

DAILY POINTS

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Contributors

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Chart 1

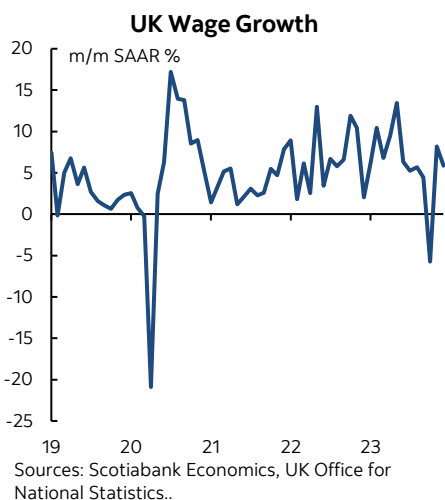
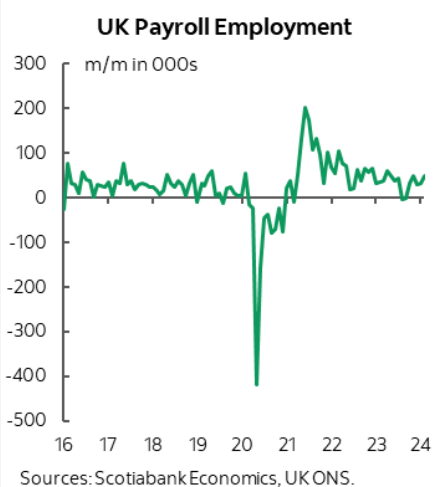


Chart 2



On Deck for Tuesday, February 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02-13	08:30	CPI (m/m)	Jan	0.2	0.2	0.2
US	02-13	08:30	CPI (y/y)	Jan	2.8	2.9	3.4
US	02-13	08:30	CPI (index)	Jan	--	308.0	306.7
US	02-13	08:30	CPI ex. Food & Energy (m/m)	Jan	0.3	0.3	0.3
US	02-13	08:30	CPI ex. Food & Energy (y/y)	Jan	3.6	3.7	3.9

KEY POINTS:

- **Markets await US CPI**
- **US core CPI expected to extend the recent pattern**
- **Hot UK job market drives gilts to underperform, sterling appreciation**
- **Swiss Franc depreciates as CPI softens**
- **NZ\$ depreciates, curve bull steepens on lower inflation expectations**

Markets are bracing for US CPI as UK markets react to an overall hot assessment of the local job market. That has US Treasury and EGB curves slightly rallying, while gilts are slightly underperforming. Equities are trading carefully. Plus oil is up a touch on a revised IEA outlook.

Round 1 of UK data dump week ended positively for the UK economy, not so much for markets. Gilts are underperforming other sovereign bonds this morning in a bear flattener move. The probability of a cut by the June meeting was further reduced with the market's base case being a fully priced cut by August that was also shaved a little. Sterling is outperforming most crosses.

Here is what went down:

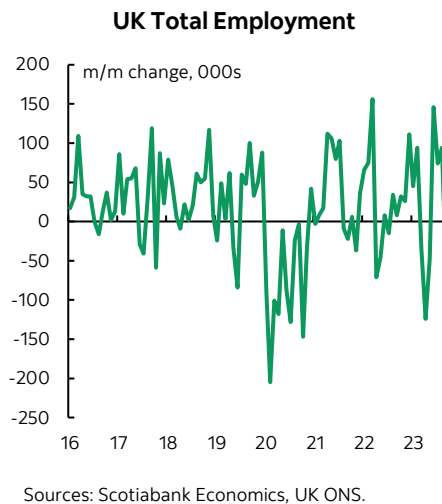
- Wage growth excluding bonuses remains hot (chart 1). Wages were up by 5.9% m/m SAAR in December after the prior 8.2% m/m SAAR gain. The decline in October was the aberration on the trend line that has been market by hot gains. These gains in the UK are being registered despite falling productivity.
- UK payrolls were up by 48k in January and the prior month was revised up from a loss of 24k to a gain of 31k (chart 2).
- Lagging total employment was up by 38k m/m SA in December after a 60k drop the prior month (chart 3).
- Jobless claims were up 14k in January while the prior month's figure was revised down to 5.5k from 11.7k.

All of this should be taken in stride with a lot more UK data due out this week including CPI tomorrow, Q4 GDP on Thursday, and a dump of just about every other December reading this week.

The Swiss franc is underperforming as the rates curve bull steepens following weaker than expected CPI.

The NZ\$ is underperforming and its rates curve slightly bull steepened after the RBNZ's 2-year inflation expectations reading fell again to 2.5% from 2¾% the prior quarter (chart 4). The measure peaked in late 2022 at 3.6% and has

Chart 3



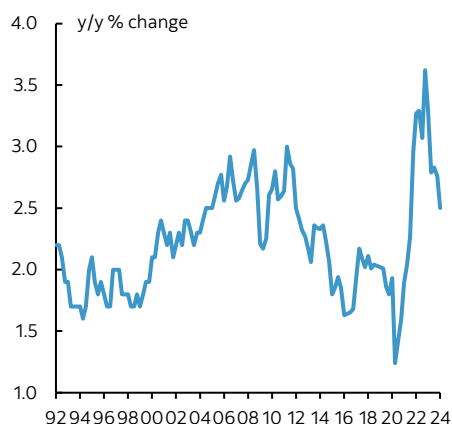
been trending lower since then, but still remains a little above the 2% readings that existed before the pandemic.

US CPI (8:30amET) is one of two CPI reports and one more PCE report before the March 20th FOMC communications. If core CPI lands at 0.3% m/m SA as expected, then it should drive another core PCE print of 0.2% or so on Feb 29th. That would be the fourth soft reading in a row when FOMC members generally say they want a few more months of evidence after Powell basically ruled out cutting in March.

For details on the estimates, the impact of weighting changes that take effect this time and what to watch for please see the section on US CPI in the Global Week Ahead [here](#). Chart 5 shows the Cleveland Fed's 'nowcast' tracking of headline and core CPI.

Chart 4

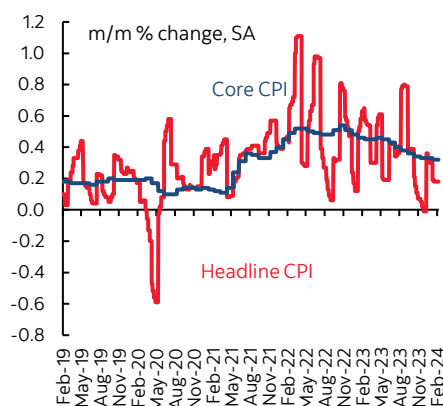
RBNZ 2-Year Inflation Expectations



Sources: Scotiabank Economics, RBNZ.

Chart 5

Cleveland Fed Nowcast



Sources: Scotiabank Economics, Cleveland Fed.

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		
	4.47	4.48	4.40	4.12	4.14	4.05	4.16	4.18	4.10	4.37	4.38	4.30	Canada - BoC	5.00
	4.25	4.25	4.08	3.70	3.71	3.52	3.57	3.58	3.43	3.43	3.44	3.33		
	2.68	2.69	2.60	2.29	2.31	2.22	2.34	2.36	2.29	2.54	2.56	2.51	US - Fed	5.50
	0.13	0.11	0.12	0.34	0.33	0.32	0.73	0.73	0.72	1.80	1.80	1.80		
	4.56	4.55	4.47	4.07	4.05	3.95	4.07	4.06	3.95	4.59	4.59	4.55	England - BoE	5.25
	Spreads vs. U.S. (bps):													
	-22	-23	-33	-42	-43	-52	-59	-60	-68	-93	-94	-98	Euro zone - ECB	4.50
	-178	-178	-181	-184	-183	-183	-182	-182	-181	-183	-182	-179		
-434	-436	-429	-379	-381	-373	-344	-345	-338	-257	-258	-250	Japan - BoJ	-0.10	
10	8	7	-5	-9	-9	-10	-12	-15	23	20	25			
Equities	Level						% change:						Mexico - Banxico	11.25
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	21067	57.7			0.3	0.9	0.4	1.8					Australia - RBA	4.35
Dow 30	38797	125.7			0.3	1.1	3.2	13.3						
S&P 500	5022	-4.8			-0.1	1.6	5.0	21.4					New Zealand - RBNZ	5.50
Nasdaq	15943	-48.1			-0.3	2.2	6.5	34.1						
DAX	16950	-87.8			-0.5	-0.5	1.5	10.1						
FTSE	7557	-16.8			-0.2	-1.6	-0.9	-4.9						
Nikkei	37964	1066.6			2.9	4.4	6.7	37.2					Canada - BoC	Mar 06, 2024
Hang Seng	15747	-131.5			-0.8	1.4	-3.1	-25.7						
CAC	7663	-26.4			-0.3	0.3	2.7	6.3					US - Fed	Mar 20, 2024
Commodities	Level						% change:							
WTI Crude	77.43	0.51			0.7	5.6	6.5	-3.4					England - BoE	Mar 21, 2024
Natural Gas	1.76	-0.01			-0.4	-12.3	-46.8	-26.8						
Gold	2027.92	7.87			0.4	-0.4	-1.0	9.4					Euro zone - ECB	Mar 07, 2024
Silver	22.92	0.26			1.1	1.8	-0.6	3.6						
CRB Index	273.31	-1.03			-0.4	1.9	3.4	0.2					Japan - BoJ	Mar 19, 2024
Currencies	Level						% change:							
USDCAD	1.3445	-0.0006			-0.0	-0.3	0.1	0.8					Mexico - Banxico	Mar 21, 2024
EURUSD	1.0778	0.0006			0.1	0.2	-1.6	0.5						
USDJPY	149.35	0.0000			0.0	1.0	2.5	12.8					Australia - RBA	Mar 18, 2024
AUDUSD	0.6522	-0.0009			-0.1	-0.0	-2.1	-6.4						
GBPUSD	1.2670	0.0041			0.3	0.6	-0.4	4.4					New Zealand - RBNZ	Feb 27, 2024
USDCHF	0.8802	0.0045			0.5	1.2	2.9	-4.3						

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