

DAILY POINTS

January 26, 2023 @ 7:55 EST

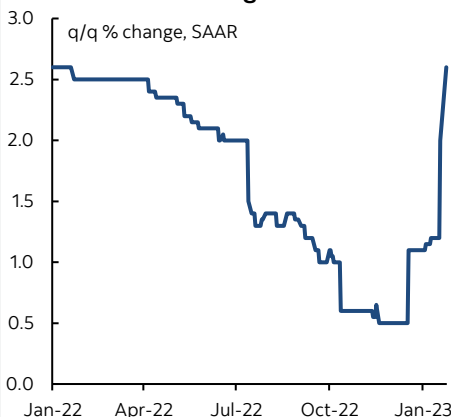
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Chart 1

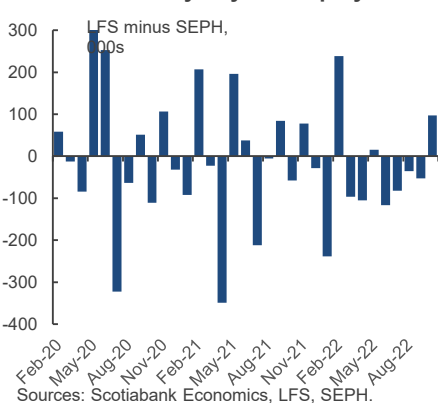
Consensus is Rewriting US GDP Forecast*



*Bloomberg consensus for US GDP 2022 Q4.
Sources: Scotiabank Economics, Bloomberg.

Chart 2

Spread between Change in LFS and SEPH Monthly Payroll Employment



Sources: Scotiabank Economics, LFS, SEPH.

On Deck for Thursday, January 26

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01-26	08:30	Durable Goods Orders (m/m)	Dec P	2.0	2.5	-2.1
US	01-26	08:30	Durable Goods Orders ex. Trans. (m/m)	Dec P	0.0	-0.2	0.1
US	01-26	08:30	GDP (q/q a.r.)	4Q A	2.8	2.6	3.2
US	01-26	08:30	GDP Deflator (q/q a.r.)	4Q A	--	3.2	4.4
US	01-26	08:30	Initial Jobless Claims (000s)	Jan 21	200	205.0	190.0
US	01-26	08:30	Continuing Claims (000s)	Jan 14	1640	1658.0	1647.0
US	01-26	08:30	Wholesale Inventories (m/m)	Dec P	--	0.5	1.0
US	01-26	10:00	New Home Sales (000s a.r.)	Dec	621	612.0	640.0

KEY POINTS:

- Little market follow-through on the BoC
- US Q4 GDP is expected to be strong...
- ...as consensus once again had to rapidly mark up growth
- Consensus is playing games with Canadian jobs data
- BCCh expected to extended pause, watch cut guidance
- US jobless claims defying pink slips so far
- SARB expected to hike again

There is a little more constructive tone across global asset classes this morning. Stocks are gently higher across US and Canadian futures plus European cash markets. The Hang Seng returned from holiday to post a 2.4% gain. Sovereign yield curves are slightly bear steepening in the US, UK and with more mixed effects across EGBs. The USD is little changed with few outlier movements across individual crosses. There is little evidence of any material follow-through on the BoC's communications yesterday (recap [here](#)) with the Canadian front-end slightly outperforming cheaper US Treasuries but perhaps on inflation concerns the Canada curve is bear steepening a little more than other curves.

The main focal point will be US Q4 GDP (8:30amET) that is expected to be strong. Overnight developments were very light and only included a pair of Asian Q4 GDP releases and notably a big upside surprise in the Philippines.

Forecasts for US Q4 growth have been rapidly marked up by consensus compared to just before the holidays (chart 1). Consumption should contribute around 2½ percentage points to GDP growth on its own. Most estimates land within a range from 2% – 3 ½% (Scotia Economics 2.8%). Yes it's backward looking, but that doesn't mean it should be ignored. A main reason for this point is that consensus has been excessively bearish while forecasting Q3 GDP and Q4 GDP and each time put into a position of having to rapidly mark up forecasts as the US economy rebounded in 2022H2 after distorted softness in 2022H1 GDP. That is perhaps revealing of the average forecaster's psyche in being hardwired to expect gloom only to have to rapidly pivot.

Canada updates the lagging payrolls data this morning (8:30amET). Payrolls lag way behind the Labour Force Survey with data only for November arriving today, and payrolls exclude small businesses which can matter enormously in an economy like Canada's. Some voices have been very quick to pounce on the fact that October's LFS job gain of 91,700 jobs was out of touch with the payroll figure that registered a mild drop of about 5,400. Conveniently ignored is that fact that SEPH payrolls reported much stronger job growth than LFS did for pretty much most months prior to that this year (chart 2). In fact, SEPH payrolls registered almost 290,000 more jobs created from June through September than the Labour Force Survey. Sure, pick the one month when payrolls undershot LFS and cry from the roof tops that gains registered by LFS have been fake.

January 26, 2023

Talk about cherry-picking data! Over time, the two measures have been nearly identical in what they've said about cumulative job growth since the start of the pandemic (chart 3).

Chile's central bank is expected to extend its pause at 11.25% (4pmET); Scotia's Santiago-based economist is the lone economist expecting a rate cut and has an aggressive easing profile going forward (chart 4).

Will US initial jobless claims still hold below 200k or around there (8:30amET)? They have thus far defied the headlines about rising layoffs either due to lags, data quality issues (California in particular) and/or because layoffs are being reabsorbed into the job market by filling some vacancies.

Other macro reports will inform US cap-ex momentum (8:30amET) and new home sales (10amET).

South Africa's central bank is expected to hike again this morning (8–9amET).

Chart 3

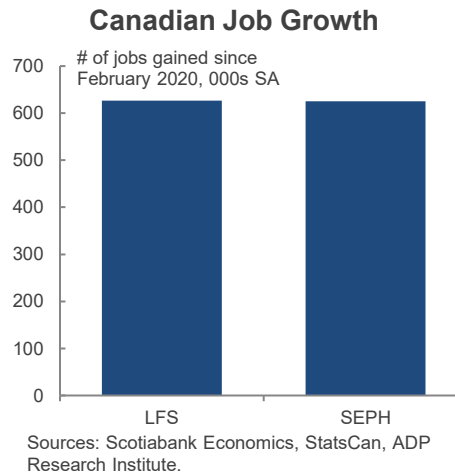
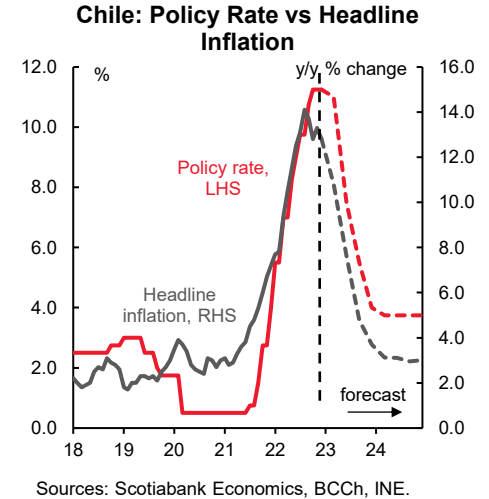


Chart 4



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	4.50		
	4.14	4.13	4.13	3.56	3.55	3.48	3.48	3.44	3.39	3.63	3.60	3.56				
	3.59	3.57	3.51	2.93	2.89	2.82	2.84	2.80	2.75	2.95	2.91	2.85			US - Fed	4.50
	2.54	2.53	2.53	2.19	2.18	2.12	2.17	2.16	2.07	2.15	2.13	2.00				
0.00	-0.01	0.00	0.20	0.19	0.23	0.49	0.45	0.44	1.53	1.54	1.59	England - BoE	3.50			
3.45	3.41	3.45	3.17	3.13	3.24	3.29	3.24	3.28	3.62	3.59	3.61					
Spreads vs. U.S. (bps):																
CANADA	-55	-56	-62	-64	-66	-66	-63	-65	-65	-68	-69	-71	Euro zone - ECB	2.50		
GERMANY	-161	-160	-160	-137	-137	-136	-130	-129	-133	-148	-147	-156				
JAPAN	-415	-414	-413	-336	-335	-325	-298	-300	-295	-210	-206	-197	Japan - BoJ	-0.10		
U.K.	-69	-72	-67	-39	-41	-25	-19	-20	-12	-1	-0	5				
Equities	Level						% change:						Mexico - Banxico	10.50		
	Last			Change	1 Day	1-wk	1-mo	1-yr								
S&P/TSX	20600			-30.0	-0.1	1.3	5.6	0.0				Australia - RBA	3.10			
Dow 30	33744			9.9	0.0	1.3	1.6	-1.2								
S&P 500	4016			-0.7	-0.0	2.2	4.5	-7.7				New Zealand - RBNZ	4.25			
Nasdaq	11313			-20.9	-0.2	3.3	7.8	-16.5								
DAX	15084			2.4	0.0	1.1	8.2	-2.4				Next Meeting Date				
FTSE	7760			14.8	0.2	0.2	3.8	3.9				Canada - BoC	Mar 08, 2023			
Nikkei	27363			-32.3	-0.1	3.6	3.5	4.6								
Hang Seng	22567			522.1	2.4	3.8	15.2	-5.2				US - Fed	Feb 01, 2023			
CAC	7091			46.9	0.7	2.0	9.0	1.6								
Commodities	Level						% change:						England - BoE	Feb 02, 2023		
WTI Crude	81.18			1.03	1.3	1.1	2.0	-7.1				Euro zone - ECB	Feb 02, 2023			
Natural Gas	2.86			-0.20	-6.7	-12.6	-43.6	-33.1								
Gold	1937.12			-8.99	-0.5	0.3	7.7	6.5				Japan - BoJ	Mar 10, 2023			
Silver	23.43			-0.28	-1.2	-3.1	-1.3	-1.0								
CRB Index	277.48			-0.49	-0.2	0.5	-0.2	10.1				Mexico - Banxico	Feb 09, 2023			
Currencies	Level						% change:									
												Australia - RBA	Feb 06, 2023			
USDCAD	1.3370			-0.0022	-0.2	-0.7	-1.6	5.5								
EURUSD	1.0898			-0.0018	-0.2	0.6	2.5	-3.0				New Zealand - RBNZ	Feb 21, 2023			
USDJPY	129.66			0.0700	0.1	1.0	-2.4	13.1								
AUDUSD	0.7123			0.0019	0.3	3.1	5.9	0.1								
GBPUSD	1.2399			-0.0004	-0.0	0.1	2.8	-7.9								
USDCHF	0.9183			0.0003	0.0	0.2	-1.5	-0.6								

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