

### DAILY POINTS

January 5, 2024 @ 7:00 EST

#### Contributors

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Chart 1

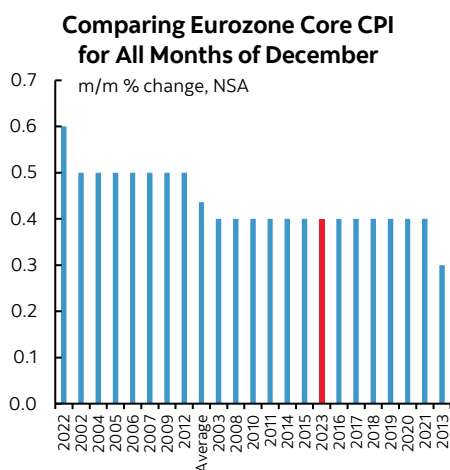
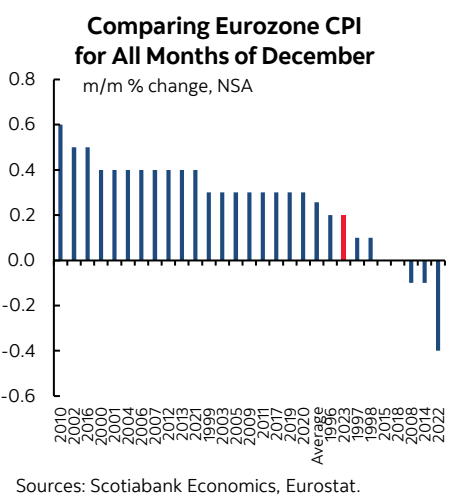


Chart 2



#### On Deck for Friday, January 5

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01-05	08:30	Employment (000s m/m)	Dec	25	15.0	24.9
CA	01-05	08:30	Unemployment Rate (%)	Dec	5.8	5.9	5.8
US	01-05	08:30	Average Hourly Earnings (m/m)	Dec	0.3	0.3	0.4
US	01-05	08:30	Average Hourly Earnings (y/y)	Dec	3.9	3.9	4.0
US	01-05	08:30	Average Weekly Hours	Dec	--	34.4	34.4
US	01-05	08:30	Nonfarm Employment Report (000s m/m)	Dec	200	175.0	199.0
US	01-05	08:30	Unemployment Rate (%)	Dec	3.8	3.8	3.7
US	01-05	08:30	Household Employment Report (000s m/m)	Dec	--	--	747.0
US	01-05	10:00	Factory Orders (m/m)	Nov	--	2.4	-3.6
US	01-05	10:00	ISM Non-Manufacturing Composite	Dec	53.0	52.5	52.7
US	01-05	13:30	Fed's Barkin Speaks to Maryland Bankers Association				

#### KEY POINTS:

- **Bonds and equities sell-off before payrolls**
- **Are US payrolls still resilient?**
- **Canadian jobs: is surging immigration still filling vacancies?**
- **Eurozone core inflation was seasonally mild**
- **German consumers drove a poor start to holiday sales**
- **US ISM-services, factory orders also on tap**

With Eurozone inflation out of the way the attention turns to US and Canadian job market updates this morning. Expectations are laid out below and in the two-week holiday edition of the Global Week Ahead that also highlights surprising strength in 2023 ([here](#)).

Bonds and stocks are both selling off this morning in an extension of the pattern throughout the first trading week of the new year. Some of this may be due to apprehension ahead of the N.A. jobs data. I don't see much of it having to do with the Eurozone inflation figures because a) most of the outcome was digested in advance through releases by Germany, France and Spain, and b) because the core numbers were about in line with seasonal norms as noted below.

In any event, with the caveat that this is pre-data, sovereign yields are up by 4–8bps across countries and maturities this morning. US and Canadian equity futures are off by about -½% and European equities are down by about 1%. The USD is broadly stronger against all major crosses, but CAD is slightly outperforming most of the rest of them.

Eurozone core CPI was up 0.4% m/m NSA in December ([here](#)). That sounds like a lot, but being seasonally unadjusted we need to compare to like months of December in history. Upon doing so, chart 1 is the result. December 2023 was basically in line with the historical average for the month and nothing to write home about. As a result, the rise wasn't enough to offset base effects that pushed the year-over-year rate down two-tenths to 3.4%.

Headline inflation matters less, but here too the rise was nothing all that surprising. Total CPI was up 0.2% m/m NSA which was relatively soft compared to like months of December (chart 2) and up by a half point to 2.9% y/y on a shift in year-ago base effects and partly as energy prices were based to the dip of a year ago due to subsidies.

German retail sales volumes fell 2.5% m/m in November which more than reversed the prior month's 1.3% increase.

#### NONFARM PREVIEW

The US updates labour market conditions for the month of December this morning (8:30amET). Here is a rough outline of expectations.

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Scotia: +200k

Consensus median: 175k

Consensus mean: 170k (ie: little skewness)

Range: 80k – 235k (most are within about 130k–200k)

Whisper number: 189k

Std dev: 24.5k

90% confidence interval: +/-130k

Unemployment rate: 3.8% from 3.7% (Scotia 3.8%)

Wages: 0.3% m/m SA

**Drivers:**

- Watch for revisions to the household survey that determines the unemployment rate. Seasonal adjustments will be revisited for several years.
- Consumers indicated that jobs were more plentiful in December. The measure within consumer confidence increased by over two points.
- The NFIB small business hiring plans index slipped in December while the measure of jobs hard to fill was steady.
- Initial jobless claims moved a little lower between the November and December nonfarm reference periods.
- JOLTS job openings slipped in November but this is lagging data.
- ADP private payrolls posted a 164k rise. Its soft track record makes it of little use as a nonfarm guide.
- Challenger job cuts softened to 34.8k in December from 45.5k the prior month and were the lowest number since July although it is seasonally unadjusted data.
- ISM measures are of little use. That's because while we know that ISM-manufacturing's employment subindex improved, it's a small share of hiring and we don't get the ISM-services employment figure until after payrolls this morning.
- Categories like retail as well as leisure and hospitality will be particularly worth monitoring to see how hiring stacked up to seasonal norms.

**CANADIAN JOBS PREVIEW**

Canada updates job market conditions for December this morning (8:30amET). It's mostly about the clean-up given the wildness to the household survey. Here are the rough parameters going in.

Scotia: 25k

Consensus median: 15k

Consensus mean: 14k (ie: little skewness)

Range: -10k – 28.3k (love the mischievous 0.3, ha....most are within about 10–25k)

Whisper number: n/a

Std dev: 10k

90% confidence interval: +/- 57k

Unemployment rate: 5.9% from 5.8% (Scotia 5.8%)

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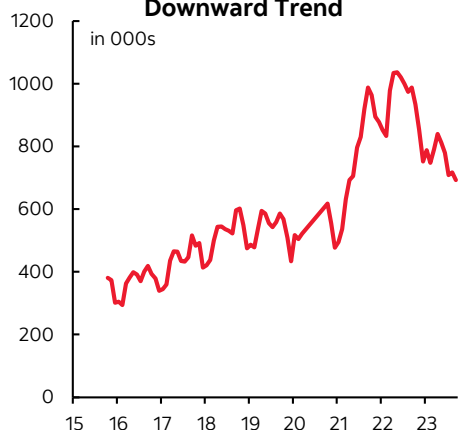
## Drivers:

- the loose logic is that job vacancies remain elevated (chart 3) and immigration is very high and likely to continue to fill some of those openings.
- wage growth is off the charts on a trend basis whether we use average hourly earnings of permanent employees (chart 4) or wage settlements that still have not been updated beyond October data with November figures about a week overdue.

In addition to jobs reports, the US will also update factory orders during November (10amET) that are expected to be strong given we already know the gain in durables. ISM-services for December could add to the morning's data risk to markets as a gauge of how the services sector performed during the holiday season.

Chart 3

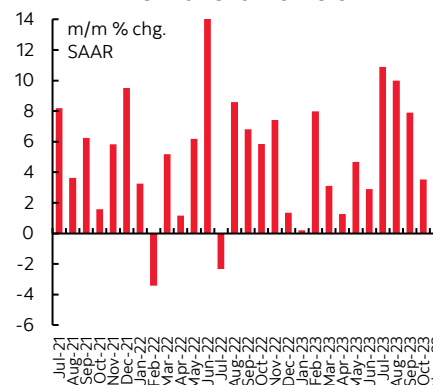
### Canadian Job Vacancies Continuing Downward Trend



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

### Average Hourly Wages of Permanent Workers



Sources: Scotiabank Economics, Statistics Canada, Haver.

Fixed Income	Government Yield Curves (%):												Central Banks			
U.S. CANADA GERMANY JAPAN U.K.	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	Canada - BoC	5.00		
	4.42	4.39	4.25	4.02	3.98	3.85	4.04	4.00	3.88	4.18	4.15	4.03				
	4.05	3.97	3.92	3.34	3.25	3.20	3.24	3.15	3.11	3.15	3.08	3.01			US - Fed	5.50
	2.59	2.53	2.40	2.12	2.06	1.95	2.17	2.12	2.02	2.38	2.35	2.26			England - BoE	5.25
0.04	0.06	0.05	0.21	0.21	0.21	0.61	0.62	0.61	1.63	1.64	1.63	Euro zone - ECB	4.50			
4.24	4.20	3.98	3.77	3.69	3.46	3.81	3.73	3.54	4.41	4.36	4.14			Japan - BoJ	-0.10	
Spreads vs. U.S. (bps):														Mexico - Banxico	11.25	
CANADA	-37	-41	-33	-68	-74	-65	-80	-85	-77	-103	-107					-102
GERMANY	-183	-185	-185	-190	-192	-190	-187	-188	-186	-180	-180	-177	New Zealand - RBNZ			5.50
JAPAN	-438	-433	-420	-382	-377	-364	-343	-339	-327	-255	-251	-240	Next Meeting Date			
U.K.	-18	-19	-27	-26	-29	-38	-23	-27	-34	23	21	11	Canada - BoC	Jan 24, 2024		
Equities	Level						% change:						US - Fed	Jan 31, 2024		
	Last	Change					1 Day	1-wk	1-mo	1-yr						
S&P/TSX	20871	52.8					0.3	-0.7	2.4	7.0	England - BoE			Feb 01, 2024		
Dow 30	37440	10.1					0.0	-0.6	3.6	13.7	Euro zone - ECB			Jan 25, 2024		
S&P 500	4689	-16.1					-0.3	-1.9	2.7	23.1	Japan - BoJ			Jan 23, 2024		
Nasdaq	14510	-81.9					-0.6	-3.9	2.0	40.8						
DAX	16479	-137.9					-0.8	-1.3	-0.3	14.2						
FTSE	7651	-72.5					-0.9	-0.9	2.1	0.2						
Nikkei	33377	89.1					0.3	0.2	1.8	29.3						
Hang Seng	16535	-110.6					-0.7	-3.0	1.3	-21.5						
CAC	7366	-84.7					-1.1	-2.2	-0.3	8.9						
Commodities	Level						% change:						Mexico - Banxico	Feb 08, 2024		
	Last	Change					1 Day	1-wk	1-mo	1-yr						
WTI Crude	72.69	0.50					0.7	1.3	0.5	-1.3	Australia - RBA			Feb 05, 2024		
Natural Gas	2.76	-0.06					-2.1	8.1	2.0	-25.7	New Zealand - RBNZ			Feb 27, 2024		
Gold	2039.23	-4.41					-0.2	-1.2	1.0	11.3						
Silver	22.96	-0.32					-1.4	-5.3	-8.8	-5.5						
CRB Index	265.00	-0.26					-0.1	-1.2	-0.5	0.5						
Currencies	Level						% change:									
	Last	Change					1 Day	1-wk	1-mo	1-yr						
USDCAD	1.3373	0.0023					0.2	1.0	-1.6	-1.5	Mexico - Banxico			Feb 08, 2024		
EURUSD	1.0914	-0.0031					-0.3	-1.1	1.1	3.7	Australia - RBA			Feb 05, 2024		
USDJPY	145.26	0.6300					0.4	3.0	-1.3	8.9	New Zealand - RBNZ			Feb 27, 2024		
AUDUSD	0.6681	-0.0026					-0.4	-1.9	2.0	-1.1						
GBPUSD	1.2658	-0.0024					-0.2	-0.6	0.5	6.3						
USDCHF	0.8532	0.0030					0.4	1.4	-2.5	-8.9						

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