

DAILY POINTS

January 19, 2024 @ 7:30 EST

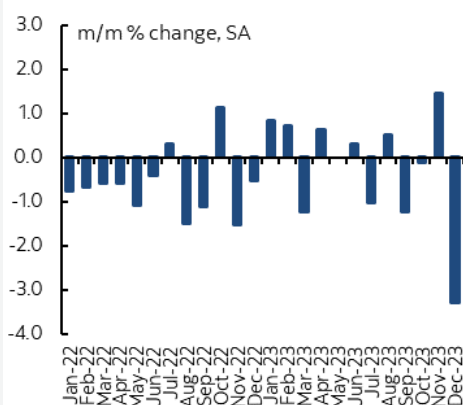
Contributors

Derek Holt

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

Chart 1

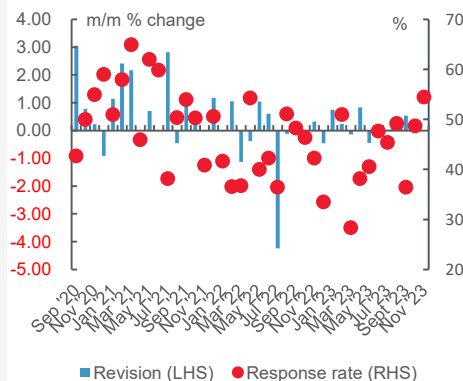
UK Retail Sales Volumes Plummeted



Sources: Scotiabank Economics, UK ONS.

Chart 2

Revision Risk in Statistics Canada's Advance Estimates



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Friday, January 19

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01-19	08:30	Retail Sales (m/m)	Nov	0.1	0.0	0.7
CA	01-19	08:30	Retail Sales ex. Autos (m/m)	Nov	--	-0.1	0.6
US	01-19	08:30	Fed's Goolsbee Speaks on CNBC				
US	01-19	10:00	Existing Home Sales (mn a.r.)	Dec	3.82	3.8	3.8
US	01-19	10:00	Existing Home Sales (m/m)	Dec	0.0	0.3	0.8
US	01-19	10:00	U. of Michigan Consumer Sentiment	Jan P	70.0	70.1	69.7
US	01-19	11:15	Fed's Daly Speaks on Fox Business				
US	01-19	13:00	Fed's Barr Speaks About Bank Regulation				
US	01-19	16:00	Total Net TIC Flows (US\$ bn)	Nov	--	--	-83.8
US	01-19	16:00	Net Long-term TIC Flows (US\$ bn)	Nov	--	--	3.3
US	01-19	16:15	Fed's Daly Speaks in Fireside Chat				

KEY POINTS:

- **Mild risk-on sentiment caps a volatile week**
- **Gilts rally as UK retail sales plunge**
- **Flat German core producer prices might not last**
- **How did Canada's holiday shopping season end?**
- **US consumer sentiment and inflation expectations on tap**
- **The Davos set should also be concerned about Biden, not just Trump**

Canadian, US and UK consumers are in the spotlight to end the week. Gilts are dearer across the curve and sterling is underperforming as UK consumers went AWOL last month. EGBs are mildly dearer, assisted by soft German core producer prices. There is a slightly positive risk-on tone with equities posting mild gains so far.

UK Retail Sales

UK retail sales volumes shamed forecasters. They plummeted by -3.2% m/m in December (-0.5% consensus). There can be substantial revisions to the first estimates, but they can be in either direction so don't bank on data quality issues eventually saving the day. The prior month was strong at +1.4% m/m and revised up a tick, but December's weakness swamps any pulled-forward argument driven by an earlier start to the holiday shopping season. There was high breadth to the weakness as all of the major subcategories fell sharply. As for blaming damp weather, first, it's London. That's like expressing surprise that it snows in Canada during winter. Second, weather doesn't explain two back-to-back sharp declines in 'non-store' retailing, aka mostly e-commerce. It's just one month of data and who knows, it could well rebound next month given how extremely volatile this data can be (chart 1), but one cannot dismiss the weakness at this point.

German Producer Prices

German producer prices fell by triple the expected rate (-1.2% m/m, consensus -0.4%). Another whoops. The mildly redeeming point to the forecast miss is that all of the decline was due to various energy categories as PPI ex-energy was flat at 0% m/m. That's still soft. Capital goods prices were flat for a second month. Consumer goods prices were little changed again. On its own, such softness in core producer prices may suggest less pipeline pressure on core CPI. One caveat to this thinking is whether inflation risk is pivoting higher again, and partly due to pass through of building wage pressures and shipping costs.

Canadian Retail Sales to Shed a Partial Light on Holiday Spending

Canada will update retail sales for November and December (8:30amET). Statcan had already guided that November was "relatively unchanged" in nominal terms but there can be large revisions to this initial guidance especially given the low sampling rates behind

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the initial estimates and the history of large revisions (chart 2). We'll also get November details like volumes and the composition of sales that are not provided with the initial flash estimates. One question is whether sales were roughly flat in nominal terms only because gas prices fell or due to other drivers.

The new information is more likely to be initial guidance for December's retail sales. We know that auto sales were up in December and so that should help. Also recall that in Canada, retail sales only capture merchandise. In the US, retail sales include eating and drinking establishments, but exclude anything spent on airlines, hotels, at concerts and sporting events, on vacation packages etc. Canada doesn't even include restaurants and bars, let alone the rest.

US Consumer Confidence and Inflation Expectations

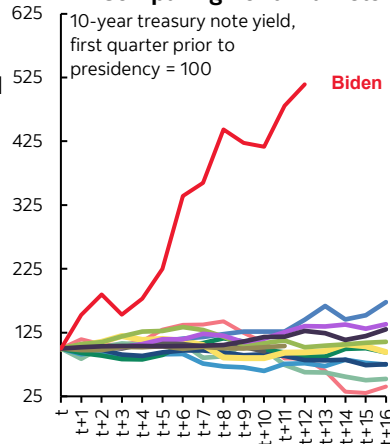
The US will update January's UMich consumer sentiment (10amET) as a confidence gauge as well as inflation expectations. US existing home sales are tracking little change based on pending home sales (10amET).

The Davos Set's Bias

Meanwhile, over in Davos where they'll soon be packing their bags after no-doubt extending their paid vacations through the weekend, the concern this morning is all about what the dangers that a Trump victory could pose. I agree he poses dangers, and yes he has many deep flaws as a human being, but Biden also poses dangers to the outlook and this biased woke set seems to refuse to talk about that. That doesn't serve anyone well in terms of demanding better policies out of the world's largest economy. After all, who has been the worst President ever to the bond market? See charts 3 and 4. That's partly because of the pandemic, but it's also because Biden spends too much and has driven debt skyward as a result and partly on the advice of some of these champagne-sipping types within the Davos crowd. The concern should be more generally applied to how polarized the US political system is and the varied policy risks that both of the leading candidates pose.

Chart 3

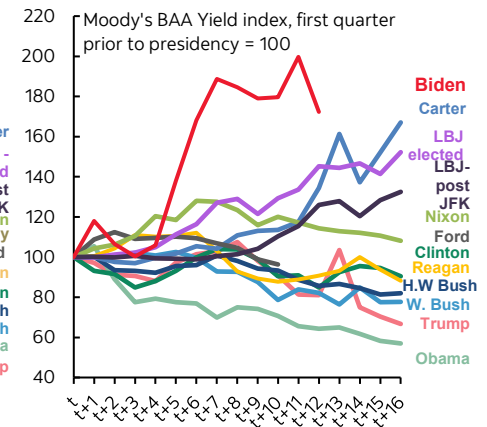
Comparing Bond Markets



Sources: Scotiabank Economics, Federal Reserve.

Chart 4

Comparing Corporate Bond Yield Performances



Sources: Scotiabank Economics, S&P, Bloomberg.

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
	4.35	4.35	4.15	4.04	4.05	3.83	4.13	4.14	3.94	4.35	4.37	4.18		
	4.06	4.06	3.79	3.53	3.54	3.28	3.47	3.49	3.22	3.41	3.42	3.18		
	2.68	2.69	2.52	2.23	2.25	2.08	2.31	2.35	2.18	2.48	2.52	2.40		
JAPAN	0.04	0.03	0.01	0.26	0.24	0.18	0.67	0.65	0.61	1.76	1.72	1.58	US - Fed	5.50
U.K.	4.25	4.30	4.16	3.78	3.83	3.66	3.89	3.93	3.79	4.55	4.59	4.42	England - BoE	5.25
CANADA	Spreads vs. U.S. (bps):												Euro zone - ECB	4.50
GERMANY	-30	-30	-36	-51	-51	-56	-66	-66	-72	-95	-94	-100		
JAPAN	-167	-167	-163	-181	-179	-175	-182	-179	-176	-187	-185	-178		
U.K.	-432	-432	-414	-378	-381	-365	-346	-349	-333	-260	-265	-260		
Equities	Level						% change:						Mexico - Banxico	11.25
S&P/TSX	Last	Change				1 Day	1-wk	1-mo	1-yr					
Dow 30	20757	61.7				0.3	-0.8	-0.4	2.0					
S&P 500	37469	201.9				0.5	-0.6	-0.2	13.4					
Nasdaq	4781	41.7				0.9	-0.1	0.3	22.6	New Zealand - RBNZ	5.50			
DAX	15056	200.0				1.3	0.6	0.3	38.7					
FTSE	16601	34.0				0.2	-0.6	-0.9	11.3					
Nikkei	7489	29.8				0.4	-1.8	-2.0	-3.3					
Hang Seng	35963	497.1				1.4	1.1	8.4	35.4	Canada - BoC	Jan 24, 2024			
CAC	15309	-83.1				-0.5	-5.8	-6.3	-30.6					
Commodities	Level						% change:						US - Fed	Jan 31, 2024
WTI Crude	74.00	-0.08				-0.1	2.7	0.8	-7.9					
Natural Gas	2.63	-0.06				-2.4	-15.0	5.7	-19.6	England - BoE	Feb 01, 2024			
Gold	2033.34	10.00				0.5	-0.8	-0.3	5.2					
Silver	22.61	-0.20				-0.9	-1.8	-5.6	-6.5	Euro zone - ECB	Jan 25, 2024			
CRB Index	265.46	2.42				0.9	1.2	-0.8	-4.0					
Currencies	Level						% change:						Japan - BoJ	Jan 23, 2024
USDCAD	1.3472	-0.0015				-0.1	0.5	1.0	0.0					
EURUSD	1.0883	0.0007				0.1	-0.6	-0.9	0.5	Mexico - Banxico	Feb 08, 2024			
USDJPY	148.09	-0.0700				-0.0	2.2	3.0	15.3					
AUDUSD	0.6597	0.0024				0.4	-1.3	-2.5	-4.5	Australia - RBA	Feb 05, 2024			
GBPUSD	1.2684	-0.0022				-0.2	-0.5	-0.4	2.4					
USDCHF	0.8693	0.0013				0.1	2.0	1.0	-5.1	New Zealand - RBNZ	Feb 27, 2024			

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