

### DAILY POINTS

September 25, 2024 @ 7:55 EST

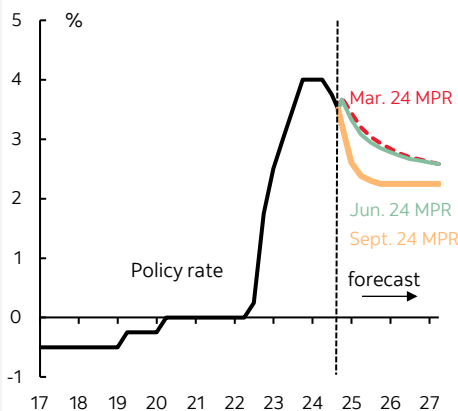
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Chart 1

#### Riksbank's Forward Guidance



Sources: Scotiabank Economics, Riksbank.

#### On Deck for Wednesday, September 25

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-25	07:00	MBA Mortgage Applications (w/w)	Sep 20	--	--	14.2
US	09-25	10:00	New Home Sales (000s a.r.)	Aug	665	700.0	739.0
US	09-25	16:00	Fed's Kugler Speaks on Eco Outlook at Harvard Kennedy School				

#### KEY POINTS:

- **What happened in China is staying in China...**
- **...as Chinese equities rallied again, but not elsewhere**
- **Riksbank pivoted toward more aggressive easing**
- **The PBOC did what it said it would on another policy rate**
- **Australian CPI is unlikely to change the RBA's bias yet**
- **US new home sales on tap, Canada quiet**

Chinese equities posted further gains overnight but western markets are not following suit. For that to happen there would have to be greater confidence that what China is doing with its stimulus announcements will drive faster growth which it may not. Other developments are fairly light and outside of core markets.

The PBOC followed through on its guidance by cutting the 1-year Medium-Term Lending Facility Rate by 30bps. This was not a surprise as the PBOC guided it would do this when it unveiled a suite of stimulus measures the previous day that were recapped [here](#). The cuts to the Loan Prime Rates when they get announced on October 20<sup>th</sup> also should not surprise anyone when they get delivered as guided.

Sweden's Riksbank cut 25bps as expected but its guidance was considerably more dovish this time which drove krona depreciation in the aftermath. They now say:

"If the outlook for inflation and economic activity remains unchanged, the policy rate may also be cut at the two remaining monetary policy meetings this year. A cut of 0.5 percentage points is possible at one of these meetings. Moreover, the forecast indicates one or two further rate cuts during the first half of 2025. The policy rate is thus expected to be cut at a clearly faster pace than was previously communicated, which contributes to stronger economic activity and an inflation rate close to the target."

Markets listened and pricing for the next meeting on November 7th immediately jumped by about 20bps to nearly a full 50bps priced now and just shy of -75bps for the November and December meetings combined. Chart 1 shows the revised forward rate path from the Riksbank versus the earlier projections.

Australian monthly CPI garnered light attention after the RBA said it was in no rush to do much of anything the previous day. Furthermore, there were rebates and year-ago base effects that played significant roles in driving the measures lower, and monthly trimmed mean CPI can deviate from the RBA's preferred focus upon the quarterly gauges that won't be updated until October 29<sup>th</sup>. I don't think the RBA will overreact to the y/y deceleration in headline CPI to 2.7% that matched consensus (3.5% prior) and is now within the RBA's 2-3% range. They'll want considerably more data and evidence including on a very strong job market.

US new home sales during August are expected to give back some of the prior month's 10.6% m/m surge (10amET). Model home foot traffic has been declining of late.

Canada is quiet until Friday's GDP for July and August with only Canada bond auctions before then.

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	Canada - BoC	4.25
	3.54	3.54	3.62	3.50	3.47	3.48	3.76	3.73	3.70	4.12	4.09	4.02		
	2.94	2.90	2.92	2.78	2.74	2.73	3.00	2.95	2.92	3.19	3.15	3.12		
	2.12	2.10	2.26	2.00	1.97	2.07	2.18	2.15	2.19	2.50	2.48	2.46		
	0.35	0.35	0.38	0.47	0.47	0.48	0.82	0.82	0.83	2.05	2.07	2.00		
3.94	3.92	3.91	3.81	3.77	3.72	3.96	3.94	3.85	4.53	4.52	4.41	England - BoE	5.00	
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):												Euro zone - ECB	3.65
	-60	-64	-70	-72	-73	-76	-77	-78	-78	-92	-93	-90		
	-141	-144	-136	-151	-150	-141	-159	-158	-151	-162	-161	-156	Japan - BoJ	-0.10
	-318	-319	-324	-304	-300	-300	-295	-291	-288	-207	-201	-202		
	40	38	28	30	30	23	20	21	14	42	43	39		
Equities	Level						% change:						Mexico - Banxico	10.75
	Last	Change		1 Day	1-wk	1-mo	1-yr						Australia - RBA	4.35
S&P/TSX	23952			57.5	0.2	1.2	2.9	21.0						
Dow 30	42208			83.6	0.2	1.4	2.5	24.1						
S&P 500	5733			14.4	0.3	1.7	1.7	32.2					New Zealand - RBNZ	5.25
Nasdaq	18075			100.3	0.6	2.5	1.1	36.2						
DAX	18931	-66.0		-0.3	0.3	1.2	1.6	22.9						
FTSE	8308	24.8		0.3	0.3	0.7	-0.2	9.0						
Nikkei	37870	-70.3		-0.2	0.3	1.2	1.6	22.9						
Hang Seng	19129	128.5		0.7	0.3	0.7	-0.2	9.0						
CAC	7587	-17.3		-0.2	0.7	1.2	1.6	22.9						
Commodities	Level						% change:							
WTI Crude	70.55	-1.01		-1.4	-0.5	-5.7	-21.3							
Natural Gas	2.60	0.04		1.7	13.6	28.3	-1.7							
Gold	2659.42	2.32		0.1	3.9	19.3	38.8							
Silver	30.88	0.25		0.8	0.6	4.9	30.5							
CRB Index	287.59	3.46		1.2	3.2	3.2	0.9							
Currencies	Level						% change:							
USDCAD	1.3438	0.0007		0.1	-1.2	-0.4	-0.1							
EURUSD	1.1195	0.0015		0.1	0.7	0.3	5.7							
USDJPY	144.29	1.0600		0.7	1.4	-0.2	-3.1							
AUDUSD	0.6880	-0.0012		-0.2	1.7	1.6	7.1							
GBPUSD	1.3383	-0.0030		-0.2	1.3	1.5	9.6							
USDCHF	0.8483	0.0050		0.6	0.2	0.1	-7.0							

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