

DAILY POINTS

March 8, 2024 @ 6:40 EST

Contributors

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Chart 1

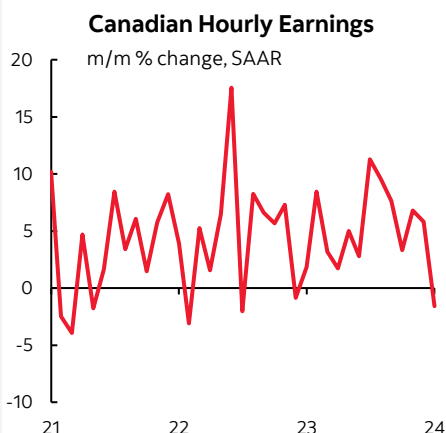
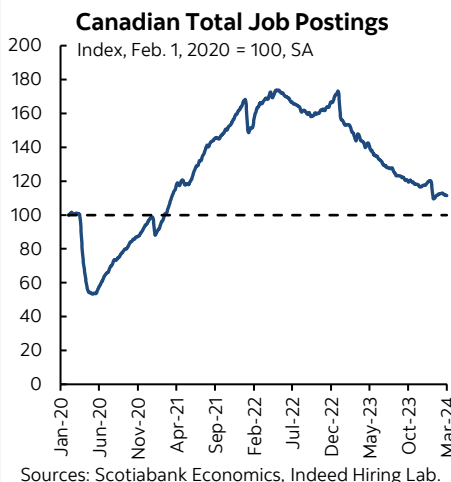


Chart 2



On Deck for Friday, March 8

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-08	07:00	Fed's Williams Participates in Moderated Discussion				
CA	03-08	08:30	Capacity Utilization (%)	4Q	--	--	79.7
CA	03-08	08:30	Employment (000s m/m)	Feb	25	20.0	37.3
CA	03-08	08:30	Unemployment Rate (%)	Feb	5.6	5.8	5.7
US	03-08	08:30	Average Hourly Earnings (m/m)	Feb	0.3	0.2	0.6
US	03-08	08:30	Average Hourly Earnings (y/y)	Feb	4.5	--	4.5
US	03-08	08:30	Average Weekly Hours	Feb	--	34.3	34.1
US	03-08	08:30	Nonfarm Employment Report (000s m/m)	Feb	210	200.0	353.0
US	03-08	08:30	Unemployment Rate (%)	Feb	3.6	3.7	3.7
US	03-08	08:30	Household Employment Report (000s m/m)	Feb	--	--	-31.0

KEY POINTS:

- Markets brace for US, Canadian jobs and wages
- Will nonfarm payrolls continue to destroy Powell's rebalancing narrative?
- Nonfarm might play second fiddle to wages
- Canadian wages, the BoC and M. Night Shyamalan may have something in common
- The BoJ rumour mill keeps driving yen strength
- Peru's central bank surprised almost everyone

Welcome to Jobs Friday in North America. There are other considerations worth flagging afterward, but let's get right to the top of mind issues into the N.A. market open.

CANADIAN JOBS PREVIEW—ON WAGE WATCH

The Bank of Canada claimed in this week's communications that there were 'signs' that wage growth may be ebbing. It's unclear how rich the evidence is to back up this claim. Do you mean 'signs' as in data? Or signs, like mysterious crop circles in Mel Gibson's movie of the same name?? Ooooh the intrigue. It's like M. Night Shyamalan wrote the bloody BoC statement!

We're about to find out a bit more evidence when February's wage figures arrive. January's average hourly earnings fell by 1.6% m/m SAAR for the first drop since December 2022. Monthly dips along a strong trend are not unusual (chart 1). Overreacting to them is. Especially when collective bargaining exercises are driving explosive wage gains that will filter through the data for years to come. Especially when *any* wage gain is inflationary when not justified by tumbling labour productivity.

Here's a preview of the expectations for today numbers (8:30amET). One thing is for certain – Canada's job market is hardly slowing in my opinion. 37k jobs were created in January. 480k jobs have been created since the end of 2022. Half a million folks. Half a million folks who are among the folks looking to buy a home, a car, and sundry other things upon which to spend their good fortune.

Let's see what happened in February without overreacting no matter what happens given the high degree of statistical noise. Here are the expectations.

- Consensus median: 20k
- Consensus mean: 24k (slight skewness higher)
- Scotia: 25k
- Range: 5k – 77k (most are within 5–25k)
- Std Dev: 17.2k
- 95% C.I.: 57k
- UR: 5.8% from 5.7% (Scotia 5.6%)

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Rationale:

- Strong immigration is probably still filling vacancies that have fallen back to pre-pandemic levels but are still high enough for job growth.
- Tracking of a GDP rebound into Q1 tends to be correlated with employment gains.
- High frequency alt-data on business conditions may suggest a significant job gain. This is based upon mobility data, business openings and closings etc and the Statcan business conditions index is tracking very strongly into the new year.
- Job postings have been ebbing but remain solid (chart 2).
- Ditto for job vacancies (chart 3).
- Watch wages. Average hourly wages slipped by 1.6% m/m SAAR in January and may rebound. We've seen slips before, only for a strong trend to re-emerge. The smooth pattern is still strong at about triple the BoC's 2% target on a 3-month moving average of the m/m SAAR basis.

US JOBS PREVIEW—WILL NONFARM CONTINUE TO DESTROY POWELL'S REBALANCING NARRATIVE?

The last couple of months chunked Fed Chair Powell's rebalancing narrative out the window (recall [here](#)). Nonfarm payrolls were up by 353k jobs in January and 333k in December. Revisions added 117k to raise December's gain to that level and another smaller amount to November. Wage growth accelerated to 0.6% m/m SA or 6.8% m/m SAAR and wage growth has been on an upward trend over the past half year (chart 4). While some readings on the US labour market have been undeniably cooling, that has not been the case for the most important measures followed by the Federal Reserve.

Today's update for February has to be taken in that context (8:30amET). This is not a weak or even weakening job market to date. It may well soften in future, but job growth can soften by a lot from this recent pace without sparking concern and without meriting policy easing at least in terms of the full employment part of the dual mandate.

Here are the expectations into the numbers.

- Consensus median: 200k
- Consensus mean: 197k (no material skewness)
- Scotia: 220k
- Range: 110 – 286k (most within 175–225k)
- Whisper number: 206
- Std Dev: 30k
- 90% C.I.: +/- 130k
- UR: 3.7% unchanged

Rationale:

- Most advance signals point to slower job growth, but nonfarm often doesn't line up with them.
- Initial jobless claims were low and stable between reference periods.
- ISM-employment subindices point to softening job growth.
- The Consumer confidence jobs plentiful subindex pulled back a little in February after increasing in January.

Chart 3

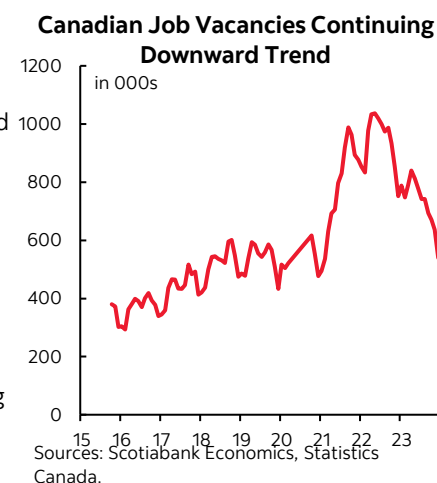
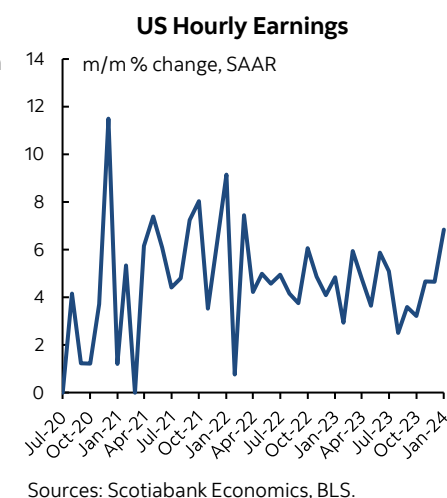


Chart 4



- ADP private payrolls were up by +140k but they’ve been understating private nonfarm payrolls for a while and ADP tends to be an unreliable gauge over long periods of time.
- JOLTS job vacancies pulled back a little in January but are still high (chart 5).
- NFIB measures for hiring plans and hard to fill vacancies both pulled back.
- Watch wages. The 0.6% m/m SA surge in January might be tough to repeat as it was the strongest gain since January 2022.

BOJ RUMOURS AND BCRP’S SURPRISE

There were a few developments overnight that are worth flagging. The yen appreciated again on a Reuters piece that cites ‘four sources familiar with its thinking’ that more BoJ policymakers are leaning toward ending negative rates at the March 18th–19th meeting. The piece nevertheless said “an imminent policy shift is hardly a done deal as there is no consensus within the nine-member board on whether to pull the trigger” that soon. Righto, start a rumour, quash a rumour all in one story.

Peru’s central bank surprised markets by holding its policy reference rate unchanged at 6.25% against 12 out of 13 forecasters who expected a 25bps cut. Only one person got the call right. I guess the stronger than seasonally usual jump in core CPI during February rattled a few cages as it jumped by 0.5% m/m NSA which was unusually hot compared to like months in history (chart 6).

Chart 5

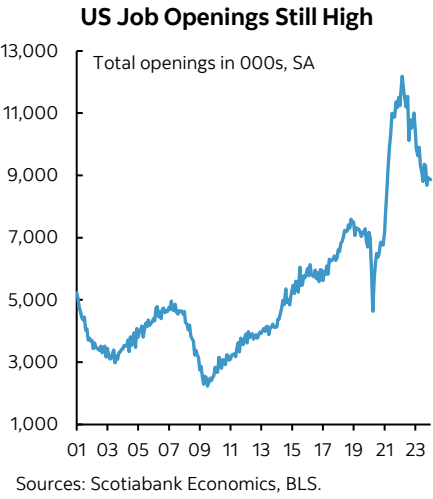
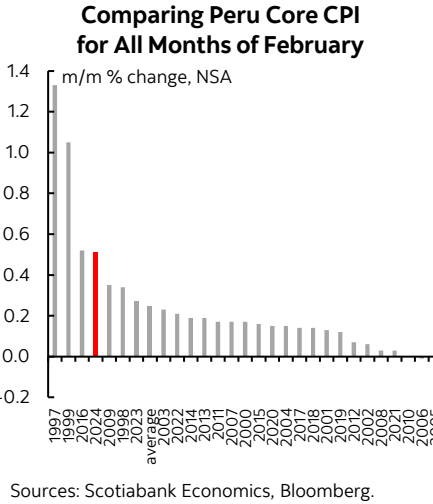


Chart 6



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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
	4.49	4.50	4.53	4.06	4.07	4.16	4.07	4.08	4.18	4.23	4.24	4.33		
	4.08	4.07	4.18	3.44	3.43	3.57	3.36	3.35	3.49	3.25	3.24	3.36		
	2.78	2.83	2.89	2.29	2.34	2.43	2.26	2.31	2.41	2.42	2.45	2.55		
	0.20	0.20	0.19	0.39	0.38	0.37	0.74	0.73	0.72	1.79	1.77	1.75		
U.K.	4.26	4.29	4.29	3.91	3.96	4.03	3.97	4.00	4.11	4.38	4.40	4.55	England - BoE	5.25
Spreads vs. U.S. (bps):													Euro zone - ECB	4.50
CANADA	-41	-43	-35	-62	-64	-59	-71	-74	-69	-98	-101	-97		
GERMANY	-171	-167	-164	-177	-173	-173	-181	-178	-177	-182	-179	-178		
JAPAN	-429	-431	-434	-367	-369	-379	-334	-335	-346	-245	-248	-258		
U.K.	-23	-21	-24	-14	-11	-13	-11	-9	-7	15	16	22	Japan - BoJ	-0.10
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	Australia - RBA	4.35		
	21795	200.6					0.9	2.0	4.2	7.1				
	38791	130.3					0.3	-0.5	0.2	18.3				
	5157	52.6					1.0	1.2	3.2	29.2				
	16273	241.8					1.5	1.1	3.0	40.6				
	17847	4.2					0.0	0.6	5.2	14.2				
	7674	-18.1					-0.2	-0.1	1.0	-3.2				
	39689	90.2					0.2	-0.6	7.7	39.5				
	16353	123.6					0.8	-1.4	3.0	-18.4				
	8040	23.7					0.3	1.3	4.9	9.8				
Commodities	Level						% change:						England - BoE	Mar 21, 2024
WTI Crude	78.59	-0.34					-0.4	-1.7	3.1	2.5				
Natural Gas	1.79	-0.03					-1.8	-2.7	-6.8	-30.0				
Gold	2167.47	7.50					0.3	4.1	6.5	19.5				
Silver	24.16	0.36					1.5	8.1	8.4	15.5				
CRB Index	279.09	0.97					0.3	1.5	2.0	4.5	Japan - BoJ	Mar 19, 2024		
Currencies	Level						% change:						Mexico - Banxico	Mar 21, 2024
USDCAD	1.3446	-0.0013					-0.1	-0.8	-0.1	-2.6				
EURUSD	1.0931	-0.0017					-0.2	0.9	1.4	3.7				
USDJPY	147.06	-0.9900					-0.7	-2.0	-1.5	7.1				
AUDUSD	0.6646	0.0026					0.4	1.8	2.4	0.9				
GBPUSD	1.2828	0.0019					0.1	1.4	1.7	8.3	New Zealand - RBNZ	Apr 09, 2024		
USDCHF	0.8762	-0.0015					-0.2	-0.8	0.3	-7.0				

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