

DAILY POINTS

June 7, 2024 @ 6:35 EST

Contributors

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Chart 1

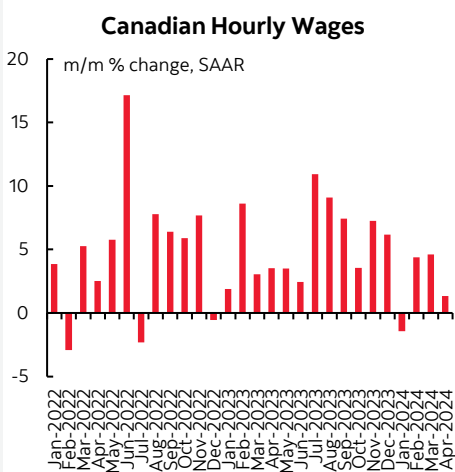
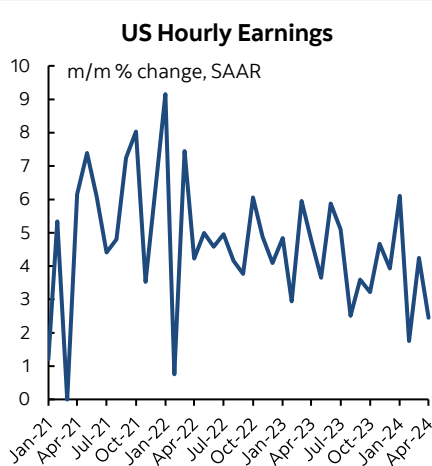


Chart 2



On Deck for Friday, June 7

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06-07	08:30	Capacity Utilization (%)	1Q	79.0	78.8	78.7
CA	06-07	08:30	Employment (000s m/m)	May	30.0	22.5	90.4
CA	06-07	08:30	Unemployment Rate (%)	May	6.2	6.2	6.1
US	06-07	08:30	Average Hourly Earnings (m/m)	May	0.3	0.3	0.2
US	06-07	08:30	Average Hourly Earnings (y/y)	May	3.9	3.9	3.9
US	06-07	08:30	Average Weekly Hours	May	--	34.3	34.3
US	06-07	08:30	Nonfarm Employment Report (000s m/m)	May	205	180.0	175.0
US	06-07	08:30	Unemployment Rate (%)	May	3.9	3.9	3.9
US	06-07	08:30	Household Employment Report (000s m/m)	May	--	--	25.0
US	06-07	12:00	Fed's Cook Gives Commencement Speech				
US	06-07	15:00	Consumer Credit (US\$ bn m/m)	Apr	--	10.0	6.3

KEY POINTS:

- **Markets await US, Canadian jobs**
- **A truly bizarre week for global central banks**
- **Advance readings point to solid US payrolls**
- **Can Canada follow up April's strong job gain with another?**
- **US, Canadian wage growth could be key after prior cooling**
- **RBI, Russian central bank both held as widely expected**

From wonky sounding central banks we can now turn our attention back to the good ol' fundamentals this morning. Markets are trading carefully as usual before a US payrolls report as both bonds and equities have a mild cheapening bias. Brace for a lot of volatility into the end of the week with potentially significant effects on Fed and BoC pricing. Most of the focus will be upon US and Canadian jobs reports that arrive at 8:30amET. Regional markets may be impacted by a pair of LatAm inflation prints (Mexico & Chile at 8amET). The RBI held as expected overnight and so did Russia's central bank this morning against some speculation that another hike could be in the works. Brief jobs previews follow.

But first, what a bizarre couple of days in the annals of global central bank decisions. I swear that the prime reason both the ECB and the BoC cut was simply to be able to say they did it before the Fed in a symbolic sense. I can't recall weaker justifications or wonkier guidance at the potential start of easing cycles.

- The ECB stuck to forward guidance and cut when it arguably shouldn't have given the evidence to date and then trips over itself to basically apologize with low conviction and no commitment throughout the whole press conference. It was like "we're cutting, sorry." They cut after months of saying they wanted to see wage data and that wage data ripped, yet they still cut, and with core inflation still running hot. Then the rebels come out immediately after the press conference in anonymous reports and douse Lagarde's zero forward commitment with a commitment to do nothing over most or all of the rest of the summer. Clearly they did not agree with Lagarde's "I'm in charge" necklace that she wore during her presser.
- The BoC cut starkly against the Governor's forward guidance and threw all caution to the wind in a package of views that are low on the believability scale across multiple points as previously covered.

CANADIAN JOBS PREVIEW

90k jobs created in April—the largest number since January of last year—may present a high bar to post a repeat gain in May's numbers. The only one in consensus to go negative did it just for optics as -5k doesn't matter especially given a large +/-57k 95% confidence band around the survey estimates. All others went with a gain from +10k to 96k but with most in the 20–30k range.

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An upside risk is ongoing strength in population growth through immigration that is filling job vacancies while perhaps also spurring the creation of new businesses albeit there is no clear evidence of this as yet. New business openings have been flat over the past year, but may have been lower if not for high immigration.

Key is also whether wage growth reaccelerated after hitting a soft patch in April shown in chart 1 (+0.1% m/m SA). Also watch hours worked since they are tracking a powerful gain so far in Q2 and that points to strength in the economy. The large gain in hours during April could be tough to follow.

A weak report either on headline and/or details and Macklem says told you so. A strong report tamps down July cut pricing.

US NONFARM PAYROLLS PREVIEW

The US labour market is looking a little more like Canada these days, although definitely not in terms of the trend in labour productivity. The US resembles Canada in a lighter version of the impact of population growth on filling vacancies.

Estimates for today's payrolls report for May (8:30amET) mostly fall within a rise of 150k to about 200k with a median call for 180k. The whisper number is no different at 167k. I went toward the high end of estimates partly on the population effect that may prove to be transitory as Biden tries to get ahead of Trump on border control and re-electing Trump risks crushing labour force growth once again.

The 90% confidence white noise band on changes in nonfarm payrolls is about +/-130k and so no one is outside of that realm.

Most within consensus expect a little firmer wage growth after only 0.2% m/m SA in April (chart 2). That could matter at least as much as the jobs print.

Most of the advance drivers of potential US job growth in May that go beyond population growth are constructive:

- Consumer confidence 'jobs plentiful' fell in May
- NFIB small business hiring plans increased
- NFIB small business hard to fill positions also increased
- ISM-services employment slightly improved
- ISM-manufacturing employment significantly improved
- JOLTS job openings fell (latest April), either signalling a pick up in filled spots or cooler openings
- ADP payrolls landed at 152k
- initial jobless claims moved roughly 10k higher between nonfarm reference periods in April to May
- Challenger job cut announcements were stable at around 64k/mth in each of April and May, down from 82–90k per month in Q1. This supports the thesis that seasonal layoffs on initial pandemic hiring is being driven by companies into the start of new fiscal years.

Fixed Income	Government Yield Curves (%):												Central Banks	
	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		
U.S.	4.73	4.73	4.87	4.31	4.30	4.51	4.29	4.29	4.50	4.44	4.44	4.65	Canada - BoC	4.75
CANADA	3.94	3.93	4.27	3.43	3.42	3.76	3.39	3.38	3.70	3.32	3.29	3.55	US - Fed	5.50
GERMANY	3.04	3.02	3.10	2.64	2.60	2.71	2.58	2.55	2.66	2.70	2.67	2.78	England - BoE	5.25
JAPAN	0.35	0.34	0.41	0.56	0.54	0.65	0.98	0.96	1.07	2.10	2.09	2.23		
U.K.	4.33	4.33	4.41	4.08	4.07	4.21	4.19	4.17	4.32	4.63	4.61	4.76		
	Spreads vs. U.S. (bps):													
CANADA	-80	-80	-61	-88	-88	-75	-90	-91	-80	-112	-115	-110	Euro zone - ECB	4.25
GERMANY	-169	-171	-178	-167	-170	-180	-171	-174	-184	-174	-176	-186	Japan - BoJ	-0.10
JAPAN	-438	-438	-447	-375	-376	-386	-332	-332	-343	-234	-235	-242		
U.K.	-40	-40	-47	-22	-23	-30	-10	-11	-18	19	17	11	Mexico - Banxico	11.00
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	22229			84.1			0.4	0.7	-0.3	11.2			Australia - RBA	4.35
Dow 30	38886			78.8			0.2	2.0	0.0	15.5			New Zealand - RBNZ	5.50
S&P 500	5353			-1.1			-0.0	2.2	3.2	25.4				
Nasdaq	17173			-14.8			-0.1	2.6	5.1	31.0				
DAX	18502			-150.8			-0.8	0.0	0.4	15.9				
FTSE	8239			-46.2			-0.6	-0.4	-0.9	8.1				
Nikkei	38684			-19.6			-0.1	0.5	-0.4	21.2			Canada - BoC	Jul 24, 2024
Hang Seng	18367			-109.8			-0.6	1.6	-0.6	-4.6			US - Fed	Jun 12, 2024
CAC	7982			-57.9			-0.7	-0.1	-1.2	10.8				
Commodities	Level						% change:							
WTI Crude	75.84			0.29			0.4	-1.5	-3.2	4.6			England - BoE	Jun 20, 2024
Natural Gas	2.83			0.01			0.4	9.5	28.3	21.6			Euro zone - ECB	Jul 18, 2024
Gold	2335.22			-40.83			-1.7	0.3	4.7	20.4			Japan - BoJ	June 14, 2024
Silver	30.30			0.69			2.3	-3.9	14.3	28.1				
CRB Index	292.42			4.71			1.6	-0.2	1.0	11.9				
Currencies	Level						% change:							
USDCAD	1.3683			0.0013			0.1	0.4	-0.3	2.3			Mexico - Banxico	Jun 27, 2024
EURUSD	1.0892			0.0002			0.0	0.4	1.3	1.8			Australia - RBA	Jun 18, 2024
USDJPY	155.52			-0.0900			-0.1	-1.1	0.5	11.0				
AUDUSD	0.6663			-0.0003			-0.0	0.2	1.0	0.2			New Zealand - RBNZ	Jul 09, 2024
GBPUSD	1.2796			0.0005			0.0	0.4	2.3	2.9				
USDCHF	0.8896			0.0003			0.0	-1.4	-2.1	-2.3				

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