

DAILY POINTS

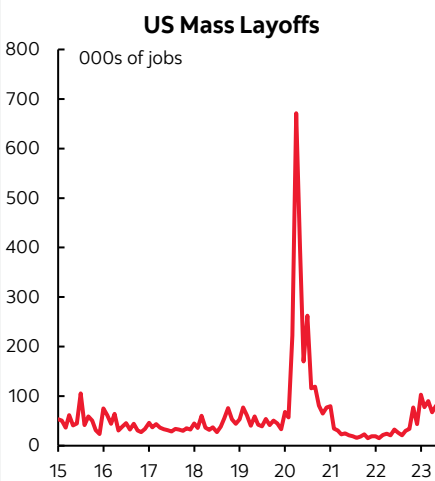
June 2, 2023 @ 7:45 EST

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Chart 1



Sources: Scotiabank Economics, Bloomberg.

On Deck for Friday, June 2

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06-02	08:30	Average Hourly Earnings (m/m)	May	0.3	0.3	0.5
US	06-02	08:30	Average Hourly Earnings (y/y)	May	4.4	4.4	4.4
US	06-02	08:30	Average Weekly Hours	May	--	34.4	34.4
US	06-02	08:30	Nonfarm Employment Report (000s m/m)	May	225	195.0	253.0
US	06-02	08:30	Unemployment Rate (%)	May	3.5	3.5	3.4
US	06-02	08:30	Household Employment Report (000s m/m)	May	--	--	139.0

KEY POINTS:

- **Global markets are in risk-on mode ahead of nonfarm**
- **Nonfarm and wages still matter to the Fed**
- **Canada's real estate market is on fire again, inviting policy responses**
- **China mulls property market supports**

What markets are doing right now probably matters little ahead of nonfarm, but they're in risk-on mode at the moment. N.A. stocks are pointing toward a ½% rise with European cash markets up by around 1% across all benchmarks after 1%+ rallies across Asian led by a 4% jump in the Hang Seng. Sovereign yields are up by single digit basis points across most benchmarks in Europe but little changed in N.A.. The USD is little changed. Oil is up by over a buck. There were few overnight catalysts. China is reportedly working toward new measures to support property markets according to unconfirmed reports from anonymous folks.

After the Senate passed the debt ceiling deal it's now time to clear the floor for nonfarm payrolls as pretty much the lone release of significance. I don't buy the line that it doesn't matter to the Fed and for that argument rely upon the points I made in yesterday morning's note ([here](#)) about the literary licence being applied to distorted impressions of Fed-speak. The FOMC will be data dependent into the June decision in my view and today's data plus the next CPI report will matter to them.

Here's the preview:

- consensus median: 195k
- consensus average: 192k, so no material skewness
- Whisper number: 225k
- Scotia: 225k (not meaningfully different given the 120k 90% confidence interval)
- High/Low: 252k / 100k. None of these estimates are outside of the noise bands.
- Std dev: 25.6k
- Wages: 0.3% m/m (range 0.2–0.4)
- UR: 3.5% (3.4% prior)

Most drivers indicate continued resilience:

- JOLTS job openings picked up by 358k to back above 10.1 million. Even if some are zombie posting, the tally is still about 3 million above pre-pandemic norms indicating hiring appetite.
- initial jobless claims were fairly stable between nonfarm reference periods
- Challenger job cuts equalled 80k in May which is still not enough to derail job growth. All that job cuts have done is come off the practically non-existent levels from the initial stages of the pandemic recovery back toward something that is more normal at slightly above pre-pandemic levels thus far (chart 1).

- ADP at 278k suggests possible upside but with a heavy head fake factor
- ISM-mfrg employment picked up. We get ISM-services employment next week.
- conference board's consumer confidence 'jobs plentiful' gauge slipped to 43.5 from 47.5

Canada's housing market continues to be on a tear as a combination of very little supply, surging immigration, a return of first-time home buyers, strong job markets, a premature halt to BoC rate hikes and returning FOMO sentiment drive renewed imbalances. I've argued since last year that consensus was far too negative toward Canadian housing as it over-emphasized the pressures facing a minority of super-stretched mortgage holders in a classic case of the tail wagging the dog. The broad fundamentals of Canada's housing market remain highly constructive and will carry ongoing positive spillover effects for consumption as we saw in the Q1 GDP accounts. Recall that home sales were up by 11% m/m SA in April for the biggest monthly gain since the initial stages of the pandemic recovery in mid-2020 and have risen for three straight months. The city-level data for the month of May looks like momentum will continue. Toronto's home sales figures for May ([here](#) and [here](#)) were up by 5.2% m/m SA in May and about 25% y/y as listings fell by about 19% y/y but new listings were up by 10% m/m. Prices were up by over 3% m/m SA with the average now at C\$1.2 million. Months supply is practically non-existent at 1.3 months.

With Vancouver pending, Toronto adds to evidence of strength in Calgary that posted a record high for all months of May along with a sales-to-new-listings ratio of 85% and months' supply of just 1 month on tap. One month folks, in both Toronto and Calgary. This country's policymakers get an 'F' for mismanaging housing supply and for serially over-stimulating housing demand and here we go again.

The BoC would hike if it felt that its conditional pause was being violated with renewed upside risk to inflation. This risk is reality in my view, but the reintroduction of sharp housing imbalances should add to the case for tightening that is primarily based upon inflation.

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.	4.33	4.34	4.56	3.70	3.70	3.93	3.60	3.60	3.80	3.82	3.82	3.96	Canada - BoC	4.50
CANADA	4.21	4.21	4.29	3.43	3.41	3.57	3.18	3.16	3.33	3.11	3.09	3.29	US - Fed	5.25
GERMANY	2.75	2.72	2.94	2.28	2.25	2.56	2.28	2.25	2.54	2.48	2.46	2.67	England - BoE	4.50
JAPAN	-0.07	-0.06	-0.06	0.08	0.08	0.11	0.41	0.42	0.42	1.27	1.27	1.26	Euro zone - ECB	3.75
U.K.	4.33	4.29	4.49	4.08	4.05	4.28	4.13	4.12	4.33	4.46	4.46	4.64	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
CANADA	-12	-14	-27	-27	-28	-36	-42	-44	-47	-70	-72	-67	Mexico - Banxico	11.25
GERMANY	-159	-162	-162	-142	-145	-137	-132	-135	-126	-133	-136	-129	Australia - RBA	3.85
JAPAN	-440	-440	-463	-362	-361	-382	-318	-317	-338	-254	-254	-270	New Zealand - RBNZ	5.50
U.K.	-0	-5	-7	38	35	35	53	52	53	65	64	68	Next Meeting Date	
Equities	Level						% change:							
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	19672	100.0		0.5	-1.2	-3.6	-6.5	Canada - BoC Jun 07, 2023						
Dow 30	33062	153.3		0.5	0.8	-1.8	-0.6	US - Fed Jun 14, 2023						
S&P 500	4221	41.2		1.0	2.6	2.5	1.1	England - BoE Jun 22, 2023						
Nasdaq	13101	165.7		1.3	4.9	8.4	6.4	Euro zone - ECB Jun 15, 2023						
DAX	16038	184.3		1.2	0.3	2.0	10.7	Japan - BoJ Jun 16, 2023						
FTSE	7561	70.5		0.9	-0.1	-2.7	0.4	Mexico - Banxico Jun 22, 2023						
Nikkei	31524	376.2		1.2	2.0	8.1	13.6	Australia - RBA Jun 06, 2023						
Hang Seng	18950	733.0		4.0	1.1	-5.5	-10.1	New Zealand - RBNZ Jul 11, 2023						
CAC	7229	91.1		1.3	-1.2	-2.1	11.2							
Commodities	Level						% change:							
WTI Crude	71.31	1.21		1.7	-0.7	-0.5	-39.0	England - BoE Jun 22, 2023						
Natural Gas	2.16	0.01		0.2	-6.2	-2.3	-74.5	Euro zone - ECB Jun 15, 2023						
Gold	1979.57	1.95		0.1	1.7	-1.8	5.9	Japan - BoJ Jun 16, 2023						
Silver	23.49	0.24		1.0	2.1	-5.1	8.7	Mexico - Banxico Jun 22, 2023						
CRB Index	257.37	3.52		1.4	-2.0	-1.3	-20.3	Australia - RBA Jun 06, 2023						
Currencies	Level						% change:							
USDCAD	1.3429	-0.0020		-0.1	-1.4	-1.4	6.8	New Zealand - RBNZ Jul 11, 2023						
EURUSD	1.0767	0.0005		0.0	0.4	-2.1	0.2							
USDJPY	138.93	0.1300		0.1	-1.2	1.7	7.0							
AUDUSD	0.6621	0.0050		0.8	1.6	-0.6	-8.9							
GBPUSD	1.2526	0.0000		0.0	1.5	0.5	-0.4							
USDCHF	0.9064	0.0009		0.1	0.1	1.5	-5.4							

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