

### DAILY POINTS

December 13, 2022 @ 7:10 EST

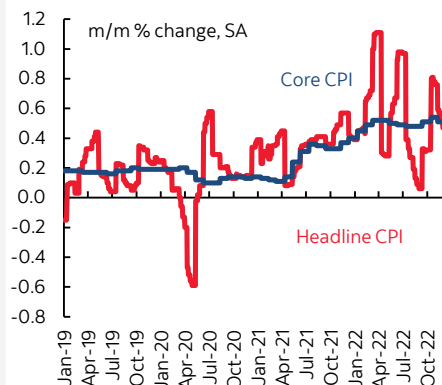
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Chart 1

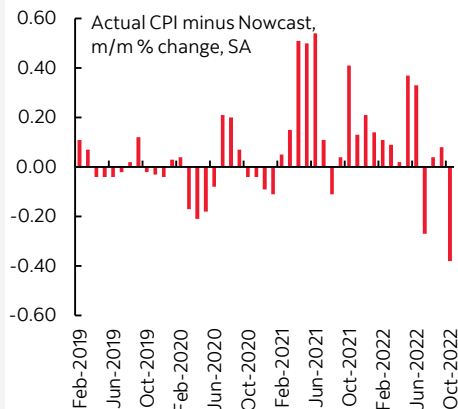
#### Cleveland Fed Nowcast



Sources: Scotiabank Economics, Cleveland Fed.

Chart 2

#### Spread Between Nowcast and Actual CPI



Sources: Scotiabank Economics, Bloomberg.

### On Deck for Tuesday, December 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12-13	08:30	CPI (m/m)	Nov	0.4	0.3	0.4
US	12-13	08:30	CPI (y/y)	Nov	7.4	7.3	7.7
US	12-13	08:30	CPI (index)	Nov	--	298.1	298.0
US	12-13	08:30	CPI ex. Food & Energy (m/m)	Nov	0.4	0.3	0.3
US	12-13	08:30	CPI ex. Food & Energy (y/y)	Nov	6.2	6.1	6.3

#### KEY POINTS:

- **Risk-on bias could go either way after US CPI**
- **There is a wide interval of expectations for US core inflation...**
- **...but it would be statistically unusual for nowcasts to materially overestimate again**
- **UK job markets mostly outperform expectations...**
- **...with a few dovish signals...**
- **...that keep most of the focus on tomorrow's UK CPI ahead of the BoE**

A mild risk-on bias will clearly be sensitive to whatever happens when US CPI lands and so take it with a grain of salt. US and Canadian equity futures are up by roughly ¼% to ½%. European cash markets are generally ¼% to 1% higher. Asian equities gained in Tokyo and HK, were flat in Seoul and Shanghai and fell in Shenzhen. Sovereign yield curves are slightly bull flattening in the US with gilts underperforming everyone else partly due to strong employment figures and uncertainty ahead of UK CPI tomorrow and then the BoE. The dollar is little changed on a DXY basis as it loses ground to Sterling and a handful of higher beta crosses. Oil prices are about 1% higher.

News that an economic policy meeting in China has been postponed due to surging cases in Beijing arrived after local markets had shut but is generally being taken in stride elsewhere. Ontario is starting to register a mild increase in wastewater testing results as indicated [here](#). California's wastewater testing results have surged back to June/July levels ([here](#)).

UK job market figures mostly surprised higher than expected on the eve of CPI figures ahead of the BoE's decision on Thursday. There were a few mixed signals and it would likely take strong inflation readings to matter more toward a chance at another 75bps hike as markets are still pricing a little over a 50bps increase.

Wage growth accelerated to 6.1% y/y with a slight upward revision to 5.8% the prior month. That exceeded all estimates and is the first time in data since 2001 that earnings growth exceeded 6.1% with the exception of the distorted reading in June 2021. The number of employees on payrolls surged ahead by 107k in November for the strongest gain since August 2021. Total employment that lags a bit further behind was up by 27k (consensus -17k) on a 3mo ago basis as it gained 34k m/m.

The few dovish signals included the fact that the unemployment rate moved up a tick to 3.7%, jobless claims increased to 30,500 in November for the largest amount since February 2021 and job vacancies fell but only by 30k. Vacancies have edged lower since May but still remain very high.

US CPI lands at 8:30amET just before the FOMC's two-day meeting commences today. FOMC members submitted forecasts last Friday but can alter views up to tomorrow evening. There is a high bar for any CPI surprise to affect anything in tomorrow's communications until the press conference given a) 50bps is largely committed, and b)

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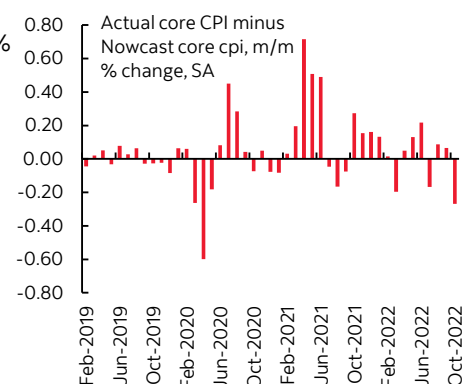
changing any dots/forecasts on one point would be unlikely. Any significant surprise is more likely to affect the tone of the press conference.

The breakdown of consensus views on core CPI includes 11 of us expecting 0.4% m/m SA, 32 expecting 0.3% and 22 expecting 0.2%. The Cleveland Fed's CPI nowcast is above all of us at 0.5% m/m. See the global week ahead for more.

On the latter note, the Cleveland Fed's nowcast overestimated inflation last month but it's worth noting that this was a relative anomaly. The extent to which it overestimated headline CPI was a record outlier in the pandemic (chart 2). It also overestimated core CPI by the largest amount since the start of the pandemic (chart 3).

Chart 3

### Spread Between Nowcast and Actual Core CPI



Sources: Scotiabank Economics, Bloomberg.

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.	4.37	4.38	4.37	3.77	3.79	3.75	3.58	3.61	3.53	3.54	3.57	3.54	Canada - BoC	4.25
CANADA	3.87	3.88	3.79	3.10	3.11	3.00	2.90	2.92	2.77	2.85	2.87	2.77	US - Fed	4.00
GERMANY	2.19	2.20	2.06	1.97	1.98	1.82	1.94	1.94	1.80	1.72	1.72	1.63	England - BoE	3.00
JAPAN	-0.01	-0.01	-0.01	0.13	0.13	0.13	0.25	0.25	0.26	1.41	1.43	1.49	Euro zone - ECB	2.00
U.K.	3.51	3.47	3.30	3.33	3.28	3.23	3.26	3.20	3.08	3.67	3.61	3.45	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-49	-50	-58	-67	-68	-75	-68	-69	-76	-69	-70	-77	Mexico - Banxico	10.00
GERMANY	-217	-218	-231	-179	-181	-194	-164	-167	-173	-182	-186	-191	Australia - RBA	3.10
JAPAN	-438	-439	-438	-363	-367	-363	-333	-336	-328	-213	-215	-206	New Zealand - RBNZ	4.25
U.K.	-86	-91	-107	-44	-51	-52	-32	-41	-46	13	4	-9	Next Meeting Date	
Equities	Level			Change			% change:							
	Last						1 Day	1-wk	1-mo	1-yr				
S&P/TSX	20020			72.6			0.4	0.1	-0.5	-3.5			Canada - BoC	Jan 25, 2023
Dow 30	34005			528.6			1.6	0.2	0.8	-4.6			US - Fed	Dec 14, 2022
S&P 500	3991			56.2			1.4	-0.2	-0.1	-14.5			England - BoE	Dec 15, 2022
Nasdaq	11144			139.1			1.3	-0.9	-1.6	-27.7			Euro zone - ECB	Dec 15, 2022
DAX	14431			124.0			0.9	0.6	1.4	-7.6			Japan - BoJ	Dec 20, 2022
FTSE	7475			28.6			0.4	-0.6	2.1	3.4			Mexico - Banxico	Dec 15, 2022
Nikkei	27955			112.5			0.4	0.2	-1.1	-2.4			Australia - RBA	Feb 06, 2023
Hang Seng	19596			132.6			0.7	0.8	13.1	-18.2			New Zealand - RBNZ	Feb 21, 2023
CAC	6701			50.9			0.8	0.2	1.6	-3.5				
Commodities	Level			Change			% change:							
WTI Crude	73.49			0.32			0.4	-1.0	-17.4	3.1				
Natural Gas	6.76			0.18			2.7	23.7	15.0	78.3				
Gold	1788.37			6.94			0.4	1.0	1.0	0.1				
Silver	23.39			0.28			1.2	1.8	8.9	6.8				
CRB Index	269.37			3.09			1.2	-0.4	-4.5	19.5				
Currencies	Level			Change			% change:							
USDCAD	1.3612			-0.0024			-0.2	-0.3	2.2	6.3				
EURUSD	1.0547			0.0010			0.1	0.8	2.1	-6.5				
USDJPY	137.41			-0.2600			-0.2	0.3	-1.8	21.0				
AUDUSD	0.6773			0.0028			0.4	1.3	1.1	-5.0				
GBPUSD	1.2294			0.0025			0.2	1.3	4.6	-7.0				
USDCHF	0.9362			-0.0001			-0.0	-0.6	-0.8	1.5				

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