

DAILY POINTS

August 1, 2024 @ 7:40 EST

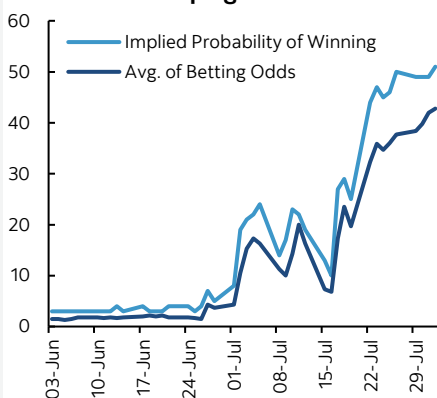
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Chart 1

Kamala Harris's US Presidential Campaign So Far



Sources: Scotiabank Economics, PREDICTIT, Real Clear Politics 2024.

Chart 2

US Mass Layoffs



Sources: Scotiabank Economics, Challenger, Gray & Christmas Inc.

On Deck for Thursday, August 1

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-01	08:30	Initial Jobless Claims (000s)	Jul 27	230	236.0	235.0
US	08-01	08:30	Continuing Claims (000s)	Jul 20	1860	1854.5	1851.0
US	08-01	08:30	Productivity (q/q a.r.)	2Q P	2.3	1.8	0.2
US	08-01	08:30	Unit Labor Costs (q/q a.r.)	2Q P	--	1.7	4.0
US	08-01	09:00	Total Vehicle Sales (mn a.r.)	Jul	16.7	16.2	15.3
US	08-01	10:00	Construction Spending (m/m)	Jun	0.1	0.2	-0.1
US	08-01	10:00	ISM Manufacturing Index	Jul	49.1	48.8	48.5

KEY POINTS:

- Fed's more balanced dual mandate focus shifts emphasis to tomorrow's payrolls
- The BoE's oddly apologetic cut
- Oil markets on tenterhooks pending Iranian retaliation
- One chart explains Trump's increased nuttiness
- US layoffs hit the lowest level in a year
- Two of three LatAm central banks hold
- US to report mild productivity gain...
- ...possible up-tick in ISM-mfrg and strong vehicle sales
- High US tech earnings risk in the after-market

The month-end transition is being greeted by more central bank decisions, high earnings risk, and potential event risk. The yen continues to appreciate in the aftermath of the BoJ and the Fed and is slightly below 150. Gilts are outperforming while sterling is the weakest cross to the USD entirely due to positioning before the BoE's apologetic rate cut as UK markets were largely unchanged after the announcements perhaps given the weak guidance. Oil markets remain tense given developments in the Middle East with prices up by about ¾%. Just as this note is being published there appears to have been a multi-country prisoner swap involved Russia that released US hostages which is great, at least until we find out what terrorists were handed back to Russia.

Oil Still Gaining on Middle East Tensions

Reports that Iran is planning a retaliatory strike against Israel may take shape at any point. Israel reported overnight that it killed the #2 leader within Hamas about a couple of weeks ago. Oil is up another ¾%. It's not clear if Iran will simply seek to save face with a relatively harmless measure like the last time when they fired off a bunch of wildly inaccurate missiles that got shot down, or something that further escalates tensions.

One Chart Explains Trump's Crazy Remarks

Want to know why Trump is sounding increasingly unglued even by his own standards? Check out chart 1 and the evolution of various measures of Kamala Harris winning the US election. I don't believe that markets are capable of forming well informed views on the potential consequences to either candidate winning the election, but fwiw, the S&P500 has largely moved sideways over the past month in which Trump's odds have fallen while Treasury yields have also fallen over this period including the two-year measure as confidence in Fed easing has risen.

Bank of England Shows No Confidence in Cutting

The Bank of England delivered the least confident sounding initial rate cut imaginable. The MPC reduced Bank Rate by 25bps to 5% in line with most within consensus including shifting estimates at the last minute. The tight vote of 5 in favour of cutting and 4 against

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doesn't signal high confidence behind the action. Nor does the accompanying statement [here](#). The overall tone of the communications almost reads like "we're cutting, sorry about that mate!" Among the five who voted for the cut, guidance noted that "For some of these members, the decision was finely balanced. Inflationary persistence had not yet conclusively dissipated, and there remained some upside risks to the outlook." Thus, even the cutters lacked conviction.

If the BoE is truly data dependent, then they would have held, as m/m core CPI pressures remain high and so does m/m wage growth while GDP growth is solid. As near as I can tell, the case for a cut was based on a) the 'finely balanced' remark in June as a reaction function signal, b) the forecast belief that inflation will return to target despite past weaknesses of the BoE's forecasting models.

Two out of Three LatAm Central Banks Hold

Last evening's decisions by two more LatAm central banks were mixed. Brazil held its selic rate unchanged at 10.5% as widely expected. Chile also unanimously held at 5.75% against 16 out of 20 within consensus who thought it would cut, but BCCh's forward guidance pointed to the resumption of cuts going forward. This follows BanRep's widely expected decision to cut 50bps at the same time as the FOMC statement arrived yesterday.

US Data Risk—Mild Productivity, Up-Tick in ISM, Strong Vehicle Sales

More US labour market teasers lie in store plus ISM-manufacturing, but tomorrow's nonfarm payrolls and tech earnings are the dominant considerations to end the week. Challenger job cuts fell back to 25,885 in July from about 49k the prior month and extended the steady downward trend from 90k in March (chart 2). It's the lowest reading for US job cuts in a year. This is a positive signal for tomorrow's nonfarm payrolls, but only a small one given the small change in cuts month-to-month and because it says nothing about the hiring side of the picture.

Q2 productivity is expected to grow by 1.8% q/q (Scotia 2.3%) and that could drive softer growth in unit labour costs than the prior quarter (8:30amET). Weekly jobless claims are due at 8:30amET. ISM manufacturing is expected to inch higher for the month of July (10amET). The day could end with strong US vehicle sales during July based on industry guidance with Scotia's estimate at 16.7 million SAAR from 15.3 the prior month.

High Earnings Risk in the After-Market

Apple, Amazon and Intel release earnings in today's after-market.

LatAm observers will also have an eye on Chile's monthly economic growth signal for June that is expected to register a slight gain (8:30amET) and Peru's inflation reading at 11amET.

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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		
	4.28	4.26	4.43	3.94	3.91	4.13	4.05	4.03	4.24	4.32	4.30	4.48	Canada - BoC	4.50
	3.48	3.45	3.63	3.11	3.08	3.29	3.18	3.16	3.37	3.23	3.21	3.41		
	2.52	2.53	2.63	2.22	2.23	2.35	2.29	2.30	2.42	2.51	2.51	2.63	US - Fed	5.50
	0.47	0.46	0.39	0.66	0.67	0.63	1.04	1.06	1.06	2.15	2.18	2.17		
	3.77	3.83	3.95	3.71	3.77	3.92	3.93	3.97	4.13	4.52	4.54	4.67	England - BoE	5.00
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):													
	-81	-81	-80	-83	-83	-84	-87	-87	-87	-109	-110	-108	Euro zone - ECB	4.25
	-177	-173	-180	-172	-168	-178	-176	-173	-182	-181	-179	-186		
	-381	-380	-404	-328	-325	-351	-301	-298	-318	-217	-213	-232	Japan - BoJ	-0.10
Equities	Level						% change:						Mexico - Banxico	11.00
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	23111	286.1					1.3	2.1	5.6	12.6			Australia - RBA	4.35
Dow 30	40843	99.5					0.2	2.5	4.3	14.6				
S&P 500	5522	85.9					1.6	1.8	0.9	20.7			New Zealand - RBNZ	5.50
Nasdaq	17599	452.0					2.6	1.5	-1.6	23.2				
DAX	18360	-148.7					-0.8	0.3	0.4	13.1				
FTSE	8391	22.7					0.3	2.5	2.7	9.4				
Nikkei	38126	-975.5					-2.5	0.7	-4.9	16.6			Canada - BoC	Sep 04, 2024
Hang Seng	17305	-39.6					-0.2	1.8	-2.6	-11.3				
CAC	7468	-63.7					-0.8	0.5	-1.2	0.8			US - Fed	Sep 18, 2024
Commodities	Level						% change:							
WTI Crude	78.44	0.53					0.7	0.2	-5.9	-3.6			England - BoE	Aug 01, 2024
Natural Gas	2.05	0.01					0.4	0.2	-17.5	-20.1				
Gold	2438.59	-9.01					-0.4	3.1	9.4	25.4			Euro zone - ECB	Sep 12, 2024
Silver	28.56	0.68					2.4	-2.5	-2.8	17.3				
CRB Index	278.12	3.38					1.2	-0.6	-4.6	-1.0			Japan - BoJ	June 14, 2024
Currencies	Level						% change:							
USDCAD	1.3823	0.0015					0.1	-0.0	0.6	4.1			Mexico - Banxico	Aug 08, 2024
EURUSD	1.0791	-0.0035					-0.3	-0.5	0.5	-1.8				
USDJPY	150.54	0.5600					0.4	-2.2	-6.8	5.0			Australia - RBA	Aug 06, 2024
AUDUSD	0.6535	-0.0007					-0.1	-0.0	-1.9	-1.2				
GBPUSD	1.2789	-0.0067					-0.5	-0.5	1.1	0.1			New Zealand - RBNZ	Aug 13, 2024
USDCHF	0.8775	-0.0005					-0.1	-0.5	-2.8	0.3				

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