

DAILY POINTS

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Contributors

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Chart 1

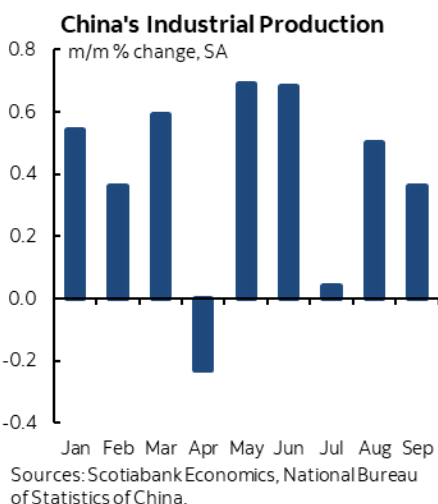
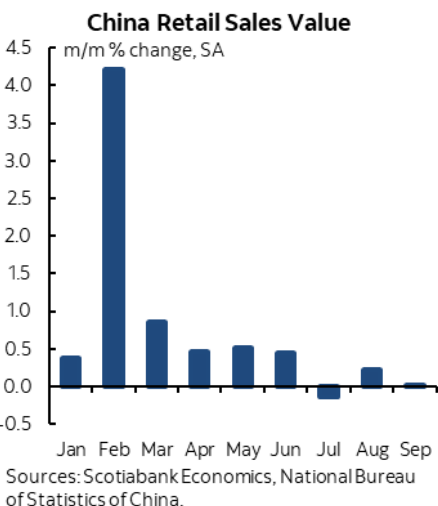


Chart 2



On Deck for Wednesday, October 18

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-18	07:00	MBA Mortgage Applications (w/w)	Oct 13	--	--	0.6
US	10-18	08:30	Building Permits (000s a.r.)	Sep	--	1453.0	1541.0
US	10-18	08:30	Housing Starts (000s a.r.)	Sep	1350	1383.0	1283.0
US	10-18	08:30	Housing Starts (m/m)	Sep	5.2	7.8	-11.3
US	10-18	12:00	Fed's Waller Speaks About Economic Outlook in London				
US	10-18	12:30	Fed's Williams Participates in Moderated Discussion				
US	10-18	13:00	Fed's Bowman Delivers Opening Remarks at Fed Listens Event				
US	10-18	14:00	Federal Reserve Releases Beige Book				
US	10-18	15:15	Fed's Harker Speaks on Workforce Challenges				
US	10-18	18:55	Fed's Cook Speaks About the Fed's Mandate				

KEY POINTS:

- Oil punches higher on Middle East tensions
- China's macro data wasn't terribly impressive
- UK CPI was a snoozer to BoE expectations
- Hawkish RBA remarks push up yields down under
- More US bank, tech earnings on tap
- The head nodding Canadian consensus

It's a bit of a dull session by way of any truly fresh catalysts as we await Fed Chair Powell's remarks tomorrow after a string of strong readings from nonfarm to core CPI and retail sales alongside strong GDP tracking. Chinese data didn't beat by as much as the headlines suggest. UK inflation was a snoozer that probably changed nothing for the next BoE decision. RBA comments were hawkish sounding. Middle East tensions are pushing oil prices up by about US\$2½ across WTI and Brent after Iran called for an oil embargo on Israel and both sides levy claims the other one was responsible for a hospital bombing amid shaky proof. There is very little to consider on tap out of N.A. today.

Stocks are mildly lower across N.A. futures and European cash markets. Chinese stocks fell, either because they interpreted the China macro data the way I did, or assumed good news was bad news for further stimulus hopes. US Treasuries are outperforming other curves in bull steepener fashion while gilts underperform post-CPI but not as much as Australian rates after RBA remarks. Canada's curve is also slightly bull steepening.

China's economy beat expectations but not by as much as some of the headlines suggest. Q3 GDP grew by 1.3% q/q SA which was greater than the 0.9% consensus, but that was significantly because the prior quarter was revised down by three-tenths to +0.5% q/q SA. A weaker than previously understood prior quarter offered a lower jumping off point off which to post growth. The quarter ended a little more favourably than expected for industry as industrial production (chart 1) was up by 0.36% m/m SA and held at 4.5% y/y (4.4% consensus). Retail sales, however, were flat (chart 2) upon exiting the quarter as they landed unchanged in September (0% m/m SA) despite the y/y rate beating expectations (5.5%, 4.9% consensus).

UK CPI was a bit of a yawner in my opinion. Contract pricing for the November 2nd meeting initially added a couple of basis points or so, and then reversed to being unchanged at a low probability of a rate hike. Gilts are otherwise underperforming most other sovereign curves except for Australia's, as UK yields are up by 4–5bps across most maturities. CPI was up by 0.5% m/m NSA and in line with expectations while the year-over-year rate was a tick above consensus at 6.7%. At 0.5% m/m NSA, core CPI was slightly firmer than a typical month of September when comparing like months over time given it is seasonally unadjusted data (chart 3), but not by much especially given that the prior month was unusually soft by this same measure.

RBA Governor Bullock gave a speech overnight that upped the hawkish rhetoric. She said “The problem is that we’ve got shock after shock after shock and the more that keeps inflation elevated, even if it’s a supply shock, the more people adjust their thinking, the more entrenched inflation is likely to become, so that’s the challenge.” Here here.

More US bank earnings are on tap into the pre-market followed by tech earnings in the after-market. Morgan Stanley and State Street land at 7:30amET and both Netflix and Tesla release in the after-market. The Fed’s Beige Book (2pmET) and several Fed-speakers are on the docket. Otherwise, US markets may spend the sessions nervously awaiting Powell’s speech and Q&A tomorrow.

Canada only digests housing starts (8:15amET).

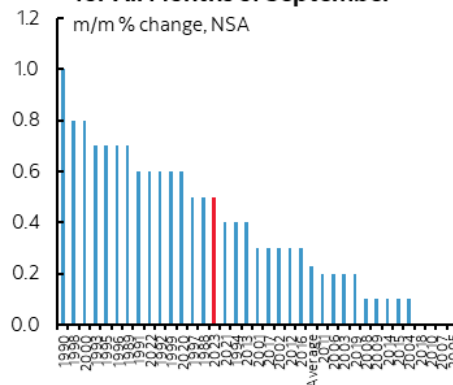
The head nodding Canadian consensus has everyone aggressively stating that the first sign of an inflation soft patch in yesterday’s numbers (recap [here](#)) means that the BoC is done. Clearly.

Obviously in fact. Oh yeah, for sure, no way they hike again. Just like in January....and just like the many times they were obviously done before that one as well. The sheep need to give their woolly

coats a shake here as the data wiggle doesn’t invalidate the multi-faceted narrative that points to ongoing upside risks to inflation that make getting inflation durably on the 2% target difficult to achieve. I expect another pause next week, but for the BoC to sound less convinced than others.

Chart 3

Comparing UK Core CPI for All Months of September



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.	5.17	5.21	4.98	4.83	4.87	4.58	4.81	4.84	4.56	4.93	4.93	4.70	Canada - BoC	5.00
CANADA	4.87	4.89	4.75	4.28	4.30	4.15	4.06	4.07	3.92	3.75	3.76	3.66	US - Fed	5.50
GERMANY	3.16	3.25	3.11	2.79	2.81	2.66	2.87	2.88	2.72	3.05	3.05	2.90	England - BoE	5.25
JAPAN	0.07	0.06	0.06	0.35	0.33	0.30	0.81	0.78	0.77	1.77	1.75	1.71	Euro zone - ECB	4.50
U.K.	4.90	4.88	4.80	4.60	4.55	4.39	4.55	4.51	4.33	4.95	4.94	4.77	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
CANADA	-30	-32	-24	-55	-57	-43	-75	-76	-64	-118	-117	-104	Mexico - Banxico	11.25
GERMANY	-201	-196	-188	-204	-206	-192	-195	-195	-184	-189	-187	-180	Australia - RBA	4.10
JAPAN	-510	-515	-492	-447	-454	-428	-400	-406	-379	-316	-318	-298	New Zealand - RBNZ	5.50
U.K.	-27	-33	-19	-23	-32	-19	-26	-32	-23	2	1	7	Next Meeting Date	
Equities	Level			Change			% change:							
	Last						1 Day	1-wk	1-mo	1-yr				
S&P/TSX	19693			72.0			0.4	1.0	-3.9	4.8			Canada - BoC	Oct 25, 2023
Dow 30	33998			13.1			0.0	0.8	-1.8	11.4			US - Fed	Nov 01, 2023
S&P 500	4373			-0.4			-0.0	0.3	-1.8	17.6			England - BoE	Nov 02, 2023
Nasdaq	13534			-34.2			-0.3	-0.2	-1.3	25.6			Euro zone - ECB	Oct 26, 2023
DAX	15150			-102.0			-0.7	-2.0	-3.7	18.7			Japan - BoJ	Oct 31, 2023
FTSE	7624			-51.1			-0.7	0.1	-0.4	9.9			Mexico - Banxico	Nov 09, 2023
Nikkei	32042			2.0			0.0	0.3	-4.4	18.0			Australia - RBA	Nov 06, 2023
Hang Seng	17733			-40.8			-0.2	-0.9	-1.1	4.8			New Zealand - RBNZ	Nov 28, 2023
CAC	6985			-44.7			-0.6	-2.1	-4.0	15.1				
Commodities	Level			Change			% change:							
WTI Crude	89.15			2.49			2.9	6.8	-2.5	7.6			England - BoE	Nov 02, 2023
Natural Gas	3.09			0.01			0.5	-8.4	13.4	-46.1			Euro zone - ECB	Oct 26, 2023
Gold	1945.93			22.75			1.2	3.8	0.6	17.8			Japan - BoJ	Oct 31, 2023
Silver	22.68			0.09			0.4	4.4	-1.6	22.0			Mexico - Banxico	Nov 09, 2023
CRB Index	283.08			0.71			0.3	1.1	-2.2	4.2			Australia - RBA	Nov 06, 2023
Currencies	Level			Change			% change:							
USDCAD	1.3639			-0.0009			-0.1	0.3	1.1	-0.7			New Zealand - RBNZ	Nov 28, 2023
EURUSD	1.0556			-0.0021			-0.2	-0.6	-1.3	7.1				
USDJPY	149.69			-0.1200			-0.1	0.3	1.4	0.3				
AUDUSD	0.6372			0.0007			0.1	-0.7	-1.0	1.0				
GBPUSD	1.2181			-0.0002			-0.0	-1.1	-1.6	7.6				
USDCHF	0.8991			-0.0011			-0.1	-0.3	0.2	-9.6				

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