

DAILY POINTS

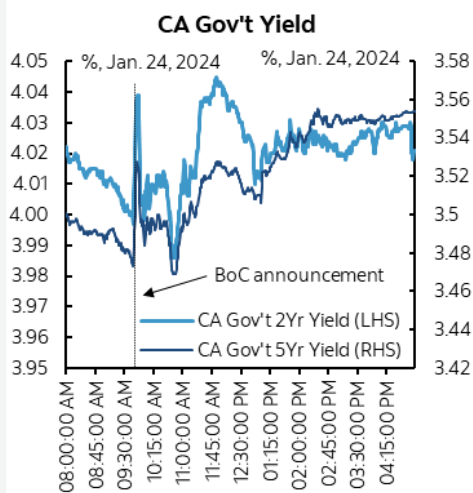
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Chart 1



Sources: Scotiabank Economics, Bloomberg.

On Deck for Thursday, January 25

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01-25	08:30	Durable Goods Orders (m/m)	Dec P	1.0	1.5	5.4
US	01-25	08:30	Durable Goods Orders ex. Trans. (m/m)	Dec P	0.3	0.2	0.4
US	01-25	08:30	GDP (q/q a.r.)	4Q A	2.2	2.0	4.9
US	01-25	08:30	GDP Deflator (q/q a.r.)	4Q A	--	2.2	3.3
US	01-25	08:30	Initial Jobless Claims (000s)	Jan 20	205	200.0	187.0
US	01-25	08:30	Continuing Claims (000s)	Jan 13	1840	1822.5	1806.0
US	01-25	08:30	Wholesale Inventories (m/m)	Dec P	--	-0.2	-0.2
US	01-25	10:00	New Home Sales (000s a.r.)	Dec	635	649.0	590.0

KEY POINTS:

- Risk-off sentiment into the ECB, key US data
- Lagarde already set the table for the ECB's communications
- US GDP and core PCE could be more impactful to markets
- Other US macro: claims, durables, new home sales
- Canadian markets to be driven by US data after the BoC's hawkish hold
- SARB expected to hold with inflation toward upper bound
- Norges Bank holds, higher oil prices mattered more
- German business confidence continues to slip
- Turkey's central bank delivered a final hike

If the ECB walks and talks like Lagarde did at Davos, then the prime focus today should be upon US macro data and especially GDP and core PCE.

Overnight developments were relatively light with a couple of regional central banks and minor data. There is no follow through on yesterday's sell off in US rates that was triggered by higher PMIs. US Ts are slightly bull flattening while European curves are slightly cheaper across countries and maturities. Oil is up a buck and supporting CAD and NOK. Equities have a slightly risk-off odour.

The BoC's hawkish hold (recap [here](#))—at best neutral, certainly not 'dovish'—was also probably overwhelmed by Canadian rates being dragged higher along with the US yesterday (chart 1). Why I keep hearing commentary to the effect that Canada rallied post-BoC; umm....check the chart. So why did some describe it as a dovish stance? Maybe because the whole street's economists are under enormous pressure to forecast lower rates soon. It's not dovish when you hang out at 5%, say you plan on doing so for a while yet as everything is monitored, you say you're not seeing the progress on core inflation that you need to see and statement codify such reference, and retain hike risk. Striking out reference to possibly hiking in the statement was meaningless as they just moved it into the Governor's opening remarks and he spoke to ongoing hike risk in the presser. Besides, they said in December they thought they were restrictive enough in their base case assessment and so yesterday just basically repeated that while saying if inflation continues to surprise higher then hikes can't be ruled out. A protracted hold is in their base case guidance as they leaned against nearer term cuts with all of their guidance. Dovish to hang out at 5% for a while with hike risk as they evaluate data, fiscal plans through upcoming budgets, spring housing markets, supply chain and transportation cost shocks they only indirectly acknowledged while being overly dismissive toward strong US GDP growth? Yeah right. I just don't see it that way.

The dominant move across N.A. yields yesterday was the US curve reaction to their PMIs and in the end that's likely what dragged Canada's curve alongside the spillover

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implications for Canada. US 2s and 10s cheapened about 9bps post-data. In the end, the Canadian curve sold-off post-BoC. The BoC changed nothing in my opinion, yet 2s slightly cheapened post-communications and so did 5s that went in at 3.47% and ended at 3.55%. The BoC took reference to hikes out of the statement, and put them in the opening remarks and throughout the press conference. That's the same unchanged net guidance they had in December when they said they thought they were restrictive enough, as long as the data goes their way. So now we watch the data.

We'll see what today brings. Macklem's interview with the WSJ is available now ([here](#)) but offered nothing materially different. He'll also have an interview with Canadian Press at some point. Ignore the day's ancient payrolls data (8:30amET).

Forget about there being any mystery surrounding the ECB's policy communications this morning (8:15amET statement, 8:45amET presser). Lagarde's multiple remarks at Davos last week made it clear there is no appetite for nearer term easing when she said "It is not helping our fight against inflation if the anticipation is such that they are way too high compared with what's likely to happen." There is disagreement among ECB officials on when they may commence easing with some preferring nearer term, some by summer, and Austria's Holzmann saying they might not cut at all this year.

US macro data risk will be significant. Key will be Q4 GDP (8:30amET). Consensus is at 2.0% q/q SAAR. My estimate is 2.2%. Almost all within consensus lie between about 1.5% and 2.5%. This could be the sixth straight quarter in which consensus underestimated US GDP growth going into each quarter (chart 2). It kills me to hear headlines talking about some great slow down. Slower, yes, but that can't be helped after 4.9% growth in Q3. If anything around 2% is achieved, then that would be a remarkable follow-up. Growth details will also matter, such as inventory swings.

Also keep an eye on core PCE for Q4 (8:30amET) as it may include revisions and will incorporate tomorrow's December estimate. 2% is a common estimate based upon no revisions to monthly core PCE and tacking on 0.2% m/m as a reasonable estimate for December that would be a touch softer than core CPI.

US weekly initial jobless claims could also be worth a peak (8:30amET). They dipped to 187k the prior week for the lowest reading since September 2022. No states were estimated that week which supported data quality. Claims have been broadly trending lower since June of last year and continue to indicate a strong US labour market.

US durable goods orders should get a transportation/aircraft lift, but watch core (8:30amET). New home sales (10amET) are widely expected to rebound from the prior month's drop with the assistance of higher model home foot traffic as a leading indicator.

SARB is expected to hold at 8.25% a little later this morning (>8amET). Yesterday's inflation report for December remained toward the upper end of SARB's 4.5% +/- 150bps target range with headline dipping to 5.1% y/y and core stable at 4.5% y/y.

The rest of what follows is a recap of overnight developments.

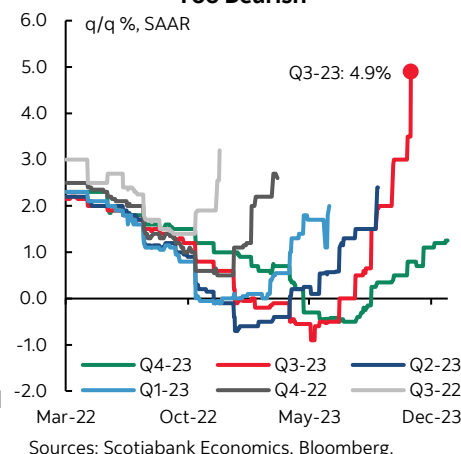
Norges Bank held its policy rate at 4.5% and guided it would stay on hold for "some time." It dropped reference to how "the policy rate will lie around 4.5% until autumn 2024" which could be meaningful, or it could just be a reflection of the fact it was an interim meeting sans forecasts or any refreshed explicit forward rate guidance. Norway's yield curve underperformed other cheaper European curves and the krone is outperforming, but that could also be due to higher oil prices this morning.

Turkey's central bank—your fave—hiked 250bps to 45% as expected. It also signalled the end of rate hikes by stating "that the monetary tightness required to establish the disinflation course is achieved and that this level will be maintained as long as needed." That was consistent with expectations this would be the final hike after the central bank said at its last decision in December that the goal was to "complete the tightening cycle as soon as possible."

German IFO business confidence slipped a touch on each of the headline, current assessment, and expectations component. Confidence has been broadly trending lower on a volatile path since mid-2021.

Chart 2

Consensus Estimates for US GDP Too Bearish



Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K. 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		
	4.38	4.38	4.35	4.07	4.09	4.05	4.16	4.18	4.14	4.39	4.41	4.37	Canada - BoC	5.00
	4.02	4.03	4.06	3.54	3.55	3.54	3.49	3.50	3.49	3.45	3.46	3.42	US - Fed	5.50
	2.73	2.71	2.69	2.28	2.26	2.25	2.36	2.34	2.35	2.54	2.52	2.52		
	0.07	0.07	0.03	0.33	0.32	0.24	0.75	0.72	0.65	1.83	1.80	1.72	England - BoE	5.25
	4.43	4.42	4.30	3.98	3.96	3.83	4.03	4.01	3.93	4.62	4.61	4.59		
	Spreads vs. U.S. (bps):													
	-36	-35	-30	-53	-54	-51	-67	-68	-66	-94	-95	-94	Euro zone - ECB	4.50
	-165	-167	-167	-179	-183	-179	-180	-184	-179	-185	-189	-185		
-431	-431	-432	-375	-377	-381	-342	-346	-349	-256	-261	-265	Japan - BoJ	-0.10	
5	4	-6	-9	-13	-22	-14	-17	-21	23	20	23			
Equities	Level						% change:						Mexico - Banxico	11.25
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last	Change					1 Day	1-wk	1-mo	1-yr				
	21026	-8.8					-0.0	1.6	0.7	2.1				
	37806	-99.1					-0.3	1.4	1.1	12.0				
	4869	3.9					0.1	2.7	2.4	21.2				
	15482	56.0					0.4	4.2	3.3	36.8				
	16800	-90.4					-0.5	1.4	0.6	11.4				
	7514	-13.8					-0.2	0.7	-2.4	-3.0				
	36236	10.0					0.0	2.2	8.8	32.4				
	16212	312.1					2.0	5.3	-0.8	-28.2				
	7414	-41.8					-0.6	0.2	-2.0	5.3				
Commodities	Level						% change:							
WTI Crude	75.89	0.80					1.1	2.4	3.2	-5.3				
Natural Gas	2.85	0.21					7.8	5.5	9.0	-7.2				
Gold	2014.49	0.61					0.0	-0.4	-1.9	3.5				
Silver	22.77	0.51					2.3	-0.2	-6.9	-4.0				
CRB Index	270.99	2.78					1.0	3.0	1.6	-2.3				
Currencies	Level						% change:							
USDCAD	1.3513	-0.0011					-0.1	0.2	1.9	0.9				
EURUSD	1.0891	0.0006					0.1	0.1	-1.1	-0.2				
USDJPY	147.68	0.1700					0.1	-0.3	3.7	14.0				
AUDUSD	0.6585	0.0008					0.1	0.2	-3.1	-7.3				
GBPUSD	1.2725	-0.0001					-0.0	0.1	0.3	2.6				
USDCHE	0.8650	0.0022					0.3	-0.3	1.2	-5.8				

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