

DAILY POINTS

June 30, 2023 @ 7:30 EST

Contributors

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Chart 1

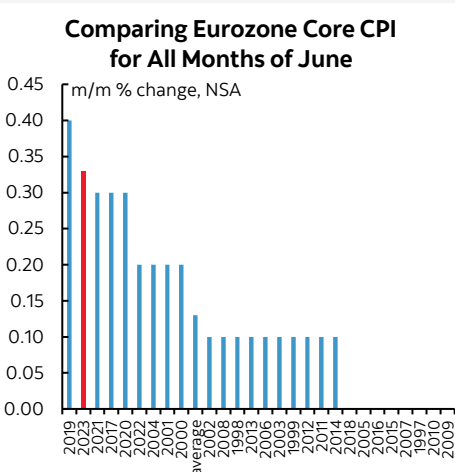
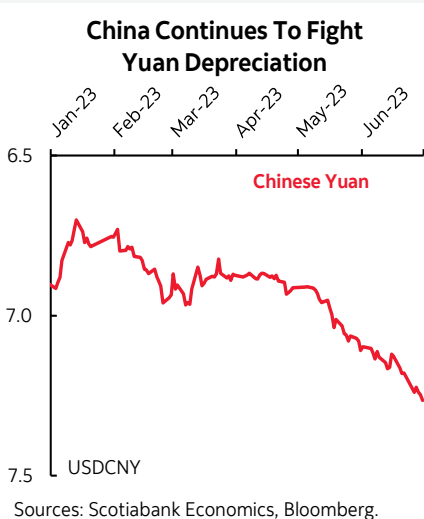


Chart 2



On Deck for Friday, June 30

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06-30	08:30	Real GDP (m/m)	Apr	0.3	0.2	0.0
US	06-30	08:30	PCE Deflator (m/m)	May	0.1	0.1	0.4
US	06-30	08:30	PCE Deflator (y/y)	May	3.8	3.8	4.4
US	06-30	08:30	PCE ex. Food & Energy (m/m)	May	0.4	0.3	0.4
US	06-30	08:30	PCE ex. Food & Energy (y/y)	May	4.7	4.7	4.7
US	06-30	08:30	Personal Spending (m/m)	May	0.3	0.2	0.8
US	06-30	08:30	Personal Income (m/m)	May	0.3	0.3	0.4
US	06-30	09:45	Chicago PMI	Jun	--	43.8	40.4
US	06-30	10:00	U. of Michigan Consumer Sentiment	Jun F	--	63.9	63.9
CA	06-30	10:30	Business Outlook Future Sales	2Q	--	--	-18.0

KEY POINTS:

- Sovereign bonds cheapen again on heavy overnight and expected releases
- Eurozone core CPI lands hotter than usual again
- China PMIs slipped again
- PBoC's efforts to stem yuan's slide fail again
- Yen stabilizes post-data
- European consumer spending rebounds
- Canadian GDP: April gain, May softness?
- BoC surveys to inform inflation expectations
- US core PCE expected to be hot in May and June
- BanRep expected to hold

If you were hoping for a nice quiet end to the trading week, well, good luck with that. A wave of fundamentals across multiple markets is combining with month-end and an early 1pmET close for our Canadian fixed income colleagues ahead of the long weekend. Sovereign bonds are taking it on the chin again with milder losses than yesterday across US Ts and gilts and with EGBs outperforming post CPI despite another hot core. N.A. equity futures are up by about ¼% with European cash markets up by 1% at several exchanges. The USD is a touch firmer and mostly versus the euro and related crosses.

1. Eurozone core CPI put in another hotter than usual month. June's core CPI reading was up by 0.3% m/m in the reported seasonally unadjusted terms versus the historical average of 0.1% which makes this June the second hottest gain on record (chart 1). The 0.2% m/m seasonally unadjusted lift was in line with the historical average for like months. That breaks the pattern of this measure tending to be hotter than average over the prior months. It matters little for now, since the July ECB script has been set and there will be two more CPI readings before the next decision on September 29th.

2. The PBoC continues to attempt to stem the yuan's decline as it set the fix at 7.2258 to the USD which is the fourth time this week that the fix has exceeded expectations. Yet again, the results were disappointing as the yuan depreciated again overnight as a continuation of its fall since early May (chart 2).

3. China PMIs slipped again, adding to concerns about near-term downside risk to China's economy (chart 3). The composite PMI fell 0.6 points to 52.3 as non-manufacturing fell 1.3 points and a slight up-tick in the manufacturing PMI to 49 from 48.8 was only mildly offsetting. Some of the pessimism is a bit carried away as the composite PMI continues to signal moderate growth near what had been trend leading up to before Covid Zero policies were embraced.

4. Japanese releases were somewhat mixed and the result stabilized the yen but at around 145 to the USD which extends its slide from about 132 in late March as it inches back toward the 150 mark that prompted concern at the Japanese MoF but mostly policy indifference at the BoJ. Tokyo CPI for June was softer than expected both in terms of headline (3.1% y/y, 3.4% consensus) and core ex-fresh food and energy (3.8% y/y, 4% consensus). Industrial output was down 1.6% m/m in May (-1% consensus). Housing starts jumped by 3.5% y/y (-2.7% consensus).

5. European consumer spending rebounded. German retail sales volumes were up by 0.4% m/m (0% consensus) and the prior month was revised down a tick to 0.7%. French nominal consumer spending was up 0.5% m/m (0.7% consensus) and the prior was revised up two-tenths to -0.8%.

On tap into the N.A. session will be the following developments:

1. Canadian GDP (8:30amET) will improve our tracking for Q2 growth and hence resilience. April's initial 'flash' estimate of 0.2% m/m may face upside risk on the detailed release while the first attempt at a flash reading for May is likely to be little changed albeit based on limited tracking.

2. US core PCE inflation (8:30amET) is expected to be hot although I think it may be important to look through to core PCE ex-shelter since shelter may not rise as much in PCE as in CPI given about half the weight in PCE and core services ex-housing in particular has been trending at a hot pace (chart 4). Consensus sits at 0.3% m/m. Fwiw the Cleveland Fed's nowcast is showing about 0.4% m/m for May and for the next reading in June (chart 5).

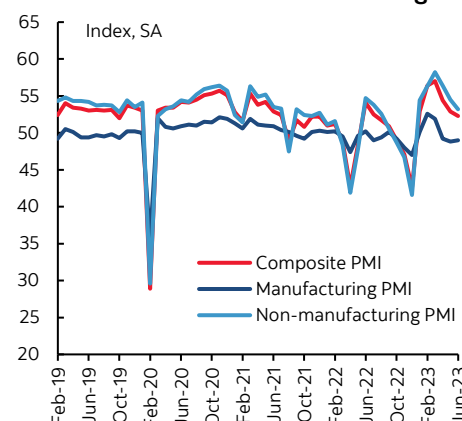
3. We'll also get updated tracking of US consumers' income and spending gains for the month of May. Incomes are expected to be up 0.3% m/m with spending up 0.2% (Scotia 0.3%) based partly upon retail sales.

4. Watch the measures of inflation expectations in the Bank of Canada's twin consumer and business surveys (10:30amET) in addition to the panoply of other measures for future sales growth, wage expectations, house price expectations, cap-ex and hiring intentions etc. To date, consumers and businesses have expressed disbelief toward the goal of achieving the BoC's 2% inflation target over the years ahead (charts 6, 7).

5. Colombia's central bank is expected to hold and it may be too early to expect signs toward a future pivot (2pmET).

Chart 3

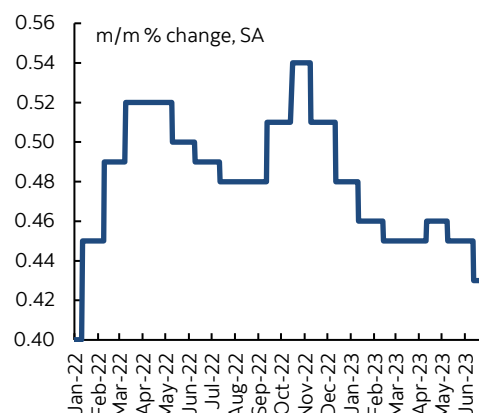
Chinese State PMIs Deteriorating



Sources: Scotiabank Economics, China Federation of Logistics & Purchasing.

Chart 5

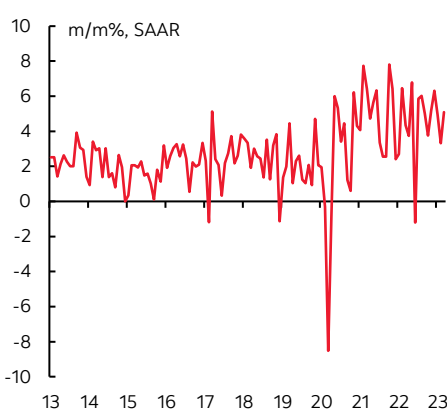
Cleveland Fed Core CPI Nowcast



Sources: Scotiabank Economics, Cleveland Fed.

Chart 4

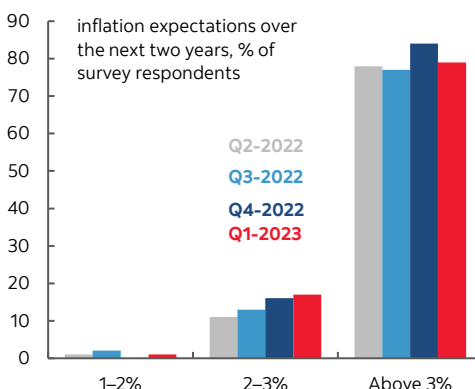
US PCE Core Services Ex-Housing



Sources: Scotiabank Economics, Bureau of Economic Analysis.

Chart 6

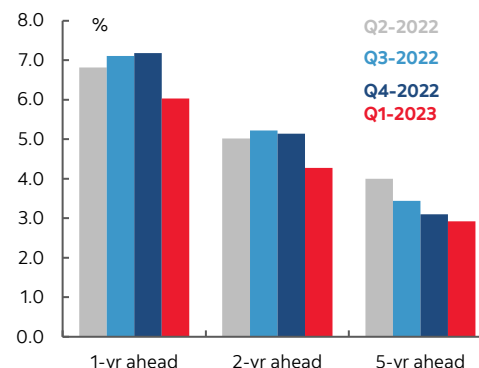
Canadian Businesses Expect Inflation to Surpass BoC's Target



Sources: Scotiabank Economics, Bank of Canada.

Chart 7

Canadian Consumers Inflation Expectations



Sources: Scotiabank Economics, Bank of Canada.

June 30, 2023

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		
	4.91	4.86	4.74	4.17	4.13	3.99	3.87	3.84	3.74	3.92	3.90	3.81	Canada - BoC	4.75
	4.70	4.66	4.66	3.82	3.78	3.76	3.39	3.36	3.35	3.20	3.18	3.20	US - Fed	5.25
	3.20	3.20	3.11	2.57	2.57	2.50	2.43	2.42	2.35	2.44	2.43	2.40	England - BoE	5.00
	-0.07	-0.07	-0.07	0.07	0.07	0.06	0.40	0.39	0.37	1.24	1.21	1.21	Euro zone - ECB	4.00
	5.30	5.23	5.18	4.70	4.62	4.57	4.44	4.38	4.32	4.47	4.43	4.45	Japan - BoJ	-0.10
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):													
-22	-20	-8	-36	-35	-23	-48	-48	-38	-72	-72	-62			
-171	-167	-164	-160	-156	-150	-144	-143	-138	-148	-147	-141			
-498	-493	-482	-411	-406	-393	-347	-345	-337	-268	-269	-260			
39	37	43	53	49	58	57	54	58	55	53	64			
Equities	Level						% change:						Mexico - Banxico	11.25
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last	Change					1 Day	1-wk	1-mo	1-yr	Australia - RBA	4.10		
	19913	94.3					0.5	2.5	1.7	5.6	New Zealand - RBNZ	5.50		
	34122	269.8					0.8	0.5	3.7	10.9	Next Meeting Date			
	4396	19.6					0.4	0.3	5.2	16.1				
	13591	-0.4					-0.0	-0.3	5.1	23.2				
	16137	190.2					1.2	1.9	3.0	26.2				
	7525	53.7					0.7	0.9	1.1	5.0				
	33189	-45.1					-0.1	1.2	5.3	28.0				
	18916	-17.9					-0.1	0.1	-0.2	-13.5				
	7400	87.3					1.2	3.3	4.2	24.9				
Commodities	Level						% change:						US - Fed	Jul 26, 2023
WTI Crude	69.80	-0.06					-0.1	0.9	2.5	-34.0	England - BoE	Aug 03, 2023		
Natural Gas	2.69	-0.01					-0.4	-1.4	18.7	-50.4	Euro zone - ECB	Jul 27, 2023		
Gold	1906.55	-1.65					-0.1	-0.8	-2.9	5.5	Japan - BoJ	Jul 28, 2023		
Silver	22.83	0.22					1.0	0.9	-1.4	8.8				
CRB Index	259.08	-0.14					-0.1	-2.5	2.1	-11.0				
Currencies	Level						% change:						Mexico - Banxico	Aug 10, 2023
USDCAD	1.3265	0.0013					0.1	0.6	-2.3	3.0	Australia - RBA	Jul 04, 2023		
EURUSD	1.0853	-0.0012					-0.1	-0.4	1.5	3.5	New Zealand - RBNZ	Jul 11, 2023		
USDJPY	144.64	-0.1200					-0.1	0.7	3.8	6.6				
AUDUSD	0.6623	0.0007					0.1	-0.9	1.8	-4.1				
GBPUSD	1.2652	0.0039					0.3	-0.5	1.7	3.9				
USDCHF	0.9005	0.0010					0.1	0.4	-1.1	-5.7				

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