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GLOBAL ECONOMICS

DAILY POINTS

November 29, 2024 @ 7:00 EST

Contributors

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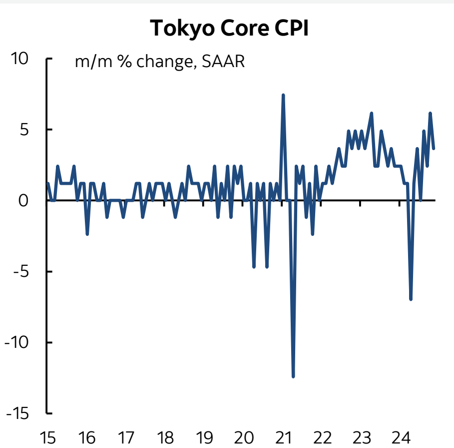
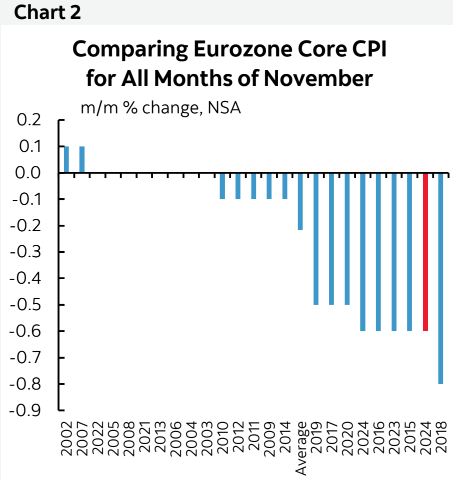
Chart 1



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

Chart 2



Sources: Scotiabank Economics, Eurostat.

On Deck for Friday, November 29

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	11/29	08:30	Real GDP (m/m)	Sep	0.1	0.3	0.0
CA	11/29	08:30	Real GDP (q/q a.r.)	3Q	0.8	1.1	2.1
CA	11/29	08:30	Real GDP (m/m)	Oct	n/a	n/a	n/a
US	11/29	09:45	Chicago PMI	Nov	--	45.0	41.6

KEY POINTS:

- **Yen spikes on warm core inflation**
- **Soft Eurozone core inflation reaffirms ECB December cut expectations**
- **Canadian GDP to inform BoC's slack estimates**
- **Americans shop, add to current account deficit before potential tariffs slam prices**

Potential month-end effects upon portfolio rebalancing coincide with lighter action across US accounts as yesterday's US Thanksgiving holiday gives way to long weekends for some of them. May as well shop and keep that current account deficit high before potential tariffs hit American pocketbooks! The stand-out move across financial markets is a stronger yen that is up by over 1% to the dollar and below 150 after another warm core inflation reading. Eurozone core CPI, on the other hand, came in soft again which reinforces expectations for the ECB to cut next month. Canadian markets may be buffeted by a slew of GDP figures that are due out this morning. There is nothing material on tap in the US today.

Warm Tokyo Core CPI Supports BoJ Hike in December

Tokyo core inflation remains warm which keeps alive speculation that the Bank of Japan may hike its target rate by another 25bps on December 19th. Core CPI was up 0.3% m/m SA for a three-month moving average of 0.3% m/m SA. At an annualized rate, core was up 3.7% m/m SAAR and the 3-month MA is 4.1%. The smoothed trend remains pointed higher (chart 1). Data's consequences to the BoJ will soon give way to what kind of world we face in 2025 including factors like protectionism and the next round of Shunto wage negotiations.

Eurozone Core CPI Reaffirms ECB Cut Expectations

Eurozone core CPI was weak last month and reaffirmed expectations for the ECB to cut at least 25bps next month. Core CPI fell by 0.6% m/m NSA which makes this November one of the weakest on record (chart 2). That kept the y/y rate unchanged at 2.7% against expectations for an up-tick. The reading follows October's 0.2% m/m NSA reading that was slightly weaker than average. When compared to like months in history, seasonally unadjusted core pressures continue to abate.

The ECB's measures of inflation expectations were a toucher firmer in October. The 1-year rate moved up a tick to 2.5% y/y and the 3-year rate was unchanged at 2.1%. I doubt that changes anything to the ECB especially since the world of tariffs may beam fresh light upon this stale reading.

German retail sales volumes fell -1.5% m/m SA in October, reversing the 1.6% rise the prior month. French consumer spending was also soft as nominal total spending fell -0.4% m/m in October against expectations for a flat reading.

Canadian GDP: Soft Q3, Q4 Greenshoots? And Why It May Not Matter

Canada delivers a slew of GDP figures this morning (8:30amET). Elaborations are provided in my Global Week Ahead (**here**) that I won't repeat here. Instead, I'll briefly rattle off expectations and then we'll see what we get shortly:

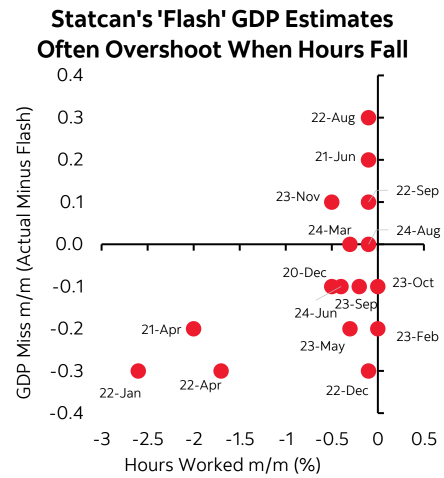
- After Statcan revised annual GDP figures over the 2021–23 period, at issue are two things this morning. First, did hand off effects from the quarterly breakdown that we'll get today impact any of the starting point math for 2024 that could drive GDP revisions into this year? Second, we figure the GDP revisions mean less slack than previously reported because growth was stronger than initially reported over that 2021–23 period, but how much less slack is uncertain and will be informed by the details.

- Second, Q3 GDP is expected to be weaker than even the Bank of Canada's sharply revised estimate. Recall that the BoC estimated Q3 GDP to land at 1.5% in its October MPR after revising down from 2.8% in their prior projection. Consensus thinks this morning's reading will be 1.1% with a half point spread from 0.8% to 1.3%. Serial disappointment to the BoC's expectations means more slack than they have been estimating, but to repeat, this issue may be cancelled by the effects of the aforementioned revisions on the output gap.

- Third, we will also see how Statcan may revise its initial 0.3% m/m SA estimate for September GDP. Consensus stuck with that figure, but there are a few of us who went lower given data that arrived since that estimate. This morning will reveal details behind the potentially revised estimate since we don't get any on first pass. Hours worked fell after the initial GDP print and when that happens, the 'flash' GDP estimate often gets revised lower (chart 3).

- Fourth, we will get Statcan's preliminary estimate for October GDP sans details. Light data to date leans toward a decent reading.

Chart 3



Sources: Scotiabank Economics, Statistics Canada.

How all of this dirty laundry comes out when the wash cycle's over will determine Statcan's stance at the next meeting on December 11th. I think it would take a big miss for this morning's data to matter relative to expectations for a quarter-point cut in light of the recently warm core inflation readings, Ottawa's fiscal and mortgage rules stimulus, provincial government stimulus measures, and elevated US policy uncertainty particularly on tariffs and what may be Canada's response. The January MPR—post Trump's inauguration and threatened tariff announcement—carries much more risk to the BoC outlook than anything in the very near term.

Fixed Income	Government Yield Curves (%):											
	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk
U.S.	4.20	4.23	4.38	4.09	4.14	4.30	4.21	4.26	4.40	4.39	4.44	4.59
CANADA	3.16	3.18	3.35	3.06	3.09	3.28	3.19	3.22	3.42	3.22	3.25	3.43
GERMANY	1.99	2.00	1.99	1.96	1.97	2.06	2.11	2.13	2.24	2.33	2.35	2.50
JAPAN	0.59	0.58	0.59	0.72	0.72	0.75	1.05	1.06	1.09	2.28	2.30	2.30
U.K.	4.25	4.28	4.33	4.10	4.15	4.24	4.23	4.28	4.39	4.74	4.78	4.86
	Spreads vs. U.S. (bps):											
CANADA	-104	-105	-102	-103	-105	-102	-102	-104	-98	-117	-119	-116
GERMANY	-221	-223	-239	-214	-216	-224	-210	-214	-216	-206	-209	-209
JAPAN	-361	-365	-378	-337	-341	-355	-316	-321	-331	-211	-214	-229
U.K.	6	5	-5	1	1	-6	2	1	-2	35	34	27

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	25544	55.2	0.2	0.6	4.0	27.0
Dow 30	44722	-138.3	-0.3	3.0	5.5	26.3
S&P 500	5999	-22.9	-0.4	1.4	3.0	31.7
Nasdaq	19060	-115.1	-0.6	0.5	2.7	33.5
DAX	19492	66.7	0.3	0.9	0.1	20.6
FTSE	8286	5.0	0.1	0.3	0.8	11.6
Nikkei	38208	-141.0	-0.4	-0.2	-1.8	14.7
Hang Seng	19424	56.7	0.3	1.0	-6.2	14.3
CAC	7206	27.2	0.4	-0.7	-4.1	-0.8
Commodities	Level		% change:			
WTI Crude	68.35	-0.37	-0.5	-2.5	1.7	-12.2
Natural Gas	3.31	0.10	3.2	-1.0	41.0	17.9
Gold	2660.17	22.25	0.8	-2.1	19.3	30.1
Silver	30.07	-0.43	-1.4	-3.2	-9.9	22.0
CRB Index	286.72	-1.30	-0.5	0.2	3.2	4.8
Currencies	Level		% change:			
USDCAD	1.4003	-0.0011	-0.1	0.2	0.6	3.0
EURUSD	1.0561	0.0009	0.1	1.4	-2.4	-3.7
USDJPY	150.10	-1.4500	-1.0	-3.0	-2.1	1.9
AUDUSD	0.6506	0.0007	0.1	0.1	-0.8	-1.7
GBPUSD	1.2699	0.0012	0.1	1.3	-2.4	0.0
USDCHF	0.8814	-0.0016	-0.2	-1.4	1.6	0.9

Central Banks	
Current Rate	
Canada - BoC	3.75
US - Fed	4.75
England - BoE	4.75
Euro zone - ECB	3.40
Japan - BoJ	-0.10
Mexico - Banxico	10.25
Australia - RBA	4.35
New Zealand - RBNZ	4.25
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	Dec 19, 2024
Mexico - Banxico	Dec 19, 2024
Australia - RBA	Dec 09, 2024
New Zealand - RBNZ	Feb 18, 2025