# Scotiabank.

## **GLOBAL ECONOMICS**

#### **DAILY POINTS**

November 8, 2024 @ 7:00 EST

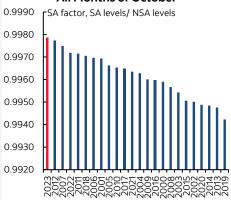
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#### Chart 1

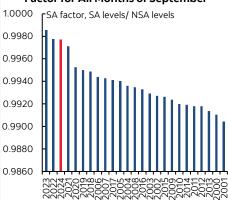
## Comparing Canada LFS SA Factor for All Months of October



Sources: Scotiabank Economics, Statistics Canada.

### Chart 2

# Comparing Full-Time Canada Jobs SA Factor for All Months of September



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Friday, November 8								
Country	Date	Time Indicator	Period	BNS	Consensus	Latest		
CA	11-08	08:30 Employment (000s m/m)	Oct	30.0	27.2	46.7		
CA	11-08	08:30 Unemployment Rate (%)	Oct	6.4	6.6	6.5		
US	11-08	10:00 U. of Michigan Consumer Sentiment	Nov P	72.0	71.0	70.5		
US	11-08	11:00 Fed's Bowman Speaks on Banking Topics	3					

#### **KEY POINTS:**

- Global risk appetite is wavering to close out the week
- Canadian Jobs Preview
- Peru's central bank cut
- China puts a price tag on preannounced local government debt swap

Risk appetite is wavering to close out the week. Stocks are broadly softer particularly in Europe where exchanges are mostly around  $\frac{3}{4}$ % to 1% lower, but also in China, as N.A. futures move gently lower. Sovereign bonds are picking up some of the safe haven appetite and with EGBs getting a bit of a boost right after French wage figures came in a little lighter than expected. Traditional FX havens like the yen and CHF are outperforming versus the dollar that is otherwise mildly gaining against other majors. Post-Fed (recap here) and after the election, markets are pricing a terminal rate next year that is around 75 –100bps lower from here (3.75–4%) and hence restrictive relative to any estimates of neutral and that may be aggressive in my view.

Overnight developments were fairly light. Peru's central bank cut 25bps last evening which was correctly forecast by about half of forecast as the other half expected a hold. China put a 10 trillion yuan (US\$1.4T) price tag on its previously announced (before the US election) local government debt swap but offered no new stimulus measures. Chile's inflation rate for October was 1% m/m (0.6% consensus).

The main event to end the week will be Canada's jobs report. The only other consideration will be US UMich consumer sentiment for November (10amET).

### **CANADIAN JOBS PREVIEW**

Canada updates job market conditions during October this morning (8:30amET). Here is a preview including estimates and drivers with the usual caution it's a household survey with an enormous noise factor.

Median job change estimate: +27.2

Mean: 28.75 (slight skewness)

Scotia: 30 (ranked first)

Range: 0 to +69k (most are within 20–30k)

Std dev: 13.9

95% confidence interval: +/-57k

UR: 6.6% (Scotia 6.4%)

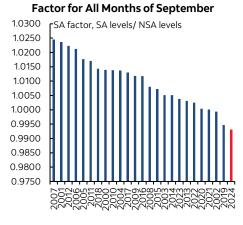
Drivers and rationale:

This is one of two jobs reports before the next BoC decision on December 11<sup>th</sup> and so
the BoC will take both into account as new information on the labour market
following its 50bps cut in October. In addition, we'll get another CPI report and lots of
GDP figures before the next decision.

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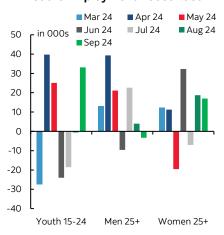
- it's a household survey, so anything could happen with a +/-57k 95% confidence band around the estimated change in jobs.
- The data is wonkier than normal because seasonal adjustments are messing with the figures. Part-time jobs fell by a massive 65k in September for the second biggest drop on record for like months of September because this time they had the weakest SA factor for a month of September on record. Also, the massive 112k gain in f-t jobs was the third biggest on record for a September behind early Covid rebound months and was driven by the biggest SA factor on record for like months of September. Had the SA factor for f-t jobs been average for months of September then the f-t job gain would have been about onethird of the reported gain.
- we could get the same effect happening this time. Last October was the biggest SA factor on record for like months (chart 1). If the recency bias in SA factors carries into this October, then it could artificially inflate the overall numbers. Other SA factors for full- and part-time jobs in September are shown in charts 2 and 3.
- youth employment contributed a fair amount (33k) of the overall employment gain in September (47k). Chart 4. They may have begun to fill in the reduction of growth in the temps and international students categories.
- UR: I went with a labour force rise of 20k and employment gain of 30k which gives a 0.1 downtick in the UR to 6.4%. The caution is that the labour force changes have been all over the map from a drop of 11k in July to a gain of 83k in August and then +16k in September. My theory is that the LF growth may extend cooling in the aftermath of September's implementation of changes to immigration policy for international students and temporary foreign workers before the further recent announcements. Chart 5 shows that the bulk of the run-up in Canada's unemployment rate has been driver by temps and recently landed immigrants.
- Wage growth has been decelerating in m/m SAAR terms for the past four months. I think it may be ripe for a rebound while the two main wage measures are contrasting one another of late (charts 6, 7).
- Hours worked: They were up 2.2% q/q SAAR in Q3 and the hand-off math to Q4 was tracking +2.1% which is a plus for GDP. October will update this Q4 tracking which will be important to the BoC.

# Chart 3 Comparing Part-Time Canada Jobs SA



Sources: Scotiabank Economics, Statistics Canada.

# Chart 4 Youths Employment Rebounded



Sources: Scotiabank Economics, Statistics

# Chart 5 Weighted Contributions to the **Canadian Unemployment Rate**

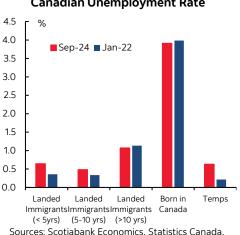


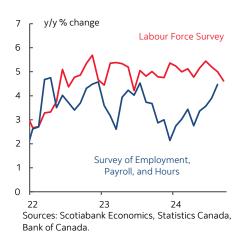
Chart 6 **BoC's Main Wage Measures** 



Bank of Canada, Haver.

Chart 7

#### **BoC's Main Wage Measures**



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U.S.	8 Canada - BoC 3.75 5 US - Fed 4.75 2 England - BoE 4.75 3 Euro zone - ECB 3.40 5 Japan - BoJ -0.10 Mexico - Banxico 10.50
U.S.	8 Canada - BoC 3.75 5 US - Fed 4.75 2 England - BoE 4.75 3 Euro zone - ECB 3.40 5 Japan - BoJ -0.10 Mexico - Banxico 10.50
CANADA GERMANY         3.05         3.07         3.10         3.01         3.03         3.07         3.20         3.22         3.29         3.22         3.23         3.3           JAPAN         0.51         0.51         0.47         0.65         0.64         0.59         1.01         1.01         0.95         2.25         2.26         2.2           U.K.         4.43         4.45         4.43         4.34         4.37         4.32         4.47         4.50         4.45         4.94         4.96         4.9           Spreads vs. U.S. (bps):           CANADA         -113         -110         -114         -114         -116         -111         -110         -130         -130         -12           GERMANY         -197         -199         -196         -193         -191         -197         -190         -188         -198         -186         -183         -19           JAPAN         -367         -370         -374         -351         -353         -364         -330         -332         -343         -226         -227         -23           U.K.         26         25         22         19         10         16	US - Fed 4.75  US - Fed 4.75  England - BoE 4.75  Euro zone - ECB 3.40  Japan - BoJ -0.10  Mexico - Banxico 10.50
CANADA	3 US - Fed 4.75 2 England - BoE 4.75 3 Euro zone - ECB 3.40 5 Japan - BoJ -0.10 Mexico - Banxico 10.50
DAPAN   0.51   0.51   0.47   0.65   0.64   0.59   1.01   1.01   0.95   2.25   2.26   2.26   2.25   2.26	2 England - BoE 4.75  3 Euro zone - ECB 3.40  5 Japan - BoJ -0.10  Mexico - Banxico 10.50
U.K.	0 England - BoE 4.75 3 Euro zone - ECB 3.40 5 Japan - BoJ -0.10 Mexico - Banxico 10.50
Spreads vs. U.S. (bps):   CANADA	3 Euro zone - ECB 3.40 5 Japan - BoJ -0.10 Mexico - Banxico 10.50
CANADA	5
GERMANY	5
JAPAN	6 Japan - BoJ -0.10  Mexico - Banxico 10.50
U.K.         26         25         22         19         19         10         16         17         6         42         43         32           Equities         Level         " change:           S&P/TSX         24846         208.5         10ay         1-wk         1-mo         1-yr           S&P/TSX         24846         208.5         0.8         2.9         3.2         27.2           Dow 30         43729         -0.6         -0.0         4.7         3.9         28.2           S&P 500         5973         44.1         0.7         4.7         3.9         36.3	Mexico - Banxico 10.50
Equities         Level         % change:           Last         Change         1 Day         1-wk         1-mo         1-yr           S&P/TSX         24846         208.5         0.8         2.9         3.2         27.2           Dow 30         43729         -0.6         -0.0         4.7         3.9         28.2           S&P 500         5973         44.1         0.7         4.7         3.9         36.3	Mexico - Banxico 10.50
Last         Change         1 Day         1-wk         1-mo         1-yr           S&P/TSX         24846         208.5         0.8         2.9         3.2         27.2           Dow 30         43729         -0.6         -0.0         4.7         3.9         28.2           S&P 500         5973         44.1         0.7         4.7         3.9         36.3	
S&P/TSX         24846         208.5         0.8         2.9         3.2         27.2           Dow 30         43729         -0.6         -0.0         4.7         3.9         28.2           S&P 500         5973         44.1         0.7         4.7         3.9         36.3	Australia DDA 4.05
Dow 30         43729         -0.6         -0.0         4.7         3.9         28.2           S&P 500         5973         44.1         0.7         4.7         3.9         36.3	Acceptable DDA 4.05
<b>S&amp;P 500</b> 5973 44.1 0.7 4.7 3.9 36.3	Australia - RBA 4.35
Nacdag 10260 2860 15 65 60 412	New Zealand - RBNZ 4.75
<b>DAX</b> 19217 -145.8 -0.8 -0.2 0.8 26.2	Next Meeting Date
FTSE 8066 -74.6 -0.9 -1.4 -1.5 9.0	
<b>Nikkei</b> 39500 119.0 0.3 1.1 1.4 22.8	Canada - BoC Dec 11, 2024
Hang Seng 20728 -225.2 -1.1 1.1 -0.9 18.0	
CAC 7367 -58.4 -0.8 -0.6 -2.0 4.7	US - Fed Dec 18, 2024
Commodities Level % change:	
WTI Crude 71.39 -0.97 -1.3 2.7 -3.0 -5.2	England - BoE Dec 19, 2024
Natural Gas 2.72 0.03 1.0 2.1 -0.5 -12.5	
Gold 2690.52 -16.19 -0.6 -1.7 20.7 38.0	Euro zone - ECB Dec 12, 2024
Silver 31.11 -0.70 -2.2 -7.4 -2.4 38.0	
CRB Index         286.20         4.76         1.7         2.3         -0.4         4.7	Japan - BoJ June 14, 2024
Currencies Level % change:	
USDCAD 1.3899 0.0038 0.3 -0.4 1.8 0.8	Mexico - Banxico Nov 14, 2024
<b>EURUSD</b> 1.0783 -0.0022 -0.2 -0.5 -1.8 0.7	
USDJPY 152.45 -0.4900 -0.3 -0.4 2.9 1.0	Australia - RBA Dec 09, 2024
<b>AUDUSD</b> 0.6630 -0.0049 -0.7 1.1 -1.7 3.6	
<b>GBPUSD</b> 1.2964 -0.0023 -0.2 0.3 -1.1 5.5	New Zealand - RBNZ Nov 26, 2024
USDCHF 0.8711 -0.0013 -0.1 0.1 1.6 -3.1	· · · · · · · · · · · · · · · · · · ·

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