

DAILY POINTS

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Contributors

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Chart 1

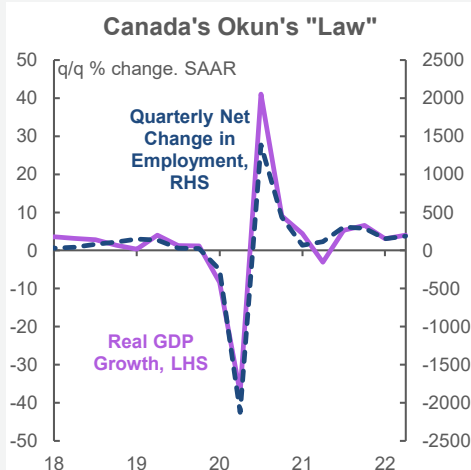
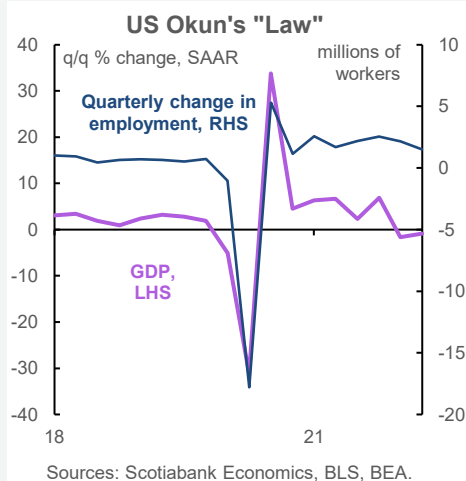


Chart 2



On Deck for Friday, August 5

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-05	08:00	Fed's Barkin Speaks at Lexington Chamber of Commerce				
CA	08-05	08:30	Employment (000s m/m)	Jul	35.0	15.0	-43.2
CA	08-05	08:30	Unemployment Rate (%)	Jul	5.0	5.0	4.9
US	08-05	08:30	Average Hourly Earnings (m/m)	Jul	0.3	0.3	0.3
US	08-05	08:30	Average Hourly Earnings (y/y)	Jul	4.9	4.9	5.1
US	08-05	08:30	Average Weekly Hours	Jul	--	34.5	34.5
US	08-05	08:30	Nonfarm Employment Report (000s m/m)	Jul	290.0	250.0	372.0
US	08-05	08:30	Unemployment Rate (%)	Jul	3.6	3.6	3.6
US	08-05	08:30	Household Employment Report (000s m/m)	Jul	--	--	-315.0
US	08-05	15:00	Consumer Credit (US\$ bn m/m)	Jun	--	26.0	22.3

KEY POINTS:

- **Markets in their usual cautious state before nonfarm payrolls**
- **Nonfarm payrolls preview**
- **Canadian jobs preview**

The focus this morning is clearly upon twin US and Canadian jobs reports. Other fresh developments—as opposed to recapping yesterday's—are very light with only minor releases out of Europe overnight and ongoing tensions around Taiwan to consider.

This could all change post-jobs, but at this point N.A. equity futures are unchanged, European equities are slightly lower across indices and Asian equities generally rallied overnight with gains across most indices including mainland China and Taiwan. Sovereign curves have a small cheapening bias on balance and the USD is very slightly firmer.

Nonfarm Payrolls Preview

Amid considerable uncertainty there is a surprising uniformity of opinion around today's guesstimated change in nonfarm payrolls (8:30amET). Almost everyone is within a 200–300k range of estimates which is well covered by the statistical noise around the 90% confidence interval of +/-110k.

m/m change, 000s, July:

Scotia: 290

Consensus median: 250

Consensus mean: 234 (slight skewness lower)

Range: 50 – 325, most within 200–300

Whisper: 234k

Std Dev: 55k

UR: 3.6% Scotia and consensus

Avg hourly earnings: 0.3% m/m / 4.9% y/y

Like the last time around when nonfarm surprised higher, most advance job market indicators have softened and that is once again what is being relied upon. Initial jobless claims continued to back up between nonfarm reference periods (pay period with the 12th day of the month in it). Consumer confidence showed another drop in consumers' assessment of jobs plentiful. NFIB hiring plans stabilized but the reading for jobs that are hard to fill improved. ISM-services employment ticked up but is slightly in contraction and has been sliding this year. Ditto for ISM-manufacturing employment. JOLTS job openings have been falling this year and a bunch of them are likely zombie postings at this point amid the rising uncertainty around the outlook.

Recall that one of the issues is tracking nonfarm relative to the household survey. Both have large confidence intervals but the household survey's CI is much larger. That might

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explain limited deviations between the two surveys, but the household survey has registered declines of over 300k in two of the past three months. One reason could be that the household survey includes small businesses without formal payrolls whereas by definition nonfarm doesn't. Another reason could be that the household survey counts employed individuals versus nonfarm that counts jobs; when there is high job switching it can tend to overstate job growth in the nonfarm report.

In any event, jobs are a contemporaneous indicator and the unemployment rate is a lagging indicator and so there is little that today's readings will tell us about future recession risk versus current conditions.

Canadian jobs preview

Market reactions to Canadian jobs (8:30amET) could be overshadowed by payrolls which is a shame compared to when Statcan used to get up early and release the figures at 7am. The base expectation is for a rebound in Canadian employment at the same time as a deceleration in US job creation, but we'll see soon enough.

m/m change, 000s, July:

Scotia: 35

Consensus median: 15

Consensus mean: 13 (no material skewness)

Range: -47 to +45, most within 10–30 which is long-run average territory

Whisper: n/a

Std Dev: 24

UR: 5% Scotia and consensus

Avg hourly earnings: 5.9% y/y from 5.6, very thin

All supposed models for estimating job changes in the US and Canada are fake, especially for Canada's highly volatile household survey and given the relative paucity of advance leading indicators. At best we can consider the following points:

- If the drop in self-employed during June shakes out—which is feasible as it is volatile 'soft' data—then we could see a return to a positive gain while payroll jobs have been expanding.
- unlike the US where job growth has outpaced GDP growth in a half-year violation of Okun's 'law' that connects the two, Canada has seen generally strong GDP growth reflecting strong exports, ongoing fiscal stimulus, a positive terms of trade shock and unleashed pent-up services demand. See charts 1 and 2 and bear in mind that if we looked at a longer time frame then it would show that US job growth has generally been disconnected from GDP growth for much of the post-GFC period compared to previously whereas that has not been the case in Canada.
- CFIB small business hiring plans have decelerated. A composite real-time indicator based on various mobility and business register readings fell in July. 'Indeed' job website visits are high, but it's unclear how much of that reflects churn versus net job growth.

Also watch wages with annualized m/m nominal wage growth climbing to 10.6% in June after 9.4% in May following three soft months that in turn followed strong gains from last July to January. Finally, keep an eye on hours worked jumped by 1.3% m/m in June and could face a high bar to post another gain in terms of implications for an early take on July GDP.

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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	Canada - BoC	2.50
	3.06	3.05	2.89	2.80	2.79	2.68	2.70	2.69	2.65	2.97	2.97	3.01		
	3.17	3.15	2.96	2.78	2.75	2.61	2.69	2.67	2.61	2.80	2.78	2.77		
	0.36	0.34	0.28	0.58	0.54	0.53	0.84	0.80	0.82	1.07	1.04	1.07		
JAPAN	-0.10	-0.09	-0.08	-0.03	-0.03	-0.02	0.17	0.18	0.19	1.16	1.19	1.20	US - Fed	2.50
U.K.	1.85	1.85	1.71	1.73	1.72	1.59	1.92	1.89	1.86	2.31	2.29	2.40	England - BoE	1.75
Spreads vs. U.S. (bps):														
CANADA	10	11	7	-3	-4	-6	-0	-2	-4	-17	-19	-24	Euro zone - ECB	0.50
GERMANY	-271	-270	-261	-222	-225	-215	-186	-189	-183	-191	-193	-194	Japan - BoJ	-0.10
JAPAN	-316	-314	-296	-284	-282	-270	-253	-251	-247	-181	-177	-181	Mexico - Banxico	7.75
U.K.	-122	-119	-118	-107	-107	-109	-78	-80	-79	-67	-68	-61		
Equities	Level						% change:							
	Last	Change				1 Day	1-wk	1-mo	1-yr					
S&P/TSX	19577	31.1				0.2	0.6	3.9	-3.9				Australia - RBA	1.85
Dow 30	32727	-85.7				-0.3	0.6	5.7	-6.7				New Zealand - RBNZ	2.50
S&P 500	4152	-3.2				-0.1	2.0	8.4	-6.3					
Nasdaq	12721	52.4				0.4	4.6	12.4	-14.6					
DAX	13656	-7.0				-0.1	1.3	10.1	-13.3					
FTSE	7440	-8.3				-0.1	0.2	5.9	4.5					
Nikkei	28176	243.7				0.9	1.3	6.6	1.6				Canada - BoC	Sep 07, 2022
Hang Seng	20202	27.9				0.1	0.2	-7.6	-22.9				US - Fed	Sep 21, 2022
CAC	6484	-29.0				-0.4	0.6	11.9	-4.4				England - BoE	Sep 15, 2022
Commodities	Level						% change:							
WTI Crude	88.20	-0.34				-0.4	-10.6	-11.4	27.7				Euro zone - ECB	Sep 08, 2022
Natural Gas	7.99	-0.13				-1.6	-2.9	44.7	93.0				Japan - BoJ	Sep 22, 2022
Gold	1784.88	-6.40				-0.4	1.1	1.1	-1.1					
Silver	20.27	0.35				1.7	4.9	2.1	-21.1					
CRB Index	281.21	-0.51				-0.2	-2.7	1.1	30.7					
Currencies	Level						% change:							
USDCAD	1.2894	0.0029				0.2	0.8	-1.1	3.1				Mexico - Banxico	Aug 11, 2022
EURUSD	1.0233	-0.0013				-0.1	0.1	-0.3	-13.5				Australia - RBA	Sep 06, 2022
USDJPY	133.16	0.2700				0.2	-0.1	-2.0	21.3				New Zealand - RBNZ	Aug 16, 2022
AUDUSD	0.6941	-0.0030				-0.4	-0.6	2.0	-6.3					
GBPUSD	1.2138	-0.0022				-0.2	-0.3	1.6	-12.9					
USDCHF	0.9557	0.0003				0.0	0.3	-1.3	5.4					

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