

DAILY POINTS

August 19, 2024 @ 7:50 EST

Contributors

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Chart 2

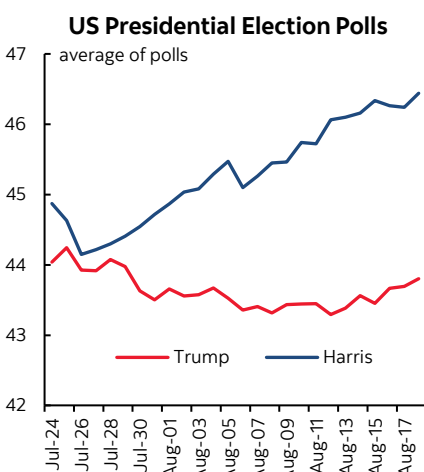
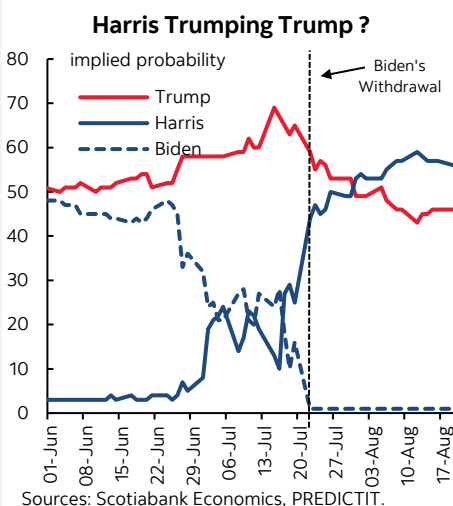


Chart 3



On Deck for Monday, August 19

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-19	09:15	Fed's Waller Gives Welcoming Remarks				
US	08-19	10:00	Leading Indicators (m/m)	Jul	--	-0.4	-0.2

KEY POINTS:

- **A quiet start to the week**
- **Two Fed officials state the obvious ahead of Jackson Hold**
- **Global Week Ahead highlights**

Back from vacation, regular Economics publishing resumes.

I was still actively monitoring developments and what they reinforced to me was not to trust markets in August. The wild swings in markets about two weeks ago were met by overly hasty reactions by some forecasters and a lot of market participants who went too dovish. Here we are and the US two-year yield is about 17bps higher than it was when it plunged at the start of the month. The S&P500 has more than recovered from the fleeting losses at the start of August. Talk of an emergency rate cut by the Fed was just plain silly as markets continued to function.

It's a very quiet start to the week with nothing by way of material considerations or developments. The dollar is broadly softer with Fed-speak contributing. Sovereign yields are little changed with a gently lower bias across most major markets. N.A. equity futures are little changed while European cash markets are gently higher outside of London.

San Fran Fed President Daly (voting 2024) said in an FT interview ([here](#)) that she has ticked the box on having "more confidence" that the inflation part of the dual mandate is under control. She said she favours a "prudent" and gradual approach to policy easing. Expect much more of this kind of talk at Jackson Hole later this week.

The somewhat erratic Minneapolis Fed President Neel Kashkari said in [this](#) WSJ piece that "the debate about potentially cutting rates in September is an appropriate one to have."

Fed Governor Waller delivers welcoming remarks this morning (9:15amET).

GLOBAL WEEK AHEAD—HIGHLIGHTS

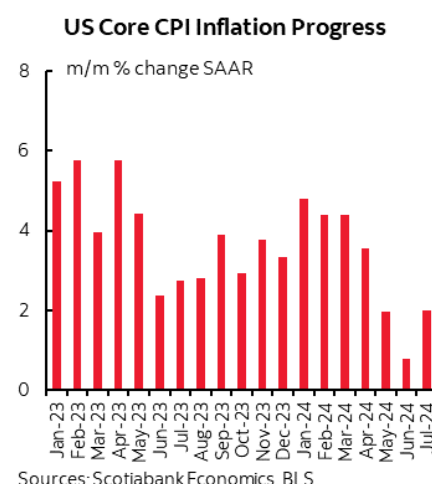
The following is a short outline of the week's main expected developments In lieu of a full Global Week Ahead given that I was on vacation that was covered by a two-week edition.

US—Powell's Speech to be Key

The Kansas City Federal Reserve's annual Jackson Hole Economic Policy Symposium will stand out as the week's major focal point. This year's theme is "Reassessing the Effectiveness and Transmission of Monetary Policy." The agenda including the full list of presenters will be released on Thursday evening and then two days of presentations will unfold. Also watch for customary interviews from various global officials from the sidelines throughout this week.

Chair Powell delivers the main event at JH when he speaks on the economic outlook on Friday at 10amET. After another dovish core CPI reading that met expectations (chart 1), I fully expect him to reaffirm market pricing for a quarter-point rate cut on September 18th probably by

Chart 1



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invoking reference to how it will 'soon' be appropriate to begin easing. I don't expect him to sound as or more dovish than what is generously priced by way of 100bps of cuts by year-end which seems like it's overshooting and to defer to the Committee's refreshed September dot plot. He'll likely signal that the Committee has ticked the box for having 'greater confidence' that inflation is under control. I don't expect him to ring alarm bells on the labour market and instead expect him to reinforce references to ongoing rebalancing away from excess demand for labour while being prepared to act if the job market further deteriorates. He'll likely repeat references to the need to proceed gradually, balancing the risks of being too restrictive for too long against prematurely easing too rapidly in light of history's cautions against doing so.

With Trump's election chances slipping away (charts 2, 3), the focus shifts to the Democratic National Convention (DNC) that commences tonight through to Thursday in Chicago. So what. The Harris and Walz ticket is already set. The list of speakers reads like a list of relics from the party's past including both Clintons and both Obamas. We may get further details on the policy platform after parts of it have been shared in bits and pieces. Her plans are not terribly inspiring thus far. Her plans to build three million more homes take a page from the Trudeau administration's plan north of the border which itself is laughably unachievable. He threats against price gouging please the left wing but is just soap box politics and bad economics. Exempting taxes on tips is silly, unfair to folks who pay their taxes regardless of the source of income, distorting, but generally small potatoes. Her plans to raise the Federal minimum wage is costly and keeps the pressure on inflation risk. Expanding child tax credits to US\$6k/child is costly with probably very little effect on birth rates. Harris is under little pressure to reveal a broader platform because she's currently riding on momentum effects. I remain of the opinion that her chameleon ways remain very much oriented toward a highly interventionist, big government policy bias.

US data risk will be light and follows the release of minutes to the July FOMC meeting on Wednesday. The annual benchmark revisions to nonfarm payrolls may attract fleeting attention on Wednesday. S&P PMIs for August (Thursday) will be part of a global wave of PMI updates. Existing (Thursday) and new (Friday) home sales will be updated and may stabilize against a weakening trend.

Canada—CPI In Focus

Canada updates CPI for July on Tuesday. After two months of reacceleration (chart 4), the key will be whether a third month of upside pressure in m/m SAAR measures of trimmed mean and weighted median CPI occurs. That is impossible to estimate in advance given the limited data and high sensitivity of the readings to the distribution of price changes. The reading probably matters little to the BoC that appears intent on delivering meaningful easing before potentially reassessing.

It's unclear whether BoC officials will attend Jackson Hole and in what capacity.

Canada is on strike-watch. Again. The country has been crippled by large scale and widespread strikes since the Spring of 2023 and this week could amplify the risks to economic indicators once again. Watch for further developments on the path toward what appears to be likely strikes at CN and CP rail this week unless some last minute arrangement can be struck.

A pair of retail sales estimates arrive on Friday just before Powell speaks which means they'll capture only a few minutes of market attention if that. Statcan provided earlier guidance that June's nominal sales were down -0.3% m/m SA, but this estimate is typically subject to high revision risk and was based on only half of the available survey sample. More important will be details for June like volumes, plus advance guidance for July's tracking.

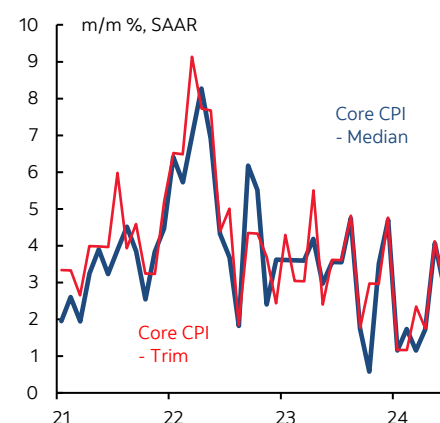
The BoC will refresh its Senior Loan Officer Survey including measures of credit tightening today (10:30amET).

Europe—ECB's Wages to Inform ECB Policy Pricing

Markets are priced for another ECB rate cut on September 12th and gradual further easing that may be informed by Thursday's release of negotiated wages for Q2 in light of the ongoing hot trend (chart 5).

Chart 4

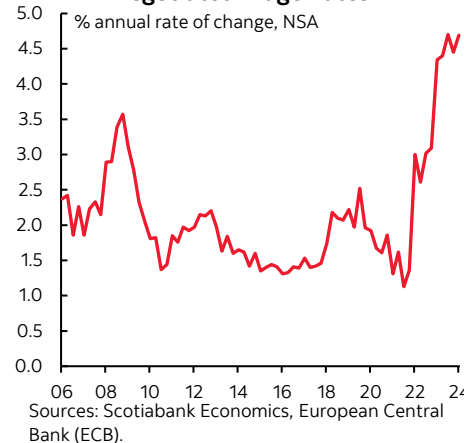
BoC's Preferred Core Measures



Sources: Scotiabank Economics, Statistics Canada.

Chart 5

ECB's Indicator of Negotiated Wage Rates



Sources: Scotiabank Economics, European Central Bank (ECB).

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The ECB's measures of 1- and 3-year inflation expectations in July will likely remain averaging around 2½% when we get the figures on Friday (chart 6).

BoE Governor Bailey speaks at Jackson Hole on Friday at 11amET and hence right after Powell.

Eurozone and UK PMIs for August will be refreshed on Thursday as part of the week's global wave of PMI updates that will inform growth tracking, supply chain developments and price pressures (charts 7, 8).

Sweden's Riksbank is expected to deliver its second rate cut of the cycle tomorrow after the first cut in May. That will bring the policy rate down to 3.5%.

Turkey's central bank is expected to extend its policy rate hold at 50% tomorrow.

Asia-Pacific—A Trio of Central Bank Decisions

Three central bank decisions will pair up with refreshed PMIs to dominate local market risk beyond spillover effects of global developments such as the Fed's symposium.

China's 1- and 5-year Loan Prime Rates are expected to remain unchanged tonight.

Each of the Bank of Thailand (Wednesday), Bank Indonesia (Wednesday) and Bank of Korea (Thursday) are expected to remain on hold. In addition to domestic developments, each central bank may wish to hear what Powell has to say and to observe the market reactions particularly in terms of FX.

PMIs will be updated by Australia (Wednesday), India (Thursday) and Japan (Thursday). Japan also updates its national CPI measure on Thursday that tends to reveal little beyond the already known Tokyo measure and hence should pose little risk to carry trade pricing.

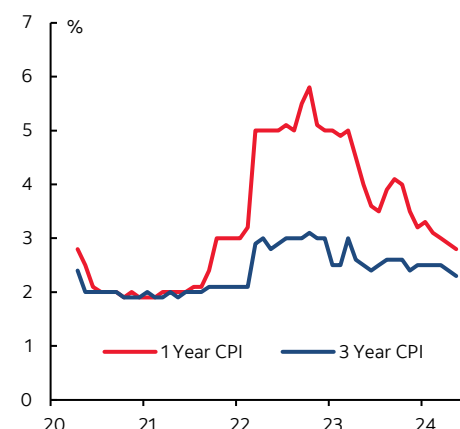
Latin America—GDP Updates and Fed-Watching

Spillover market effects from the Fed's retreat and light local data will dominate.

Chilean Q2 GDP is expected to give back some of the Q1 surge of 1.9% q/q SA (today, 8:30amET). Peru's Q2 GDP report (Friday) is expected to further accelerate to over 3% y/y.

Chart 6

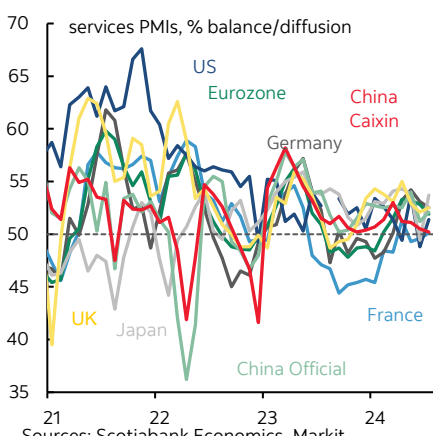
ECB Measure of Inflation Expectations



Sources: Scotiabank Economics, ECB.

Chart 7

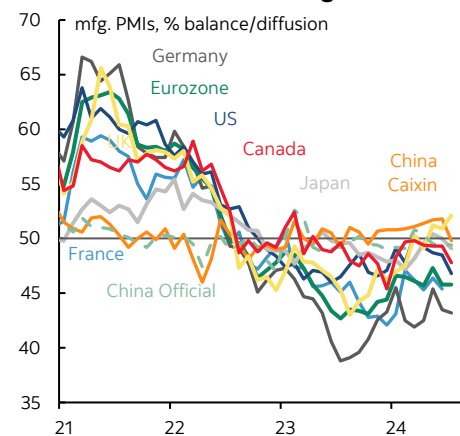
Global Services PMIs



Sources: Scotiabank Economics, Markit, Bloomberg, ISM.

Chart 8

Global Manufacturing PMIs



Sources: Scotiabank Economics, Bloomberg.

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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.	4.05	4.05	4.02	3.76	3.76	3.75	3.87	3.88	3.91	4.12	4.14	4.20	Canada - BoC	4.50
CANADA	3.31	3.30	3.31	2.99	2.98	2.98	3.06	3.06	3.08	3.14	3.14	3.16	US - Fed	5.50
GERMANY	2.42	2.43	2.39	2.16	2.17	2.14	2.23	2.25	2.23	2.45	2.47	2.46	England - BoE	5.00
JAPAN	0.37	0.36	0.29	0.51	0.50	0.44	0.89	0.88	0.85	2.08	2.05	2.07		
U.K.	3.68	3.68	3.64	3.72	3.74	3.71	3.91	3.93	3.92	4.46	4.47	4.49		
Spreads vs. U.S. (bps):														
CANADA	-74	-75	-71	-77	-77	-76	-81	-82	-82	-99	-100	-104	Euro zone - ECB	4.25
GERMANY	-163	-162	-163	-159	-158	-161	-164	-164	-168	-167	-167	-174	Japan - BoJ	-0.10
JAPAN	-368	-370	-373	-324	-326	-331	-298	-301	-305	-205	-209	-213		
U.K.	-37	-37	-38	-3	-2	-4	4	4	1	33	33	29	Mexico - Banxico	10.75
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	23055			21.9			0.1	3.3	1.6	16.3			Australia - RBA	4.35
Dow 30	40660			96.7			0.2	2.9	0.9	17.9			New Zealand - RBNZ	5.25
S&P 500	5554			11.0			0.2	3.9	0.9	27.1			Next Meeting Date	
Nasdaq	17632			37.2			0.2	5.3	-0.5	32.7			Canada - BoC	Sep 04, 2024
DAX	18370			47.2			0.3	3.6	1.1	17.9			US - Fed	Sep 18, 2024
FTSE	8310			-1.1			-0.0	1.2	1.9	14.4			England - BoE	Sep 19, 2024
Nikkei	37389			-674.0			-1.8	6.7	-6.7	18.9			Euro zone - ECB	Sep 12, 2024
Hang Seng	17570			139.4			0.8	2.7	0.9	-2.1			Japan - BoJ	June 14, 2024
CAC	7482			31.9			0.4	3.2	-0.7	4.4			Mexico - Banxico	Sep 26, 2024
Commodities	Level						% change:							
WTI Crude	76.10			-0.55			-0.7	-4.9	-5.0	-6.3			Australia - RBA	Sep 24, 2024
Natural Gas	2.15			0.03			1.4	-1.7	1.1	-15.6			New Zealand - RBNZ	Oct 08, 2024
Gold	2493.17			-14.84			-0.6	0.8	11.8	32.0				
Silver	28.14			0.09			0.3	2.0	-8.8	24.0				
CRB Index	275.44			0.00			0.0	-1.5	-1.8	-0.0				
Currencies	Level						% change:							
USDCAD	1.3679			-0.0001			-0.0	-0.5	-0.4	1.0				
EURUSD	1.1040			0.0013			0.1	1.0	1.5	1.3				
USDJPY	146.12			-1.5100			-1.0	-0.7	-7.2	-0.1				
AUDUSD	0.6696			0.0027			0.4	1.7	0.2	4.4				
GBPUSD	1.2953			0.0009			0.1	1.4	0.3	1.5				
USDCHF	0.8646			-0.0015			-0.2	-0.1	-2.7	-1.6				

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