

### DAILY POINTS

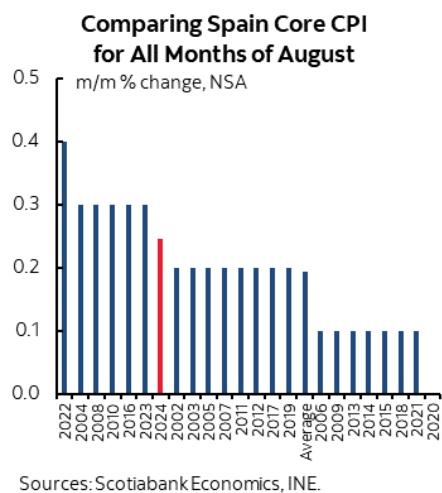
August 29, 2024 @ 7:20 EST

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Chart 1



#### On Deck for Thursday, August 29

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	08-29	08:30	Current Account (C\$ bn a.r.)	2Q	--	-6.0	-5.4
US	08-29	08:30	GDP (q/q a.r.)	2Q S	2.8	2.8	2.8
US	08-29	08:30	GDP Deflator (q/q a.r.)	2Q S	--	2.3	2.3
US	08-29	08:30	Initial Jobless Claims (000s)	Aug 24	230	232.5	232.0
US	08-29	08:30	Continuing Claims (000s)	Aug 17	1870	1870.0	1863.0
US	08-29	08:30	Wholesale Inventories (m/m)	Jul P	--	0.3	0.2
US	08-29	10:00	Pending Home Sales (m/m)	Jul	--	0.2	4.8
US	08-29	15:30	Fed's Bostic Gives Intro to Fed, Economic Outlook				

#### KEY POINTS:

- **EGBs outperforming as inflation reinforces ECB cuts**
- **Inflation was weaker than expected across German states, Spain**
- **Markets shake off Nvidia's earnings**
- **Canada's bank earnings season drove wide divergences in relative performance**
- **US Q2 GDP, PCE revisions are expected to be minor**
- **Canada updates lagging payrolls...**
- **...as wage measures remain hot**

The dominant factor driving markets this morning is soft Eurozone inflation data for August. Otherwise, we're left with light developments.

#### EUROZONE INFLATION TRACKING SOFTER THAN EXPECTED

Eurozone rates rallied when inflation data across individual German states hit at 4amET. The headline inflation readings were lower by -0.1% m/m to -0.3% across all of the states. Consensus had expected the national reading to be released at 8amET to land flat.

On top of that, Spanish CPI arrived one hour before the German figures and was flat (consensus 0.2% m/m). Spanish core inflation was 0.24% m/m NSA which is close to being seasonally normal for August (chart 1).

This is the last round of inflation data before the ECB's next decision. There is still risk into tomorrow's Eurozone-wide tallies that will be further informed by French and Italian figures.

As a result, EGBs are bull steepening with 2-year yields down by 4–5bps this morning. The euro is slightly depreciating and underperforming all other major crosses to the USD. Pricing for the ECB's decision on September 12<sup>th</sup> reaffirmed expectations for a quarter point cut and added a couple more basis points to year-end pricing for almost -75bps of cuts over the three remaining meetings this year. There was little spillover on this side of the pond as the US two-year yield slipped only by 1–2bps after the German states released.

#### VOLATILE TECH EARNINGS SHAKEN OFF

Nvidia earnings are having a negligible impact on markets as the volatile share price is partially rebounding so far this morning from the after-market sell off. EPS was stronger than expected as earnings were robust and stock buybacks increased, but revenue guidance wasn't quite as impressive as expected. Trade fact over fiction I say; if the pattern is earnings beats to conservative guidance, why not hair cut the guidance?

#### CANADA'S DIVERGENT BANK EARNINGS SEASON

CIBC pushed the beat score for the overall big bank earnings season to 4–2 with its earnings release this morning. EPS of C\$1.93 smashed consensus expectations for \$1.74,

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revenues also beat, and a share buyback plan was announced. That makes for strong beats by CIBC, National and RBC, a mild beat by BNS, and misses by BMO and TD.

On tap into the N.A. session will be the German national CPI print (8amET) and light US and Canadian data.

### US REVISION RISK TO GDP, PCE

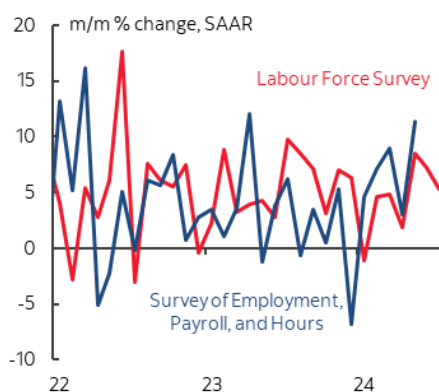
No revisions are expected to Q2 US GDP that was 2.8% q/q SAAR and core PCE that was 2.9% q/q SAAR (8:30amET) but this second swing at the numbers could carry surprises. Weekly claims (8:30amET) and pending home sales (10amET) are also due.

### CANADA TO UPDATE LAGGING PAYROLLS, FOCUS ON WAGES

Canada only considers lagging payrolls to June (8:30amET) whereas next Friday's LFS figures for August will be more important, though after the BoC's communications on Wednesday. One thing to watch in this morning's payrolls report, however, will be wages. Chart 2 shows that nominal wage growth remains hot in Canada as measured by m/m SAAR changes to the wages of permanent employees drawn from the fresher household survey and by m/m SAAR changes to average weekly earnings drawn from the SEPH report. Chart 3 shows that both wage measures are accelerating in y/y inflation-adjusted terms on the combination of solid nominal gains and falling inflation. Against the view that these are lagging measures is the fact that Canada faces ongoing rounds of collective bargaining wage resets that are tracking at 3%+ over future years and with many more expiring agreements still ahead that have not filtered into the LFS or SEPH surveys.

Chart 2

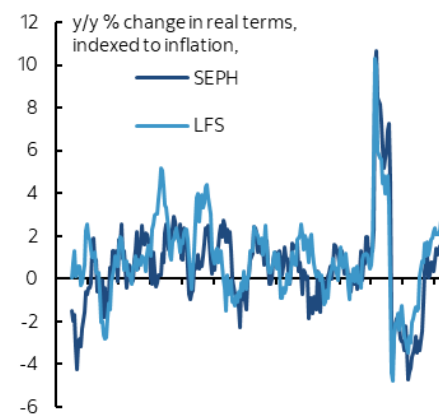
#### BoC's Main Wage Measures



Sources: Scotiabank Economics, Statistics Canada, Bank of Canada, Haver.

Chart 3

#### Canada Real Wages



Sources: Scotiabank Economics, Statistics Canada.

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			
	3.86	3.87	4.01	3.64	3.67	3.72	3.83	3.84	3.85	4.12	4.13	4.13			
	3.27	3.27	3.30	2.97	2.97	2.98	3.09	3.09	3.07	3.19	3.18	3.15	Canada - BoC	4.50	
	2.35	2.39	2.40	2.14	2.17	2.16	2.25	2.26	2.24	2.50	2.50	2.48	US - Fed	5.50	
	0.37	0.38	0.36	0.51	0.52	0.49	0.90	0.90	0.88	2.08	2.06	2.07	England - BoE	5.00	
	4.10	4.11	3.72	3.90	3.91	3.77	4.00	4.00	3.96	4.52	4.52	4.50	Euro zone - ECB	4.25	
	Spreads vs. U.S. (bps):												Japan - BoJ	-0.10	
	-59	-60	-71	-66	-70	-74	-74	-75	-78	-93	-94	-97	Mexico - Banxico	10.75	
	-152	-148	-161	-150	-150	-156	-158	-157	-161	-162	-162	-165	Australia - RBA	4.35	
-349	-349	-364	-313	-315	-323	-293	-293	-298	-204	-207	-206	New Zealand - RBNZ	5.25		
24	25	-28	27	25	5	16	17	11	40	39	38	Next Meeting Date			
Equities	Level					% change:									
	Last	Change				1 Day	1-wk	1-mo	1-yr						
S&P/TSX	23127	-133.0				-0.6	0.0	1.5	14.0					Canada - BoC	Sep 04, 2024
Dow 30	41091	-159.1				-0.4	0.5	1.4	17.9					US - Fed	Sep 18, 2024
S&P 500	5592	-33.6				-0.6	-0.5	2.4	24.3					England - BoE	Sep 19, 2024
Nasdaq	17556	-198.8				-1.1	-2.0	1.1	25.9					Euro zone - ECB	Sep 12, 2024
DAX	18898	115.5				0.6	2.2	3.1	18.6					Japan - BoJ	June 14, 2024
FTSE	8368	23.8				0.3	1.0	0.9	12.1					Mexico - Banxico	Sep 26, 2024
Nikkei	38363	-9.2				-0.0	0.4	-0.4	18.6					Australia - RBA	Sep 24, 2024
Hang Seng	17786	93.9				0.5	0.8	4.6	-3.8					New Zealand - RBNZ	Oct 08, 2024
CAC	7626	48.4				0.6	1.4	2.4	3.4						
Commodities	Level					% change:									
WTI Crude	74.73	0.21				0.3	2.4	-1.4	-7.9						
Natural Gas	2.09	-0.01				-0.3	1.8	9.6	-18.2						
Gold	2522.44	17.83				0.7	1.5	13.1	30.2						
Silver	29.44	-0.47				-1.6	-0.4	6.1	21.7						
CRB Index	277.61	-2.93				-1.0	0.8	1.0	-0.8						
Currencies	Level					% change:									
USDCAD	1.3457	-0.0024				-0.2	-1.2	-2.9	-0.7						
EURUSD	1.1095	-0.0025				-0.2	-0.2	2.5	2.0						
USDJPY	144.58	-0.0100				-0.0	-1.2	-6.1	-0.9						
AUDUSD	0.6820	0.0035				0.5	1.7	4.1	5.2						
GBPUSD	1.3194	0.0003				0.0	0.8	2.6	4.3						
USDCHE	0.8440	0.0018				0.2	-1.0	-4.8	-3.9						

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