

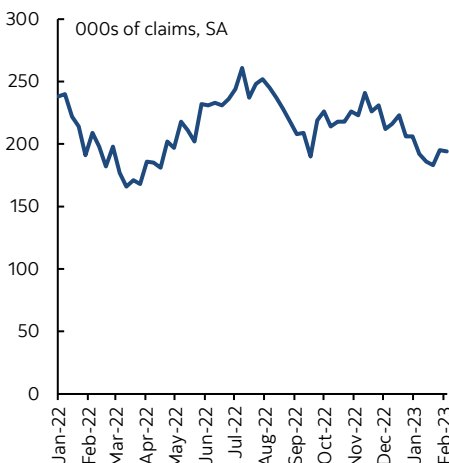
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Chart 1

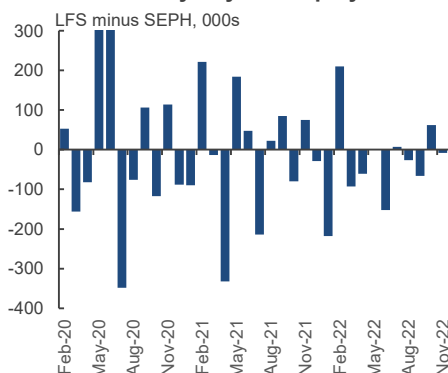
#### US Initial Jobless Claims



Sources: Scotiabank Economics, Bloomberg.

Chart 2

#### Spread between Change in LFS and SEPH Monthly Payroll Employment



Sources: Scotiabank Economics, LFS, SEPH.

### On Deck for Thursday, February 23

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02-23	08:30	GDP (q/q a.r.)	4Q S	3.0	2.9	2.9
US	02-23	08:30	GDP Deflator (q/q a.r.)	4Q S	-	3.5	3.5
US	02-23	08:30	Initial Jobless Claims (000s)	Feb 18	200	200.0	194.0
US	02-23	08:30	Continuing Claims (000s)	Feb 11	1695	1700.0	1696.0
US	02-23	10:50	Fed's Bostic Discusses Fed's Role in the Banking System				
US	02-23	14:00	Fed's Daly to Speak on Leadership				

#### KEY POINTS:

- **Powell overhyped the FOMC minutes...**
- **...that offered nothing useful and were stale anyway**
- **US GDP, core PCE revisions on tap**
- **Are US weekly jobless claims still shaking off layoffs?**
- **BoK holds but threatens a measly extra 25bps**
- **Turkey's central bank cuts by half of what was expected**
- **Canada's lagging payrolls may spark headlines on differences to LFS**

A generally quiet overnight session faces light macro risk into the N.A. morning. This follows the most over-hyped set of FOMC minutes in quite a while after Chair Powell went too far in promising a detailed discussion on the forward rate path on February 1<sup>st</sup> and then they pretty much failed to deliver that yesterday (see recap below). Very strong US macro readings and firm CPI inflation since then made the light discussion that was offered yesterday a stale account of developments.

Gilts are underperforming within a general cheapening bias across global sovereign bonds. Equities are mixed with US futures up by 1/2%, Canadian futures up by a little less, London down a bit but the rest of Europe mostly higher.

The Bank of Korea held its 7-day repo rate at 3.5% as mostly expected but indicated that another hike is possible as five of six board members support a 3.75% terminal rate. Governor Rhee also said "I hope the hold this time isn't going to be seen as meaning the rate-hike stance is over." That guidance drove the won to be the top performer to the USD. Then again, why not have just gotten it over if the difference is a lousy 25bps additional hike?

Turkey's central bank cut by 50bps because of the earthquake and because Erdogan said so, but it was less than the 100bps cut that was expected by consensus.

On deck for today will be a handful of US macro updates:

- The first revision to the 2.9% Q4 GDP growth estimate back on January 26<sup>th</sup> will incorporate further evidence that has arrived since then (8:30amET). The median estimate is essentially unchanged. There is, however, a fairly normal distribution of estimates running mostly from about 2% toward the low 3s.
- Core PCE inflation for Q4 may matter because the initial estimate of 3.9% q/q is subject to revision risk. Core CPI for December was revised up in the January report on February 14<sup>th</sup> and so that could translate into upward revisions to Q4 core PCE.
- Also keep an eye on weekly initial jobless claims (8:30amET) for evidence that layoffs continue to be modest and absorbed one way or the other (directly or indirectly).

Yesterday's minutes to the January 31<sup>st</sup> – February 1<sup>st</sup> FOMC meeting were a letdown ([here](#)). Chair Powell had promised a discussion of the forward rate path during his

February 1<sup>st</sup> press conference but very little was offered. They also had a very stale feeling to them as strong US macro readings (eg. nonfarm, ISM-services, vehicle sales, retail sales, manufacturing output etc) and resulting market moves had overtaken Fed communications. Overall, we're back to monitoring several releases they'll get before the next meeting (nonfarm PCE, another CPI etc). Here's a short summary of a handful of takeaways.

- it was a very minority voice that advocated a bigger hike than 25bps at the last meeting. Minutes described it as “a few participants” who favoured a 50bps hike. That wasn't particularly surprising. Bullard and Mester had revealed that they were among the voices.
- There doesn't seem to be any consensus appetite to increase the size of potential hikes again at least at the time of the meeting. That may hold despite strong macro data since the meeting and in favour of sticking to a 25bps hike pace for more hikes toward a higher terminal rate and hanging out there for longer. A terminal rate in the 5.5–6% range remains my view with no cuts for the foreseeable future.
- There wasn't any guidance on the terminal rate in terms of openness toward adjusting it from the 5.25% mark that was set in December's dot plot. That was likely because they don't wish to pre-judge the next meeting on March 21<sup>st</sup> – 22<sup>nd</sup>. Not even a more nuanced discussion occurred which had been the expectation.
- They jawboned the importance of a smooth functioning Treasury market but said nothing specific.

Canada updates its payrolls measure for back in December (8:30amET). Expect headlines that could flag differences between what the Labour Force Survey indicated for job growth in December (~70k) versus whatever SEPH says given monthly variations in the two sources. Sometimes clients ask about it, but I don't pay much attention to SEPH. First, it lags way too far behind the household survey and in the current climate it's imperative to have fresh data. I'll never understand why Statcan can't turn around both measures on the same day like the US. Second, it only covers firms with formal payrolls and so in a country like Canada that omits an awful lot of small businesses and jobs. Third, you don't get the richness of information across other labour market indicators in SEPH that you do in the LFS. Finally, notwithstanding monthly volatility that can drive significant differences in the two measures, the trends in the two measures tend to be close to one another over time (chart 2).

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.	4.70	4.70	4.64	4.15	4.15	4.07	3.95	3.92	3.86	3.94	3.91	3.92	Canada - BoC	4.50	
CANADA	4.20	4.20	4.14	3.55	3.53	3.45	3.39	3.37	3.29	3.32	3.29	3.27	US - Fed	4.75	
GERMANY	2.93	2.92	2.88	2.60	2.58	2.54	2.55	2.52	2.48	2.51	2.51	2.44	England - BoE	4.00	
JAPAN	-0.02	-0.02	-0.04	0.25	0.25	0.21	0.51	0.51	0.51	1.46	1.46	1.48	Euro zone - ECB	3.00	
U.K.	3.97	3.92	3.80	3.62	3.56	3.41	3.65	3.60	3.50	4.04	3.99	3.90	Japan - BoJ	-0.10	
	Spreads vs. U.S. (bps):														
CANADA	-50	-49	-50	-60	-62	-63	-55	-55	-58	-62	-62	-64	Mexico - Banxico	11.00	
GERMANY	-178	-177	-176	-156	-157	-154	-140	-140	-139	-142	-141	-148	Australia - RBA	3.35	
JAPAN	-472	-471	-468	-391	-391	-387	-344	-341	-336	-248	-246	-244	New Zealand - RBNZ	4.75	
U.K.	-73	-77	-84	-53	-59	-66	-29	-32	-36	11	7	-2			
Equities	Level						% change:						Next Meeting Date		
	Last			Change			1 Day	1-wk	1-mo			1-yr			
S&P/TSX	20193			-59.3			-0.3	-2.5	-2.1			-2.7	Canada - BoC	Mar 08, 2023	
Dow 30	33045			-84.5			-0.3	-3.1	-1.7			-0.3	US - Fed	Mar 22, 2023	
S&P 500	3991			-6.3			-0.2	-3.5	-0.7			-5.5	England - BoE	Mar 23, 2023	
Nasdaq	11507			14.8			0.1	-3.8	1.3			-11.7	Euro zone - ECB	Mar 16, 2023	
DAX	15486			86.1			0.6	-0.3	2.5			5.8	Japan - BoJ	Mar 10, 2023	
FTSE	7914			-16.4			-0.2	-1.2	1.7			5.5			
Nikkei	27104			-368.8			-1.3	-1.4	0.7			2.5			
Hang Seng	20351			-72.5			-0.4	-3.0	-7.7			-11.1			
CAC	7329			29.6			0.4	-0.5	4.2			8.1			
Commodities	Level						% change:								
WTI Crude	74.73		0.78		1.1		-4.9		-8.4		-18.9		England - BoE		Mar 23, 2023
Natural Gas	2.13		-0.05		-2.2		-13.9		-38.3		-54.0		Euro zone - ECB		Mar 16, 2023
Gold	1826.92		1.54		0.1		-0.5		-5.4		-4.3		Japan - BoJ		Mar 10, 2023
Silver	21.86		0.09		0.4		1.8		-8.4		-9.0				
CRB Index	266.10		-2.38		-0.9		-2.7		-5.0		-0.8				
Currencies	Level						% change:								
USDCAD	1.3529		-0.0023		-0.2		0.5		1.2		6.2		Mexico - Banxico		Mar 30, 2023
EURUSD	1.0612		0.0007		0.1		-0.6		-2.4		-6.1		Australia - RBA		Mar 06, 2023
USDJPY	135.02		0.1800		0.1		0.8		3.3		17.4		New Zealand - RBNZ		Apr 04, 2023
AUDUSD	0.6829		0.0025		0.4		-0.7		-2.8		-5.6				
GBPUSD	1.2048		0.0002		0.0		0.5		-2.7		-11.0				
USDCHF	0.9321		0.0007		0.1		0.7		1.1		1.5				

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