

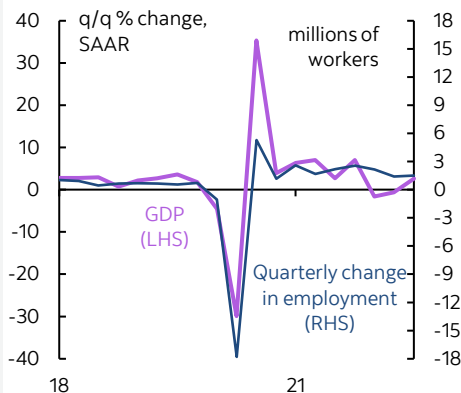
Contributors

Derek Holt

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

Chart 1

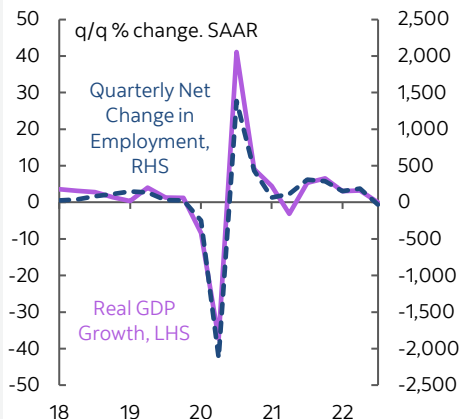
US Okun's "Law"



Sources: Scotiabank Economics, BLS, BEA.

Chart 2

Canada's Okun's "Law"



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Friday, November 4

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	11-04	08:30	Employment (000s m/m)	Oct	10.0	10.0	21.1
CA	11-04	08:30	Unemployment Rate (%)	Oct	5.1	5.3	5.2
US	11-04	08:30	Average Hourly Earnings (m/m)	Oct	0.3	0.3	0.3
US	11-04	08:30	Average Hourly Earnings (y/y)	Oct	4.7	4.7	5.0
US	11-04	08:30	Average Weekly Hours	Oct	--	34.5	34.5
US	11-04	08:30	Nonfarm Employment Report (000s m/m)	Oct	150	195.0	263.0
US	11-04	08:30	Unemployment Rate (%)	Oct	3.5	3.6	3.5
US	11-04	09:30	Household Employment Report (000s m/m)	Oct	--	--	204.0

KEY POINTS:

- **Risk-on optimism driven by ongoing speculation China to ease Covid Zero stance...**
- **...but will it hold up when nonfarm hits?**
- **US payrolls preview**
- **Canadian jobs preview**

Welcome to Jobs Friday, with a solid market assist from ongoing speculative optimism in China that is driving risk-on sentiment across global markets pending US payrolls. Stocks are broadly higher with US futures up by ¾%, TSX futures up by over 1%, European cash markets gaining by 1–2% for most exchanges, while China optimism drove the Hang Seng up by 5.4% with mainland China's exchanges up by about half that. Oil is up by about 3% and driven by the same China optimism. The US Treasury curve is bear flattening a little in 2s10s, Canada's curve is slightly cheaper by 1–2bps across maturities, while the gilts curve is steepening and EGBs are slightly cheaper across maturities on balance. The USD is broadly weaker as higher beta and more commodity- and China-oriented crosses like the A\$, NZ\$, rand, CAD and Scandies lead the gainers. Canada's free-spending budget is being ignored by markets as expected, while spending goes up yet again, lip service is given to the country's miserable productivity performance and all the while making possibly optimistic forecast assumptions and assaulting business with further punitive taxes.

US NONFARM PAYROLLS PREVIEW (8:30AMET)

- Scotia: 150k
- Consensus: 195k
- Range: 80k – 300k (most within 150k – 250k)
- Whisper: 233k
- Mean: 197k
- Median: 195k (so no material skewness)
- Std dev: 37k
- 90% confidence interval: +/- 120k
- UR: Scotia 3.5%, consensus 3.6%
- Wages: 0.3% m/m Scotia and consensus

Drivers:

- Okun's "law" would signal cooling trend growth in jobs as GDP growth ebbs, except for the Q3 GDP rebound. Chart 1.

- Consumer confidence signalled that jobs became less plentiful again with the reading down to its lowest since April 2021.
- nFIB hiring plans fell in October while its hard-to-file jobs readings moved sideways at its lowest since April 2021.
- There was no material change in initial jobless claims between reference periods
- ISM-services employment fell back into contraction last month
- ISM-manufacturing employment ticked back up to 50, no neither expanding or contracting
- ADP landed at 239k for October, but still offers poor tracking of private nonfarm payrolls
- JOLTS job openings increased by 437k in October and were revised up by 227k to smaller decline of 890k in September.
- on wages, the US has held relatively steady if albeit not spectacularly on a trend basis throughout this year.

CANADIAN JOBS PREVIEW (8:30AMET)

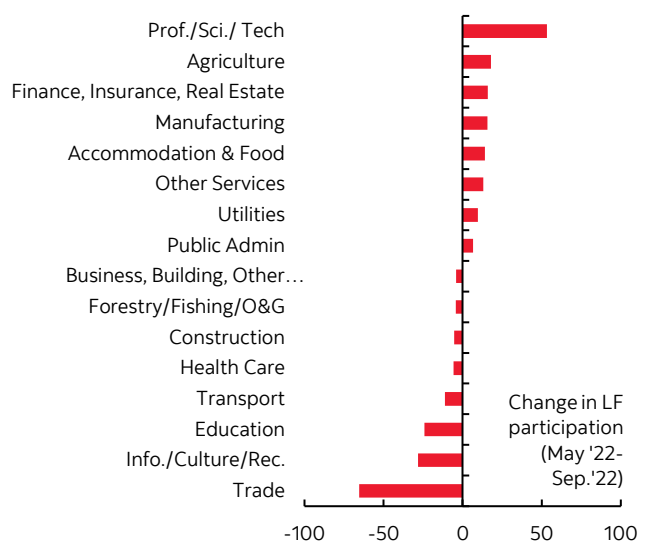
- Scotia: 10k
- Consensus: 10k
- Range: -13k to +42k (most within 0–20k)
- Mean: 8.5k
- Median 10k (so no material skewness)
- Std dev: 12k
- 95% confidence interval: +/-57k
- UR: Scotia 5.1% (lowest), median 5.3% with range of 5.1–5.5

Drivers:

- Okun’s “law” suggests that as Canadian GDP growth ebbed in Q3 after a torrid pace of expansion over the prior four quarters that employment growth should be cooling. Chart 2.
- the education sector distortions may have stabilized after the big drop in this sector during August and the rebound in September. Expect more volatility going forward.
- weaker CFIB hiring plans
- falling labour force participation rates are making it difficult to find workers. This is focused upon young women <25 and older workers with Statcan pointing to childcare and retirement as among the drivers. This is why I went with a lower than consensus UR. Then again, the sector breakdown shows that a falling labour force participation rate since May is focused upon higher contact sectors more affected by the pandemic like retail and wholesale trade, plus information/culture/recreation and education (chart 3).
- the job market’s extreme tightness is also making it difficult to get more workers
- watch wage growth for permanent employees, m/m % change SAAR that ebbed sharply in September following very strong gains over prior months.

Chart 3

Changes in Labour Force Since the May 2022 Peak



Sources: Scotiabank Economics, Statistics Canada.

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.	4.75	4.72	4.42	4.38	4.37	4.19	4.16	4.15	4.02	4.20	4.18	4.15	Canada - BoC	3.75
CANADA	4.09	4.06	3.84	3.62	3.59	3.39	3.44	3.41	3.23	3.43	3.40	3.31	US - Fed	4.00
GERMANY	2.15	2.09	1.94	2.19	2.13	2.00	2.29	2.25	2.10	2.19	2.17	2.08	England - BoE	3.00
JAPAN	-0.04	-0.04	-0.05	0.10	0.08	0.08	0.26	0.25	0.25	1.57	1.54	1.46		
U.K.	3.08	3.10	3.26	3.44	3.44	3.58	3.54	3.52	3.48	3.81	3.72	3.56		
	Spreads vs. U.S. (bps):													
CANADA	-66	-66	-58	-76	-78	-80	-72	-74	-78	-77	-78	-83	Euro zone - ECB	2.00
GERMANY	-260	-263	-248	-219	-224	-219	-187	-190	-191	-202	-201	-207	Japan - BoJ	-0.10
JAPAN	-479	-476	-446	-428	-429	-411	-390	-389	-377	-263	-265	-269		
U.K.	-166	-162	-116	-94	-93	-60	-62	-63	-54	-39	-46	-58	Mexico - Banxico	9.25
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	19241			-35.8			-0.2	-1.2	-0.7			-9.8	Australia - RBA	2.85
Dow 30	32001			-146.5			-0.5	-0.1	5.6			-11.4	New Zealand - RBNZ	3.50
S&P 500	3720			-39.8			-1.1	-2.3	-1.9			-20.5		
Nasdaq	10343			-181.9			-1.7	-4.2	-7.5			-35.1		
DAX	13347			216.7			1.7	0.8	5.3			-16.7		
FTSE	7276			87.5			1.2	3.2	2.7			-0.1		
Nikkei	27200			-463.6			-1.7	-0.5	0.3			-8.1	Canada - BoC	Dec 07, 2022
Hang Seng	16161			821.7			5.4	8.7	-8.9			-35.0	US - Fed	Dec 14, 2022
CAC	6380			136.4			2.2	1.7	5.6			-8.7		
Commodities	Level						% change:							
WTI Crude	91.18			3.01			3.4	3.7	5.4			15.7	England - BoE	Dec 15, 2022
Natural Gas	6.24			0.27			4.5	9.9	-8.7			9.2	Euro zone - ECB	Dec 15, 2022
Gold	1652.46			22.97			1.4	0.5	-4.3			-7.8	Japan - BoJ	Dec 20, 2022
Silver	18.92			-0.86			-4.3	-2.3	-2.5			-19.8		
CRB Index	278.32			-2.34			-0.8	0.5	-0.8			19.2		
Currencies	Level						% change:							
USDCAD	1.3615			-0.0131			-1.0	0.1	0.8			9.3	Mexico - Banxico	Nov 10, 2022
EURUSD	0.9806			0.0057			0.6	-1.6	-1.8			-15.1	Australia - RBA	Dec 05, 2022
USDJPY	147.71			-0.5500			-0.4	0.1	2.5			29.8		
AUDUSD	0.6385			0.0096			1.5	-0.4	-1.8			-13.7		
GBPUSD	1.1220			0.0060			0.5	-3.4	-2.2			-16.9	New Zealand - RBNZ	Nov 22, 2022
USDCHE	1.0063			-0.0070			-0.7	1.1	2.7			10.3		

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