

DAILY POINTS

January 15, 2025 @ 7:10 EST

Contributors

Derek Holt

VP & Head of Capital Markets Economics
 Scotiabank Economics
 416.863.7707
derek.holt@scotiabank.com

Chart 1

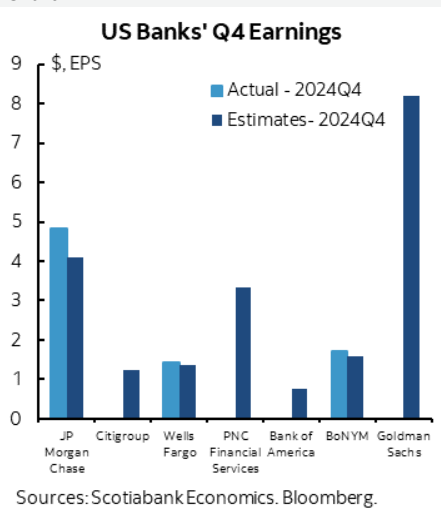
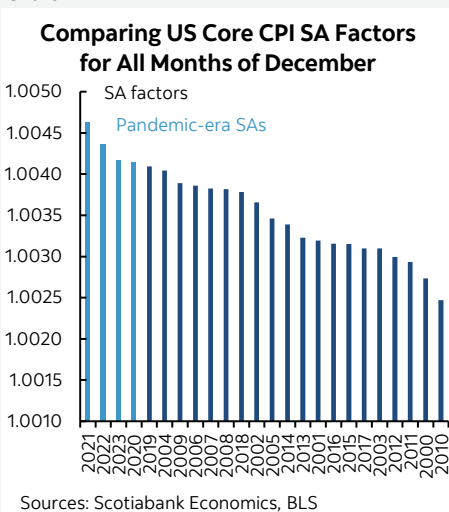


Chart 2



On Deck for Wednesday, January 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01-15	07:00	MBA Mortgage Applications (w/w)	Jan 10	--	--	-3.7
CA	01-15	08:30	Manufacturing Shipments (m/m)	Nov	0.5	0.5	2.1
CA	01-15	08:30	Wholesale Trade (m/m)	Nov	-0.7	-0.7	1.0
US	01-15	08:30	CPI (m/m)	Dec	0.4	0.4	0.3
US	01-15	08:30	CPI (y/y)	Dec	2.9	2.9	2.7
US	01-15	08:30	CPI (index)	Dec	--	315.6	315.5
US	01-15	08:30	CPI ex. Food & Energy (m/m)	Dec	0.3	0.3	0.3
US	01-15	08:30	CPI ex. Food & Energy (y/y)	Dec	3.3	3.3	3.3
US	01-15	08:30	Empire State Manufacturing Index	Jan	--	2.9	0.2
CA	01-15	09:00	Existing Home Sales (m/m)	Dec	--	-2.2	2.8
US	01-15	09:20	Fed's Barkin Speaks in Annapolis				
US	01-15	10:00	Fed's Kashkari Participates in Q&A				
US	01-15	11:00	Fed's Williams Gives Keynote Remarks				
US	01-15	12:00	Fed's Goolsbee Speaks at Midwest Economic Forecast Forum				

KEY POINTS:

- **Markets have positive risk appetite on what may be the biggest day of the week**
- **Strong earnings from US financials supporting risk appetite with more on tap**
- **US CPI unlikely to influence FOMC expectations amid bigger developments**
- **UK core CPI and services inflation weaken, teeing up a BoE cut**
- **Canadian First Ministers meeting may reveal more on tariff responses**
- **Light Canadian data today**
- **Bank Indonesia delivers rate cut and currency intervention; rupiah weakens**

Today is quite possibly the biggest day of the week. UK CPI teed up further expectations for a BoE cut. US core CPI and several big US bank earnings reports that are coming in strong so far but with key names after this note is published will dominate calendar-based risk, plus whatever other off-calendar risk we may face day to day. Watch for headlines this afternoon on Canada's potential response to US trade aggression. So far, equities are broadly bid, so are sovereign bonds with gilts strongly leading the pack, and the dollar has a softer tone.

US BANK EARNINGS

US financials reporting before CPI this morning include GS, JP, Citi, Wells Fargo and BlackRock. The ones we know so far are shown in chart 1 along with expectations for the ones that are pending. JPMorgan handily beat expectations (EPS US\$4.81, consensus \$4.10) with better than expected ROE and revenues. BlackRock also beat with EPS of US\$11.93 (\$11.46 consensus). So did Wells Fargo (Q4 EPS US\$1.43, consensus \$1.348). On tap after this note is being published are Goldman Sachs (consensus Q4 EPS US\$8.212, 7:30amET) and Citigroup (consensus Q4 EPS US\$1.218, 8:00amET).

US CORE CPI SHOULDN'T MATTER TO NEARER-TERM FED EXPECTATIONS

Then US CPI arrives (8:30amET). It will matter, for as long as it takes to scan the sports scores. To the Fed by way of implications for tracking PCE? Nope. Not now anyway. Why? Nonfarm was strong, the economy is tracking well, and high uncertainty surrounds dual mandate pressures going forward. 'twas the week before Trump, and all through the house, not a creature was stirring, not even a mouse. Something's shuffling down the chimney, Virginia, and this time I'm pretty sure it isn't Santa! Or at least, not if what you wanted to wake up and see under your tree something like responsible fiscal policy, well informed trade policy, smart immigration policy, helpful crisis solutions, warmth toward allies, and something akin to a stable hand on the tiller. Maybe you think you found just

that and of course I wouldn't dream of suggesting otherwise...

For giggles, I went with 0.4% m/m SA for headline CPI and with core CPI at 0.3%. The Cleveland 'nowcast' is 0.4% for headline and 0.3% for core. Drivers are in my week ahead.

A key one is the expectation that the seasonal adjustment factor is likely to overstate core CPI; the SA factors in each of 2020–23 have been the four strongest SA factors for like months of December in history and this reflects the recency bias in how they are calculated (chart 2). #fakeflation.

That said, what core indicates will then be married to the PPI components that relate to PCE in formulating an estimate for core PCE inflation that we get an eternity from now on January 31st; an eternity as it arrives after inauguration week, several executive orders, possible responses and retaliation, the Fed, your post-holiday credit card bill etc. Chart 3 shows that with generous rounding, the PPI components that matter to PCE should add up to 0.1 ppts to m/m PCE.

There will also be some light Fed-speak today including Kashkari (10amET), Williams (11amET), and Goolsbee (12pmET).

UK CORE INFLATION ADDS TO BOE CUT PRICING

UK core CPI may well have cemented a Bank of England rate cut on February 6th, although significant data and developments still lie ahead (jobs, wages, GDP, other UK readings, US policy actions etc). Core CPI was up by just 0.2% m/m NSA versus a 0.3% average for all like months of December. That makes December 2024 tied for the fifth lowest reading on record (chart 4). It was enough to pull the y/y core CPI reading down to 3.2% (3.5% prior, 3.4% consensus). Services inflation was also relatively weak compared to like months of December on record (chart 5).

Pricing for the February 6th BoE meeting moved up by about 6bps to 22bps, most of a quarter point cut.

BANK INDONESIA SURPRISES WITH A RATE CUT

Bank Indonesia surprised with a rate cut overnight. The reduction to 5.75% from 6% caught everyone within consensus by surprise. To date, BI has been more concerned about stability arguments including currency weakness and avoided rocking the boat. Despite intervening to support the rupiah, it still depreciated to the USD that is otherwise broadly losing ground to other crosses. The "pro-stability and growth" rationale given by Governor Perry Warjiyo didn't work out so well on the stability part.

CANADA: TRUDEAU, LIGHT DATA

A First Ministers' meeting will be held this morning at 11amET that will also include the FinMin, Foreign Affairs Minister, and Canadian Ambassador to the US. Media availability will be held at 3pmET. Canada's response to potential tariffs etc is likely to be a focus.

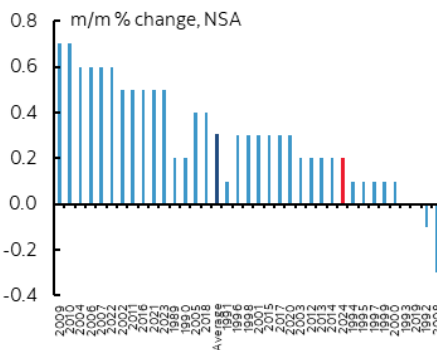
Canada also updates an expected gain in manufacturing sales (8:30amET) and dips in existing home sales (9amET) and wholesale trade (8:30amET).

Chart 3

Category in PCE	Weight	PPI Components for PCE	m/m % change	Contribution to PCE (m/m % change)
Air transportation	0.9	Airline Passenger services	7.2	0.067
Portfolio management & investment advice services	1.5	Portfolio management	0.2	0.003
Outpatient Serv	8.0	Hospital outpatient care	0	0.000
- Physician Services	4.0	Physician care	0.2	0.008
- Home Health Care	0.9	Home health, hospice care	0.2	0.002
Hospital & Nursing Home Serv	8.9	Hospital inpatient care	0	0.000
- Nursing Homes	1.3	Nursing Home care	0.4	0.005
Total	19.3			0.07

Chart 4

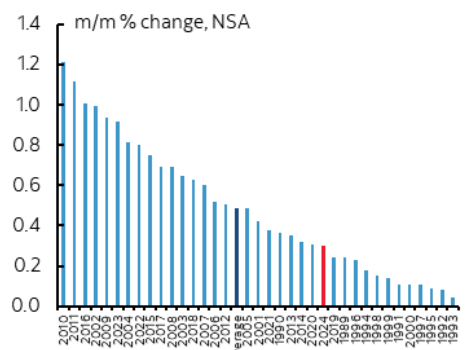
Comparing UK Core CPI for All Months of December



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 5

Comparing UK Services CPI for All Months of December



Sources: Scotiabank Economics, UK Office for National Statistics.

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.	4.35	4.37	4.28	4.56	4.60	4.46	4.76	4.79	4.69	4.95	4.98	4.93	Canada - BoC	3.25
CANADA	3.14	3.15	2.95	3.26	3.28	3.04	3.52	3.54	3.34	3.60	3.62	3.45	US - Fed	4.50
GERMANY	2.30	2.32	2.20	2.43	2.46	2.30	2.63	2.65	2.55	2.84	2.86	2.76	England - BoE	4.75
JAPAN	0.71	0.69	0.65	0.90	0.86	0.81	1.26	1.25	1.18	2.36	2.34	2.34	Euro zone - ECB	3.15
U.K.	4.48	4.61	4.52	4.50	4.61	4.52	4.80	4.89	4.80	5.37	5.45	5.36	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-121	-122	-134	-130	-132	-142	-124	-125	-135	-135	-136	-148	Mexico - Banxico	10.00
GERMANY	-205	-205	-208	-214	-213	-216	-213	-214	-214	-211	-212	-217	Australia - RBA	4.35
JAPAN	-365	-368	-363	-367	-374	-365	-350	-355	-351	-259	-264	-260	New Zealand - RBNZ	4.25
U.K.	13	24	23	-6	2	6	4	10	10	42	47	42		
Equities	Level						% change:						Next Meeting Date	
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	24589			52.3	0.2	-1.4	-2.7	16.7						
Dow 30	42518			221.2	0.5	-0.4	-3.0	13.1						
S&P 500	5843			6.7	0.1	-2.2	-3.4	22.1						
Nasdaq	19044			-43.7	-0.2	-4.1	-4.4	27.2						
DAX	20454			182.6	0.9	0.6	0.2	23.1						
FTSE	8266			64.3	0.8	0.2	-0.4	8.8						
Nikkei	38445			-29.7	-0.1	-4.1	-2.6	7.1						
Hang Seng	19286			66.3	0.3	0.0	-3.4	18.9						
CAC	7475			51.7	0.7	0.3	0.9	0.9						
Commodities	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
WTI Crude	77.74		0.24	0.3	6.0	9.0	7.0							
Natural Gas	3.97		-0.00	-0.1	8.6	20.9	19.7							
Gold	2686.33		8.88	0.3	0.9	20.5	30.6							
Silver	29.74		-0.15	-0.5	-1.7	-3.3	29.0							
CRB Index	307.32		-1.70	-0.6	2.7	4.5	16.2							
Currencies	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
USDCAD	1.4346		-0.0003	-0.0	-0.2	0.7	6.8							
EURUSD	1.0305		-0.0003	-0.0	-0.1	-2.0	-5.9							
USDJPY	156.97		-0.9900	-0.6	-0.9	1.8	7.7							
AUDUSD	0.6204		0.0009	0.1	-0.2	-2.6	-6.8							
GBPUSD	1.2222		0.0007	0.1	-1.1	-3.6	-4.0							
USDCHF	0.9117		-0.0007	-0.1	0.1	1.9	6.5							
													Mexico - Banxico	Feb 06, 2025
													Australia - RBA	Feb 17, 2025
													New Zealand - RBNZ	Feb 18, 2025
													Canada - BoC	Jan 29, 2025
													US - Fed	Jan 29, 2025
													England - BoE	Feb 06, 2025
													Euro zone - ECB	Jan 30, 2025
													Japan - BoJ	Dec 19, 2024

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed in this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.