

DAILY POINTS

November 13, 2024 @ 6:35 EST

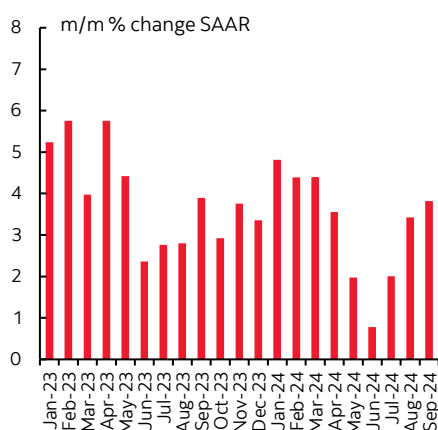
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Chart 1

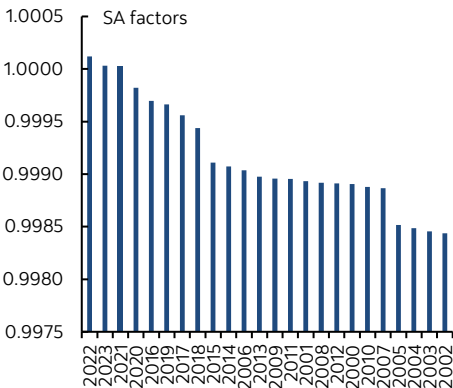
US Core CPI Inflation Progress



Sources: Scotiabank Economics, BLS.

Chart 2

Comparing US Core CPI SA Factors for All Months of October



Sources: Scotiabank Economics, BLS

On Deck for Wednesday, November 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11-13	07:00	MBA Mortgage Applications (w/w)	Nov 08	--	--	-10.8
US	11-13	08:30	CPI (m/m)	Oct	0.2	0.2	0.2
US	11-13	08:30	CPI (y/y)	Oct	2.6	2.6	2.4
US	11-13	08:30	CPI (index)	Oct	--	--	315.3
US	11-13	08:30	CPI ex. Food & Energy (m/m)	Oct	0.3	0.3	0.3
US	11-13	08:30	CPI ex. Food & Energy (y/y)	Oct	3.3	3.3	3.3
US	11-13	08:30	Fed's Kashkari Speaks				
US	11-13	09:30	Fed's Williams Speaks				
US	11-13	14:00	Treasury Budget (US\$ bn)	Oct	--	--	64.3
US	11-13	09:45	Fed's Logan Gives Opening Remarks at Energy Conference				
US	11-13	13:00	Fed's Musalem Speaks on Economy, Monetary Policy				
US	11-13	13:30	Fed's Schmid Gives Keynote Remarks at Energy Conference				

KEY POINTS:

- **Stable US Treasuries await US CPI**
- **Will US core CPI retain a firming trend?**
- **It's just one of 3 inflation reports and payrolls before the next FOMC meeting**

US Ts are a little calmer this morning ahead of US CPI as European bond yields continue to rise at a gentler pace. Stocks are little changed on balance with US and Canadian futures are touch lower while European bourses range from flat to small gains. Equities in Tokyo and Seoul sold off overnight but China was relatively stable. Currencies are mixed.

US CPI and potential reactions by FOMC members will dominate calendar-based risk. CPI for October arrives at 8:30amET. Fed-speak will include Kashkari (8:30amET), Williams (9:30amET), Logan (9:45amET), Musalem (1pmET) and Schmid (1:30pmET).

Key is whether core CPI continues its recent ascent (chart 1). The median and mode for today's US core CPI estimates is 0.3% m/m SA with 0.2% the next most common. The Cleveland Fed's "nowcast" rounds up to 0.3% m/m. The year-over-year rates are expected to edge higher to 2.6% (2.4% prior) for total CPI with core unchanged at 3.3%.

Issues with seasonal adjustment factors are likely to continue to put upside risk to the estimate. The last four Octobers in a row have had the four highest seasonal adjustment factors on record compared to like months of October and something similar is expected this time (chart 2). Why such a clustering? SA factors have a recency bias toward the latest years which means the pandemic era's distortions. The BLS admits this. SA factors have overestimated inflation at the start of the year, understated it in summer, and return to overstating it at about this time of year.

Other drivers are as follows:

- Gasoline all grades fell by about 2½% m/m NSA which translates into a drop of about 0.6% m/m SA. At a 3.4% basket weight the contribution to overall CPI will round up to -0.1% m/m SA.
- Food prices are expected to moderate after the prior month that posted the biggest seasonally adjusted jump since January.
- Vehicle prices should have a trivial effect. New vehicle prices and used vehicle prices will probably each contribute nothing material to m/m CPI and core CPI in weighted terms.
- I've assumed a more moderate increase in core services prices this time and following September's jump that was the largest in five months along a recently accelerating trend.
- core goods prices (ex-food and energy commodities) are estimated to post a mild gain. One particular category that is expected to register a more moderate rise is clothing that jumped by 1.1% m/m SA in September for the biggest gain since April as new Fall lines changed over with greater than seasonally normal price increases.

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.	4.34	4.34	4.26	4.31	4.31	4.28	4.42	4.43	4.43	4.56	4.57	4.61	Canada - BoC	3.75
CANADA	3.17	3.08	3.15	3.12	3.02	3.07	3.27	3.18	3.25	3.24	3.19	3.27	US - Fed	4.75
GERMANY	2.16	2.13	2.18	2.21	2.18	2.21	2.38	2.36	2.41	2.57	2.57	2.65	England - BoE	4.75
JAPAN	0.53	0.51	0.48	0.69	0.66	0.62	1.05	1.02	0.98	2.29	2.27	2.24		
U.K.	4.50	4.50	4.51	4.41	4.41	4.45	4.51	4.50	4.56	4.91	4.91	5.01		
Spreads vs. U.S. (bps):														
CANADA	-118	-126	-112	-119	-130	-120	-115	-125	-119	-132	-138	-134	Euro zone - ECB	3.40
GERMANY	-219	-221	-209	-210	-213	-207	-204	-207	-203	-199	-200	-196	Japan - BoJ	-0.10
JAPAN	-382	-383	-378	-362	-365	-366	-337	-341	-345	-228	-230	-237		
U.K.	16	16	25	10	9	17	9	7	13	34	34	40	Mexico - Banxico	10.50
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	24923			133.7	0.5	2.2	1.8	26.5						
Dow 30	43911			-382.1	-0.9	4.0	2.4	27.9						
S&P 500	5984			-17.4	-0.3	3.5	2.9	35.6						
Nasdaq	19281			-17.4	-0.1	4.6	5.1	40.0						
DAX	19064			30.5	0.2	0.1	-1.6	24.2						
FTSE	8031			5.1	0.1	-1.7	-2.7	8.1						
Nikkei	38722			-654.4	-1.7	-1.9	-2.2	18.8						
Hang Seng	19823			-23.4	-0.1	-3.5	-6.7	13.8						
CAC	7235			8.3	0.1	-1.8	-4.5	2.1						
Commodities	Level						% change:							
WTI Crude	68.65			0.53			0.8	-4.2	-9.1	-12.3				
Natural Gas	2.87			-0.04			-1.3	4.4	9.0	-10.3				
Gold	2608.01			9.62			0.4	-1.9	17.0	34.0				
Silver	30.41			-0.91			-2.9	-6.9	-2.5	35.2				
CRB Index	279.39			0.47			0.2	-1.2	-4.0	0.6				
Currencies	Level						% change:							
USDCAD	1.3960			0.0016			0.1	0.2	1.2	1.1				
EURUSD	1.0613			-0.0010			-0.1	-1.1	-2.7	-0.8				
USDJPY	154.96			0.3500			0.2	0.2	3.5	2.1				
AUDUSD	0.6522			-0.0011			-0.2	-0.7	-3.0	2.3				
GBPUSD	1.2741			-0.0007			-0.1	-1.1	-2.4	3.8				
USDCHF	0.8835			0.0018			0.2	0.8	2.4	-2.0				
Next Meeting Date														
													Canada - BoC	Dec 11, 2024
													US - Fed	Dec 18, 2024
													England - BoE	Dec 19, 2024
													Euro zone - ECB	Dec 12, 2024
													Japan - BoJ	June 14, 2024
													Mexico - Banxico	Nov 14, 2024
													Australia - RBA	Dec 09, 2024
													New Zealand - RBNZ	Nov 26, 2024

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