

DAILY POINTS

August 23, 2024 @ 7:05 EST

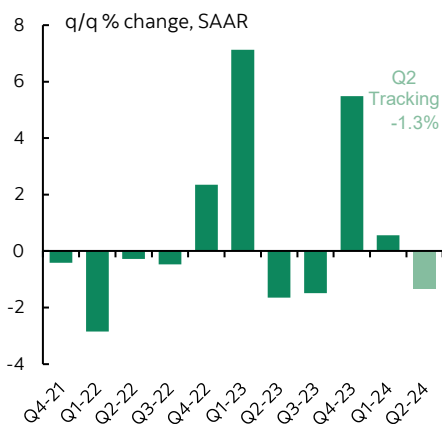
Contributors

Derek Holt

VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1

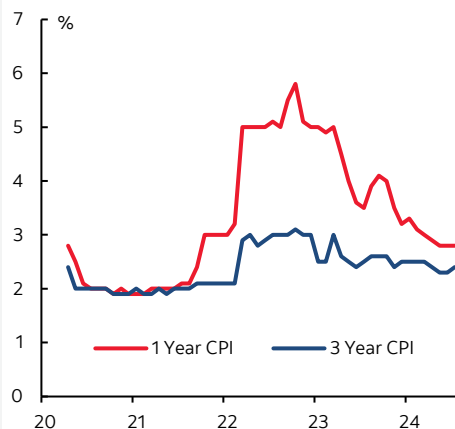
Canadian Real Retail Sales Growth



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

ECB Measure of Inflation Expectations



Sources: Scotiabank Economics, ECB.

On Deck for Friday, August 23

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-23	08:00	Fed's Bostic Speaks on CNBC				
CA	08-23	08:30	Retail Sales (m/m)	Jun	-0.3	-0.3	-0.8
CA	08-23	08:30	Retail Sales ex. Autos (m/m)	Jun	--	-0.2	-1.3
US	08-23	09:00	Fed's Bostic Speaks on Bloomberg Television				
US	08-23	10:00	New Home Sales (000s a.r.)	Jul	620	623.0	617.0
US	08-23	10:00	Fed's Powell Speaks on Economic Outlook				
US	08-23	10:00	Fed's Harker Speaks on Bloomberg Television				
US	08-23	12:30	Fed's Goolsbee Speaks on CNBC				
US	08-23	13:45	Fed's Goolsbee Speaks on Fox Business				
US	08-23	14:15	Fed's Goolsbee on Bloomberg TV				

KEY POINTS:

- **Jackson Hole, Jackson Hole, Jackson Hole.**
- **Powell's speech is unlikely to sound dovish enough to what's already priced**
- **BoE's Bailey to follow Powell**
- **Canadian retail sales to partially inform the state of the Canadian consumer**
- **BoJ's Ueda put on his best Teflon suit overnight**
- **ECB's inflation expectations hold firm**

Jackson Hole, Jackson Hole, Jackson Hole. That's about all you need to know about the rest of the week. Light overnight developments didn't do much to sway market sentiment and won't matter at all in a few hours time. The dollar is broadly softer into it all, US Ts are flat, and global equities are gently higher.

JACKSON HOLE AGENDA REVEALS NO MATERIAL SURPRISES

The JH agenda was released last night and did not reveal much beyond the star power appearances of Powell (10amET) and Bailey (11amET) that we already knew. The only other central bankers slated to speak appear on the last panel on Saturday and include the Governors of Norges Bank and the Bank of Brazil plus the ECB's Chief Economist Philip Lane. The rest are academics who may have useful insights but won't be of direct relevance from a policy and markets standpoint. The theme this year is "Reassessing the Effectiveness and Transmission of Monetary Policy."

POWELL'S SPEECH TO REAFFIRM SEPTEMBER CUT, EMPLOY 'GRADUAL' MESSAGING

Chair Powell's economic outlook speech will be at 10amET. No Q&A or press conference. Watch it at live <go> on Bloomberg and/or with backup at YouTube here either through your work (if permissioned) or personal devices: <https://www.youtube.com/KansasCityFed>.

I expect Powell to use some variation of 'soon' to further reinforce cut expectations in September which seems like a slam dunk after his July 31st presser, FOMC minutes, and other Fed-speak.

I don't expect much guidance thereafter and there will be no further opportunity to press him for more such as repeated nagging questions about size and pace. His speech may be peppered with references to "gradual" and "measured" while repeating the risks of being too restrictive for too long versus prematurely easing too rapidly. He'll refer to the ongoing rebalancing of the US economy away from excess demand for labour and ongoing progress toward lower inflation. He will want a balanced message, pointing to resilience and ongoing strength of the US economy while gaining 'greater confidence' toward achieving dual mandate goals in a soft landing.

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Yet absolutely nothing is screaming out for a 50 move that could backfire especially since, given once, the market tendency would be to pile on and price another large cut and that's likely too much for Powell's comfort. What's currently priced to year-end is probably too much for them barring market dysfunction (not just price discovery) or a severe deterioration in the data.

Watch for a lot of other talk from the sidelines at Jackson Hole with only a few Fed speakers formally scheduled but I'm sure the media hordes will be jamming their mics in front of many others throughout the event into the weekend.

CANADIAN RETAIL SALES TO PARTIALLY INFORM THE STATE OF THE CANADIAN CONSUMER

Canadian retail sales get updated for June and July this morning (8:30amET) and might offer some local market effects at least until any market spillover from whatever Powell says arrives. Statcan previously guided that June's nominal sales were down -0.3% m/m SA, but the early estimate is only based on half the sample of responses and is often subject to significant revisions. Also watch June details like volumes and breadth. We'll also get the first glimpse at July with their preliminary flash reading but only for nominal sales. The figures are unlikely to have much of an effect on monthly GDP given the low weight in the production/income-based GDP accounts, but I'll firm that up after the numbers ahead of next Friday's GDP accounts.

Since retail sales in Canada only measure goods they only capture less than half of total consumer spending with the rest made up by an assortment of services. As such, whatever the numbers may be, bear in mind that a fuller perspective on the state of the consumer will arrive next Friday in the Q2 GDP accounts and in tracking alt-data for Q3.

BOJ'S UEDA SLOPES OFF RESPONSIBILITY

There were overnight comments by BoJ Governor Ueda that indicated further policy tightening could well remain on track and that downplayed the BoJ's role in driving global market turmoil earlier this month. You wouldn't expect anything else but a Teflon stance on the latter issue as he pointed the finger at the other guy (uncertainty over the outlook for the U.S. economy) while absolving himself of any responsibility for carry trade turmoil. There's always a very fine line between central banker and politician. There wasn't much reaction by the yen or across JGBs to his policy bias in part perhaps because he checked it by indicating there was no rush to further tighten policy as they wish to monitor financial markets for the time being. The overnight release of national inflation figures largely reaffirmed the signal from the earlier release of the Tokyo gauge; core inflation ebbed at the margin (chart 3).

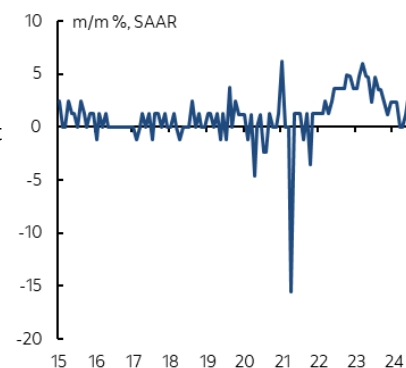
MINOR DATA

ECB 1- and 3-year CPI inflation expectations were firm in July. The 1-year measure held unchanged at 2.8% y/y and the 3-year measure ticked higher to 2.4%. The random consensus guesses are so sparsely populated for these measures as to be useless.

And fwiw (not much) US new home sales will be updated for July right as Powell's speech is delivered.

Chart 3

Japanese Core Inflation



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

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			
	3.99	4.01	4.05	3.71	3.72	3.76	3.84	3.85	3.88	4.12	4.13	4.14	Canada - BoC	4.50	
	3.29	3.30	3.30	2.97	2.98	2.98	3.06	3.07	3.06	3.14	3.15	3.14	US - Fed	5.50	
	2.41	2.40	2.43	2.16	2.16	2.17	2.24	2.24	2.25	2.48	2.48	2.47	England - BoE	5.00	
	0.38	0.36	0.36	0.51	0.49	0.50	0.90	0.88	0.88	2.08	2.07	2.05			
	3.72	3.72	3.68	3.77	3.77	3.74	3.95	3.96	3.93	4.48	4.50	4.47			
	Spreads vs. U.S. (bps):														
	-70	-71	-75	-74	-74	-77	-79	-78	-82	-98	-97	-100	Euro zone - ECB	4.25	
	-159	-161	-162	-154	-156	-158	-160	-161	-164	-164	-165	-167	Japan - BoJ	-0.10	
-362	-364	-370	-319	-323	-326	-294	-298	-301	-204	-206	-209				
-27	-28	-37	6	5	-2	11	11	4	37	38	33				
Equities	Level						% change:						Mexico - Banxico	10.75	
	Last				Change		1 Day	1-wk	1-mo	1-yr					
S&P/TSX	23037				-84.3		-0.4	0.0	1.0	15.9	Australia - RBA				4.35
Dow 30	40713				-177.7		-0.4	0.4	0.9	18.1	New Zealand - RBNZ				5.25
S&P 500	5571				-50.2		-0.9	0.5	0.3	25.6					
Nasdaq	17619				-299.6		-1.7	0.1	-2.1	28.4					
DAX	18620				126.2		0.7	1.6	0.3	18.4					
FTSE	8316				27.8		0.3	0.1	1.8	13.6					
Nikkei	38364				153.3		0.4	0.8	-3.1	19.8					
Hang Seng	17612				-28.9		-0.2	1.0	0.8	-1.3					
CAC	7571				46.9		0.6	1.6	-0.4	4.5					
Commodities	Level						% change:								
WTI Crude	73.80				0.79		1.1	-3.7	-4.1	-6.5	England - BoE				Sep 19, 2024
Natural Gas	2.03				-0.02		-1.0	-4.3	-7.1	-18.6	Euro zone - ECB				Sep 12, 2024
Gold	2498.53				13.78		0.6	-0.4	12.0	30.4	Japan - BoJ				June 14, 2024
Silver	29.57				0.01		0.0	5.4	1.7	26.4					
CRB Index	274.68				-0.73		-0.3	-1.0	-2.1	-0.1					
Currencies	Level						% change:								
USDCAD	1.3586				-0.0030		-0.2	-0.7	-1.4	0.4	Mexico - Banxico				Sep 26, 2024
EURUSD	1.1119				0.0007		0.1	0.8	2.4	2.4	Australia - RBA				Sep 24, 2024
USDJPY	145.96				-0.3300		-0.2	-1.1	-6.2	0.8	New Zealand - RBNZ				Oct 08, 2024
AUDUSD	0.6730				0.0025		0.4	0.9	1.7	3.9					
GBPUSD	1.3123				0.0032		0.2	1.4	1.7	3.1					
USDCHE	0.8517				-0.0005		-0.1	-1.7	-4.4	-3.0					

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