate. Governor Bailey noted that further rate reductions cannot happen "too quickly or by too much."

#### Brazil's Central Bank Hiked 50bps With Hawkish Bias

Brazil's central bank cut 50bps as expected in a unanimous decision that struck a data dependent but hawkish tone on the bias. They noted that inflation risks "are tilted to the upside" including unmooring inflation expectations.

#### Riksbank Cut 50bps With Dovish Bias

Sweden's Riksbank cut 50bps as expected. They said on Sept 25th that a 50bps cut "is possible at one of these meetings" in reference to today's or December's. Guidance pointed to further cuts in December and 2025H1.

Overnight data was light. Chinese exports strongly beat expectations amid speculation that exporters are rapidly shipping products ahead of feared trade wars. German exports fell a little less than expected but industrial output fell by quite a lot more than consensus.

#### FOMC Likely to Stay on Course—For Now!

The FOMC is widely expected to cut by another 25bps. It will be a statement-only affair sans SEP/dots (2pmET) but will be followed by Chair Powell's press conference (2:30pmET).

The optics of not cutting would be bad on three counts. First, they usually stick to the current year dot plot when issued late in the year and it had -50bps over November and December (chart 1). Second, whiffing would be an admission that maybe they feel they shouldn't have gone big on the first cut. Third, to whiff right after the US election which would raise awkward questions given no policies have been introduced yet. Powell will avoid questions on potential US policy changes and adopt the wait-and-see line. That said, an economy in excess aggregate demand does not need fiscal pump priming which will only substitute fiscal easing for monetary easing at the margin and with trade policy risks hanging in the balance.

Powell will counsel looking through hurricane effects as every past Fed chair has, with one of the points likely to be that they expect payrolls to rebound as they usually do (chart 2). Other points, including firming wage and price figures, seasonality issues in the data, and the fact that the US economy remains in excess aggregate demand are explored [here](#). Chart 3 shows the output gap and chart 4 shows the upward trends in core inflation and wages.

**US Productivity Growth Weaker than Expected, Labour Costs Rising Faster**

US Q3 productivity growth landed at 2.2% q/q SAAR (2.5% consensus, Scotia 2.2%) and unit labour costs were up 1.9% q/q SAAR (1% consensus and Scotia). There were also big revisions. ULCs are now estimated to have increased by +2.4% q/q SAAR in Q2 instead of 0.4% as initially estimated, and partly as productivity growth was revised lower (2.1% instead of 2.5%). See charts 5 and 6.

This is incrementally negative for inflation risk especially given revisions. We're getting faster growth in productivity-adjusted employment costs and slower supply-side expansion than anticipated going into the numbers.

**Peru's Central Bank to Cut**

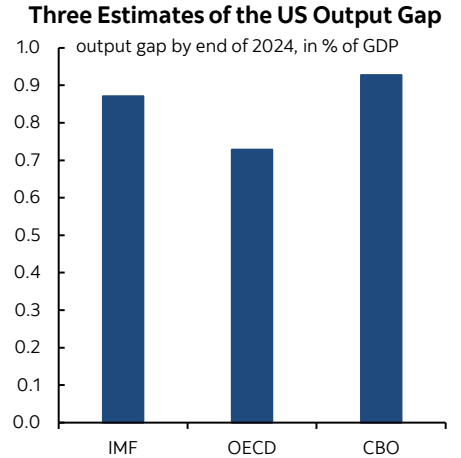
Peru's central bank is widely expected to cut 25bps this evening (6pmET).

Banco Central de Reserva del Peru (BCRP) faces a somewhat divided consensus. Several expect it to cut its reference rate by 25bps to 5%. Our Lima-based team is among those expecting a continuation of the unexpected hold that was delivered on October 10th.

The decision to hold at that meeting was driven by the central bank's expectation that inflation could rise again in Q4. Sure enough, inflation did rise in the recent CPI print for October at least in y/y terms to 2% from 1.8% the prior month. The core inflation rate nevertheless slipped back to 2.5% from 2.6% previously but remains above the 2% inflation target while inflation expectations continue to fall.

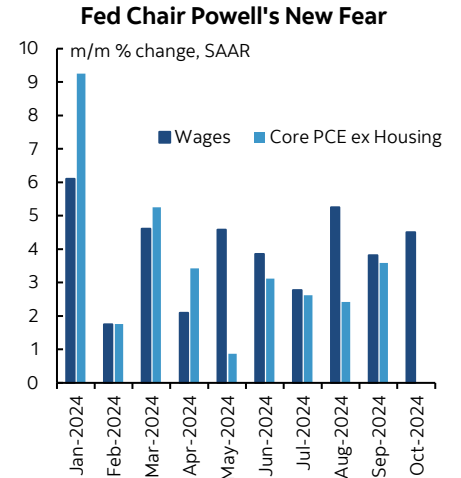
It may also be that BCRP feels it necessary to allow monetary easing to date to work through with the effects being evaluated alongside the Federal Reserve's comfort toward the size and pace of future easing steps. BCRP has cut by 250bps since September 2023 and remains in restrictive territory with a positive real policy rate.

Chart 3



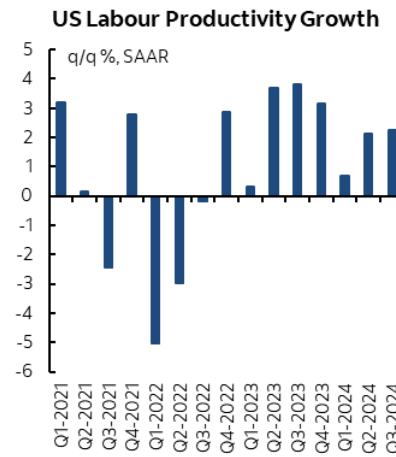
Sources: Scotiabank Economics, OECD, IMF, CBO.

Chart 4



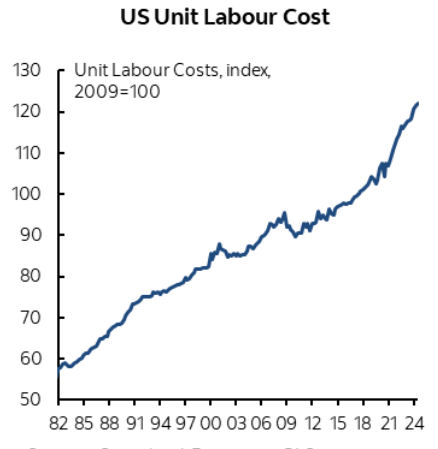
Sources: Scotiabank Economics, BLS, BEA.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

Chart 6



Sources: Scotiabank Economics, BLS.

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.	4.24	4.26	4.17	4.26	4.28	4.16	4.43	4.43	4.29	4.62	4.61	4.48	Canada - BoC	3.75
CANADA	3.15	3.16	3.07	3.13	3.12	3.02	3.32	3.31	3.22	3.33	3.33	3.29	US - Fed	5.00
GERMANY	2.23	2.18	2.28	2.28	2.21	2.27	2.47	2.41	2.39	2.73	2.65	2.60	England - BoE	4.75
JAPAN	0.51	0.48	0.45	0.64	0.62	0.59	1.01	0.98	0.95	2.26	2.24	2.22	Euro zone - ECB	3.40
U.K.	4.49	4.51	4.44	4.42	4.45	4.32	4.56	4.56	4.45	5.02	5.01	4.88	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-109	-111	-110	-113	-115	-114	-111	-112	-107	-129	-128	-119	Mexico - Banxico	10.50
GERMANY	-202	-209	-189	-198	-207	-189	-195	-203	-190	-189	-196	-188	Australia - RBA	4.35
JAPAN	-374	-378	-373	-361	-366	-357	-342	-345	-333	-236	-237	-225	New Zealand - RBNZ	4.75
U.K.	24	25	26	17	17	16	13	13	16	40	40	40		
Equities	Level						% change:						Next Meeting Date	
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	24637			249.5	1.0	0.5	2.2	25.9					Canada - BoC	Dec 11, 2024
Dow 30	43730			1508.1	3.6	3.8	4.2	28.0					US - Fed	Nov 07, 2024
S&P 500	5929			146.3	2.5	2.0	4.1	35.4					England - BoE	Nov 07, 2024
Nasdaq	18983			544.3	3.0	2.0	5.9	39.2					Euro zone - ECB	Dec 12, 2024
DAX	19332			292.7	1.5	1.3	1.2	27.6					Japan - BoJ	June 14, 2024
FTSE	8166			-0.3	-0.0	0.7	-1.7	10.2						
Nikkei	39381			-99.3	-0.3	0.3	1.1	22.4						
Hang Seng	20953			415.0	2.0	3.1	0.1	19.3						
CAC	7410			40.0	0.5	0.8	-2.2	6.1						
Commodities	Level						% change:							
WTI Crude	71.40			-0.29	-0.4	3.1	-7.4	-7.7						
Natural Gas	2.72			-0.02	-0.9	0.6	-0.9	-13.3						
Gold	2681.88			22.82	0.9	-2.3	20.3	36.2						
Silver	31.80			-0.85	-2.6	-6.6	-0.8	37.0						
CRB Index	281.44			-2.21	-0.8	0.4	-4.1	2.1						
Currencies	Level						% change:							
USDCAD	1.3892			-0.0047	-0.3	-0.3	2.0	0.9					Mexico - Banxico	Nov 14, 2024
EURUSD	1.0784			0.0055	0.5	-0.9	-1.7	0.8					Australia - RBA	Dec 09, 2024
USDJPY	153.64			-0.9900	-0.6	1.1	3.7	2.2					New Zealand - RBNZ	Nov 26, 2024
AUDUSD	0.6653			0.0084	1.3	1.1	-1.5	3.4						
GBPUSD	1.2968			0.0089	0.7	0.5	-0.9	5.4						
USDCHF	0.8746			-0.0020	-0.2	1.2	2.4	-2.8						

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