

DAILY POINTS

September 12, 2023 @ 7:45 EST

Contributors

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Chart 1

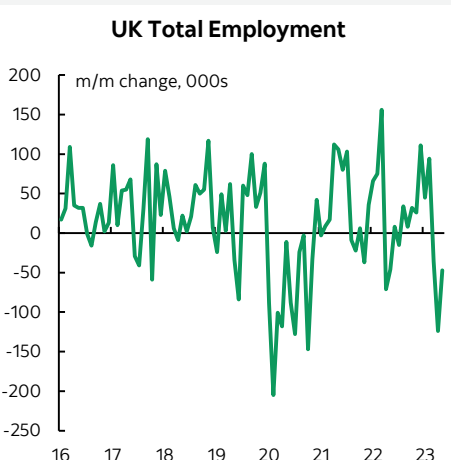
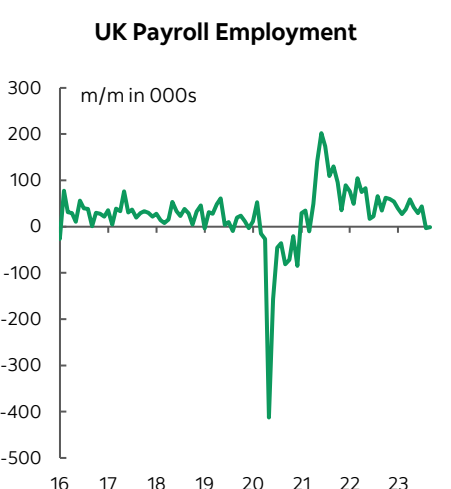


Chart 2



On Deck for Tuesday, September 12

Country	Date	Time	Indicator
No Scheduled Indicators			

Period	BNS	Consensus	Latest
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KEY POINTS:

- **Markets passing time ahead of tomorrow's US CPI...**
- **...while monitoring a trifecta of near-term risks...**
- **...that are likely to weigh on FOMC sentiment next week**
- **Gilts outperform as UK jobs, wages cool**
- **UK jobs have fallen for three consecutive months**
- **UK wage pressures are easing at the margin**
- **US CPI warning comes from small business plans to hike prices**

On the eve of tomorrow's US CPI and with the exception of the UK, it's off-calendar risk that is arguably more intriguing than what's on the formal calendars.

The US may be going into a nasty combination of a UAW strike and a government shutdown alongside the modest hit to consumption from changes to student loans. The shock risk into Q4 negates the fact consensus has been increasingly revising Q3 GDP growth projections higher. Of course the Fed's going to tread very carefully into that environment which makes next week's meeting all but assured to offer a pause. That would be true even if it were not the case that payrolls have been rising at a more modest pace of about 150k over the last three months and core inflation has stalled out over the past 3-4 months pending tomorrow's update that is expected to be soft. The Fed typically does not add monetary policy tightening at the margin when things like government shutdowns are hanging in the air and at a time of year when market risk appetite is often on fragile foundations. Other market influences include tech earnings volatility that's dampening US equities this morning ahead of Apple's roll-out plans for new products.

The USD is broadly stronger. Sovereign bond yields are mostly little changed except for gilts. Equities are soft and little changed on balance across NA futures and European cash. Yesterday's cheapening in JGB 10s and appreciation in the yen on vague talk of maybe, possibly, might, could tweak negative rate policy at the BoJ later in the year has stabilized into this morning.

Gilts are outperforming on a combination of clearly softening employment and wage growth and a fairly bleak assessment offered by BoE Deputy-nominee Sarah Breen. Breen said she expects flat GDP over the next two years but no recession; ruling out recession with a flat GDP outlook seems rather strong imo and probably more about the politics of seeking approval.

Total UK employment has fallen for three months in a row (chart 1). It was down 47k in July after a 124k drop in June and a 36k decline in May for the first declines since September 2022 and the first string of three or more declines in a row since early 2021.

Fresher UK payrolls data is also flattening out (chart 2). A small dip of -1k payroll positions in August follows the prior month's small 3.5k drop. The past two months have halted the strong gains. The drop in total employment is more about smaller businesses that lack formal payrolls.

UK wage growth is still strong but cooling. Key is to look at it in month-over-month, seasonally adjusted and annualized terms (chart 3). By that yardstick, UK wage growth landed at 6% m/m SAAR in July for the second month in a row. That's cooler than the 10-

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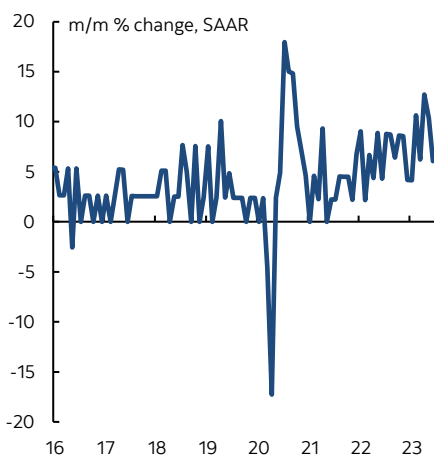
13% range of earlier months, but not cool. The year-over-year measure was 7.8% for a second month and is a 21st Century record high, but if recent gains at the margin continue at this pace then they will take over the base effects and drive slightly cooler year-over-year gains.

Calendar-based risk is very light into the N.A. session. Brazil and India update CPI figures, both at 8amET. There is nothing due out in Canada.

The US updated NFIB small business confidence that held steady in August's reading that has nevertheless spent the past year trending around lows last seen about a decade ago. There remains a solid net percentage of firms saying they plan to raise prices in the next quarter and that's a warning sign for nearer term inflation and that suggests near-term upward pressure on CPI inflation in addition to evidence from gasoline prices (chart 4). Hiring plans held steady and have been moving sideways this year while the measure for jobs that are hard to fill improved a bit (chart 5).

Chart 3

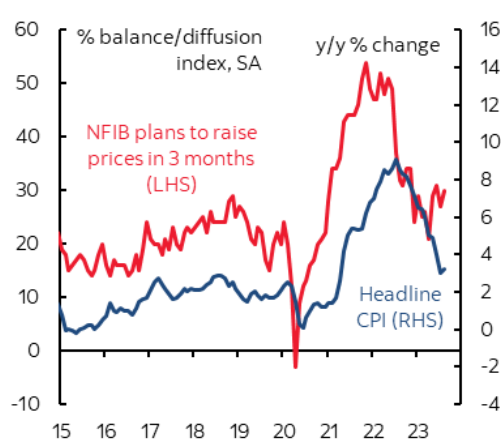
UK Wage Growth



Sources: Scotiabank Economics, UK ONS.

Chart 4

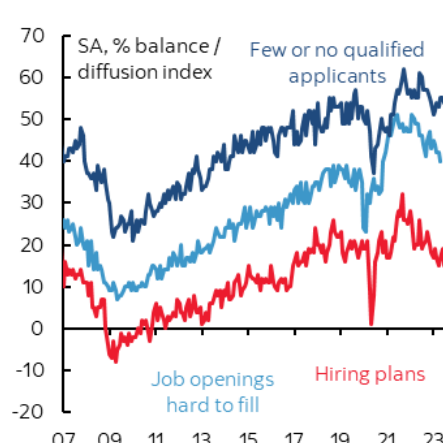
NFIB Prices Index vs Headline CPI



Sources: Scotiabank Economics, Bloomberg, NFIB.

Chart 5

NFIB Employment Gauges



Sources: Scotiabank Economics, NFIB.

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Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K. 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		
	5.00	4.99	4.96	4.42	4.41	4.38	4.29	4.29	4.26	4.38	4.37	4.37	Canada - BoC	5.00
	4.69	4.68	4.66	3.97	3.97	3.95	3.70	3.70	3.69	3.53	3.52	3.53	US - Fed	5.50
	3.11	3.10	3.05	2.64	2.63	2.60	2.64	2.64	2.61	2.77	2.77	2.76	England - BoE	5.25
	0.04	0.03	0.02	0.28	0.29	0.23	0.71	0.71	0.66	1.72	1.72	1.66		
	5.04	5.09	5.27	4.64	4.70	4.80	4.43	4.47	4.53	4.76	4.78	4.79		
	Spreads vs. U.S. (bps):													
	-31	-31	-30	-44	-44	-43	-59	-60	-57	-85	-85	-84	Euro zone - ECB	4.25
	-189	-190	-192	-177	-178	-178	-165	-165	-165	-161	-160	-161	Japan - BoJ	-0.10
-496	-496	-494	-414	-413	-415	-358	-358	-360	-265	-266	-271			
4	10	31	23	29	43	14	18	26	38	40	42			
Equities	Level					% change:							Mexico - Banxico	11.25
	Last	Change				1 Day	1-wk	1-mo		1-yr				
S&P/TSX	20183					0.5	-1.8	-1.1		1.0		Australia - RBA	4.10	
Dow 30	34664					0.3	-0.5	-1.8		7.0		New Zealand - RBNZ	5.50	
S&P 500	4487					0.7	-0.6	0.5		9.2				
Nasdaq	13918					1.1	-0.8	2.0		13.5				
DAX	15724					-0.5	-0.3	-0.7		17.3				
FTSE	7525					0.4	1.2	0.0		0.7				
Nikkei	32776					1.0	-0.8	0.9		14.5				
Hang Seng	18026					-0.4	-4.3	-5.5		-6.7				
CAC	7260					-0.2	0.1	-1.1		14.6				
Commodities	Level					% change:								
WTI Crude	87.94				0.65	0.7	1.4	5.7		0.2				
Natural Gas	2.64				0.04	1.3	2.4	-4.6		-68.0				
Gold	1912.35				-9.95	-0.5	-0.7	-0.1		10.9				
Silver	23.11				0.10	0.4	-3.9	1.8		23.1				
CRB Index	286.34				1.86	0.7	0.7	2.4		-0.4				
Currencies	Level					% change:								
USDCAD	1.3583				0.0010	0.1	-0.4	0.9		4.6				
EURUSD	1.0714				-0.0036	-0.3	-0.1	-1.8		5.8				
USDJPY	146.94				0.3500	0.2	-0.5	0.9		2.9				
AUDUSD	0.6419				-0.0012	-0.2	0.6	-1.0		-6.8				
GBPUSD	1.2463				-0.0046	-0.4	-0.8	-1.7		6.7				
USDCHF	0.8919				0.0011	0.1	0.3	1.5		-6.5				
Next Meeting Date														
												Canada - BoC	Oct 25, 2023	
												US - Fed	Sep 20, 2023	
												England - BoE	Sep 21, 2023	
												Euro zone - ECB	Sep 14, 2023	
												Japan - BoJ	Sep 22, 2023	
												Mexico - Banxico	Sep 28, 2023	
												Australia - RBA	Oct 02, 2023	
												New Zealand - RBNZ	Oct 03, 2023	

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