

DAILY POINTS

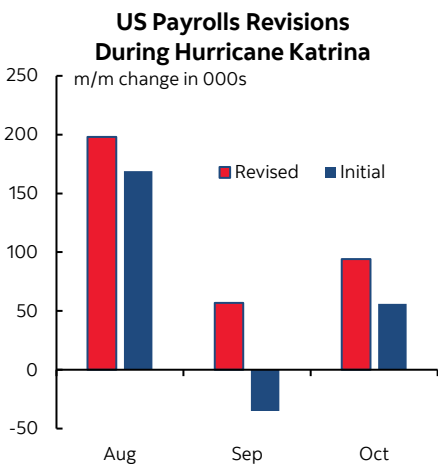
December 6, 2024 @ 6:50 EST

Contributors

Derek Holt

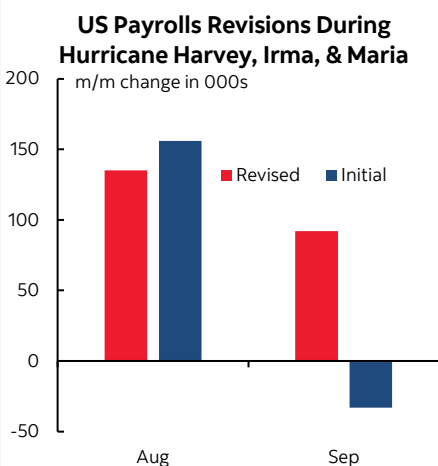
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Chart 1



Sources: Scotiabank Economics, BLS.

Chart 2



Sources: Scotiabank Economics, BLS.

On Deck for Friday, December 6

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/06	08:30	Employment (000s m/m)	Nov	20.0	25.0	14.5
CA	12/06	08:30	Unemployment Rate (%)	Nov	6.4	6.6	6.5
US	12/06	08:30	Average Hourly Earnings (m/m)	Nov	0.3	0.3	0.4
US	12/06	08:30	Average Hourly Earnings (y/y)	Nov	3.9	3.9	4.0
US	12/06	08:30	Average Weekly Hours	Nov	--	34.3	34.3
US	12/06	08:30	Nonfarm Employment Report (000s m/m)	Nov	200	220.0	12.0
US	12/06	08:30	Unemployment Rate (%)	Nov	4.0	4.1	4.1
US	12/06		Household Employment Report (000s m/m)	Nov	--	--	-368.0
US	12/06	09:15	Fed's Bowman				
US	12/06	10:00	U. of Michigan Consumer Sentiment	Dec P	73.0	73.3	71.8
US	12/06	10:30	Fed's Gollsbee				
US	12/06	12:30	Fed's Hammack				
US	12/06	13:00	Fed's Daly				
US	12/06	15:00	Consumer Credit (US\$ bn m/m)	Oct	--	10.0	6.0

KEY POINTS:

- Global markets await nonfarm payrolls
- The BoC 25 or 50 call will be finalized after Canadian jobs
- Watch FOMC reactions before blackout
- US nonfarm payrolls preview
- Canadian jobs preview

Today will be all about US and Canadian jobs reports, one of which matters to global markets, whereas both could influence Canadian markets. Watch the tone of several Fed-speakers listed in the table above after nonfarm in case today's release affects their bias into the December 18th decision as the FOMC goes into communications blackout tomorrow and hence before next week's CPI. The BoC call for next week may be tilted toward either 25 or 50 by this morning's figures and with nothing else material on the calendar before next Wednesday's decision.

** US Nonfarm Payrolls Preview **

We get US jobs at 8:30amET this morning. Here are the expectations and explanations. This is one of two major dual mandate readings that will finalize expectations for the December 18th FOMC, the other one being next week's CPI release.

Median: 220

Mean: 217 (no skewness)

Scotia: 200 (I'm 4th ranked out of 71)

Range: 150 – 284, no clustering

Whisper: 217

90% confidence band: +/- 130k

Std dev: 35.7

UR: 4.1 / Scotia 4.0%

Wages: 0.3% m/m / Scotia 0.3 (I'm ranked 5th out of 52)

Rationale and Drivers:

I will be looking for positive and material revisions for starters. That has happened after prior hurricane episodes as the magnitude of the negative impact tends to be overstated at first. Katrina saw September's initial hit revised up by about 80k and then another positive revision when the rebound was underestimated the next month (chart 1). When Harvey/Irma/Maria hit in 2017, the initial impact was revised up by about 130k (chart 2).

Second, hurricane effects give way to rebounds as business recovers and as rebuilding occurs. How much so is unclear, and the rebound tends to be spread over two months. For instance, Katrina’s initial hit was followed by a 350k nonfarm print the next month (chart 3). The 2017 hurricanes saw jobs rebound by 150k the next month and about 225k the month after that. Knowing how to distribute the gains over 1–2 months is one of the uncertainties.

Election-related hiring is likely going to be a wash between the October and November reference periods for payrolls and reference weeks for the household survey. There was no material effect in 2016 or 2020.

It’s not clear that distorted seasonal adjustment factors won’t play a role this time. The prior month’s SA factor was the biggest for a month of October on record and it was also high for October 2023, but I don’t see the same issue for recent past months of November, like last year (chart 4).

Thus, there are three reasons why I went with a better number but not a blow out. One, positive revisions should raise the jumping off point, making it a bit harder to get a much stronger number for November. Two, the hurricane effect is all over the map historically. Three is the lack of conviction on SA factors this time compared to prior reports.

As for other higher frequency gauges, well, they’re often not terribly helpful because of differences in their methodologies versus nonfarm, but they can offer some information so here they are:

- ADP was 146k with a downward revision of 49k. Excluding the early part of the pandemic, there would be about a one-in-five chance for ADP to land where it did and private nonfarm payrolls to land below consensus. ADP is wonky and unreliable though.
- ISM-services-employment fell 1.5 points to 51.5
- ISM-manufacturing-employment improved 3.6 points to 48.1 but is still in contraction
- initial jobless claims moved a little lower between October and November reference periods
- JOLTS job openings lag (October) but increased by 372k
- Consumer confidence jobs plentiful slipped a touch
- NFIB small business jobs hard to fill edged up
- NFIB small business hiring plans increased to the highest since last November

**** Canadian Jobs Preview ****

Canada also updates jobs for November at 8:30amET this morning. Here are the expectations and explanations.

Median: 25k

Mean: 24k (no material skewness)

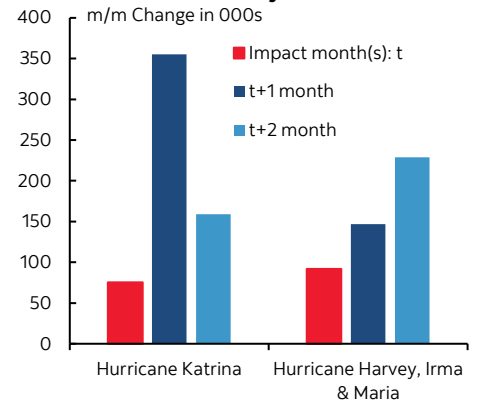
Scotia: 20k (I’m #1 ranked out of 12)

Range: 5 – 46k, slight clustering around 20–30k

Whisper: n/a for Canada

Chart 3

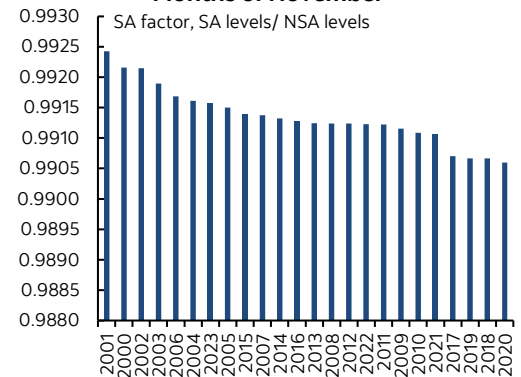
Past Hurricanes Were Transitory Hits to Payrolls



Sources: Scotiabank Economics, BLS.

Chart 4

Comparing US Payroll SA Factor for All Months of November



Sources: Scotiabank Economics, BLS.

90% confidence band: +/- 57k

Std dev: 10k

UR: 6.6 / Scotia 6.4%

Wages: no m/m consensus, but watch for likely sharp deceleration

Rationale and Drivers:

I don't have much conviction this time, but the outcome might seal the deal on whether the BoC goes 25 or 50 next week.

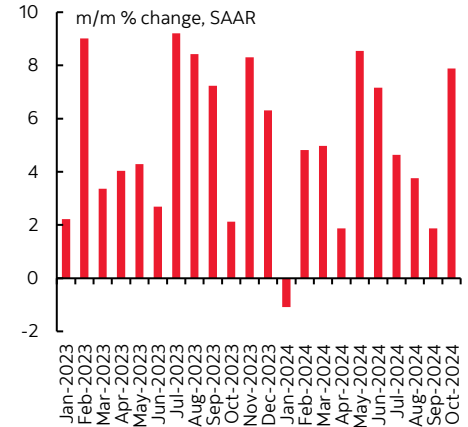
Where I am different to make it interesting is on the UR, but we'll see. What I'm arguing is that tightened immigration announcements over last summer and into October will have more of an impact on the labour force than employment because the temps who are most likely to leave are the ones who are unemployed (ie: unequal effects on jobs versus labour force).

Also, after wage growth soared by 7.9% m/m SAAR in October for the biggest gain since May, I wouldn't be surprised to see mean reversion kick in this time and drive a significant deceleration (chart 5).

It's about a 50-50 split within the 'big six' Canadian banks over whether the BoC goes 25 or 50 next week and several of us are saying we want to see the jobs numbers before finalizing. You could give a narrative in either direction with what we know to date, but one that leans slightly more toward 25. It might just boil down to what the easy thing to do could be for the BoC in terms of market pricing post-jobs as crazy as that sounds.

Chart 5

Canadian Hourly Wages



Sources: Scotiabank Economics, Statistics Canada.

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.	4.16	4.15	4.15	4.09	4.08	4.05	4.19	4.18	4.17	4.34	4.33	4.36	Canada - BoC	3.75	
CANADA	3.04	3.02	3.18	2.93	2.92	3.09	3.08	3.08	3.22	3.15	3.15	3.25	US - Fed	4.75	
GERMANY	2.03	2.02	1.95	2.00	1.99	1.93	2.12	2.11	2.09	2.31	2.31	2.33	England - BoE	4.75	
JAPAN	0.60	0.60	0.59	0.73	0.74	0.72	1.06	1.07	1.05	2.27	2.29	2.28	Euro zone - ECB	3.40	
U.K.	4.29	4.27	4.23	4.16	4.15	4.09	4.28	4.28	4.24	4.80	4.81	4.75	Japan - BoJ	-0.10	
Spreads vs. U.S. (bps):															
CANADA	-113	-112	-97	-116	-115	-96	-111	-110	-95	-119	-119	-111	Mexico - Banxico	10.25	
GERMANY	-213	-213	-220	-209	-209	-212	-207	-207	-208	-203	-202	-204	Australia - RBA	4.35	
JAPAN	-357	-355	-356	-336	-334	-333	-313	-311	-312	-206	-204	-208	New Zealand - RBNZ	4.25	
U.K.	12	13	8	7	7	4	9	10	7	46	48	39	Next Meeting Date		
Equities	Level			% change:											
	Last	Change		1 Day	1-wk	1-mo	1-yr								
S&P/TSX	25680	38.9		0.2	0.5	4.2	26.7								
Dow 30	44766	-248.3		-0.6	0.1	2.4	24.2								
S&P 500	6075	-11.4		-0.2	1.3	2.5	33.5								
Nasdaq	19701	-34.4		-0.2	3.4	3.8	39.3								
DAX	20389	30.5		0.1	3.9	7.1	22.4								
FTSE	8348	-1.5		-0.0	0.7	2.2	11.1								
Nikkei	39091	-304.4		-0.8	2.3	-1.0	16.9								
Hang Seng	19866	305.4		1.6	2.3	-3.3	20.7								
CAC	7418	87.6		1.2	2.5	0.7	-0.2								
Commodities	Level			% change:											
	Last	Change		1 Day	1-wk	1-mo	1-yr								
WTI Crude	67.70	-0.60		-0.9	-0.4	-5.6	-2.4								
Natural Gas	3.03	-0.05		-1.8	-10.1	10.1	17.8								
Gold	2637.20	5.53		0.2	-0.2	18.3	30.2								
Silver	31.35	0.51		1.7	4.3	-4.0	29.2								
CRB Index	286.43	1.08		0.4	-0.1	1.8	10.3								
Currencies	Level			% change:											
	Last	Change		1 Day	1-wk	1-mo	1-yr								
USDCAD	1.4044	0.0021		0.1	0.3	0.8	3.3								
EURUSD	1.0580	-0.0006		-0.1	0.0	-1.4	-1.7								
USDJPY	150.54	0.4400		0.3	0.5	-2.6	2.2								
AUDUSD	0.6418	-0.0035		-0.5	-1.4	-2.3	-2.0								
GBPUSD	1.2761	0.0002		0.0	0.2	-0.9	1.6								
USDCHF	0.8778	-0.0007		-0.1	-0.4	0.1	0.3								
								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						

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