

DAILY POINTS

September 13, 2023 @ 7:15 EST

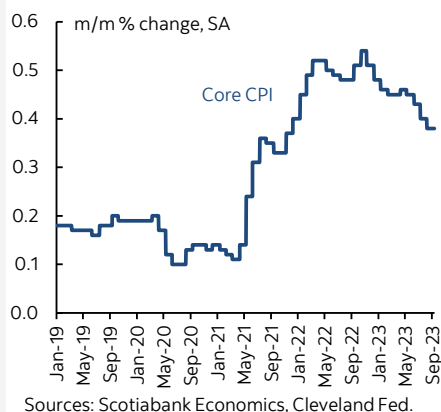
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Chart 1

Cleveland Fed Nowcast



On Deck for Wednesday, September 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-13	07:00	MBA Mortgage Applications (w/w)	Sep 08	--	--	-2.9
US	09-13	08:30	CPI (m/m)	Aug	0.6	0.6	0.2
US	09-13	08:30	CPI (y/y)	Aug	3.6	3.6	3.2
US	09-13	08:30	CPI (index)	Aug	--	307.0	305.7
US	09-13	08:30	CPI ex. Food & Energy (m/m)	Aug	0.2	0.2	0.2
US	09-13	08:30	CPI ex. Food & Energy (y/y)	Aug	4.3	4.3	4.7
US	09-13	14:00	Treasury Budget (US\$ bn)	Aug	--	-230.0	-220.8

KEY POINTS:

- **Risk-off sentiment ahead of US CPI**
- **US core CPI expected to be soft...**
- **...but does it matter if not?**
- **Japanese PMI Kishida flags coming fiscal supports...**
- **...that may add to the case for ending the BoJ's negative rates**
- **UK data disappoints again**

Global markets are trading somewhat carefully ahead of US CPI. Gilts are outperforming following weaker than expected UK releases. Oil keeps gaining.

Comments by Japan's PM Kishida are worth paying attention to. His remarks reinforce the view that the global tango that has governments taking one stimulus step forward while central banks take one tightening step backward continues unabated. Kishida said his government will introduce policies on higher pay in October that will seek to have wage gains outpace inflation while offering higher gas subsidies in a larger package of fiscal measures. The comments hit after Tokyo markets shut. At the margin, however, they add to sentiment that the end of negative rates at the BoJ lies within reach. OIS markets are pricing a zero rate by December and then a move from -0.1% to a target rate of about 20bps by next summer.

This is a further negative for global bond markets. There are few forms of policy advice that have proven to be more disastrous than the advice offered by some to governments to lock and load with increased long-term spending on the view that bond yields couldn't possibly go up much. That advice was especially influential in my home country of Canada and the fact it has been dead wrong is contributing to rising long-term structural deficits.

UK GDP fell by -0.5% m/m in July (-0.2% consensus). Services disappointed as the monthly index fell by -0.5% m/m (-0.1% consensus). Industrial output landed on the screws at -0.7% m/m. Construction output also fell by -0.5% and on expectations.

Most of the focus will be upon US core CPI. Most—including Scotia—expect a gain of 0.2% m/m SA. A minority expect 0.3 and one or two are at 0.1. The Cleveland Fed's 'nowcast' is tracking 0.4% but has overestimated core CPI for a while now.

Gasoline will be the big driver of the large, expected jump in headline CPI as the all-grades gasoline price composite hits the year's highs. Shelter is likely to remain disinflationary at the margin as we're trending off peak gains in OER and rent of primary residence in lagging response to prior softening of market rent gauges. Vehicle prices should have little effect but there is always risk in how the BLS captures known information through partial samples and adjustments. Core services ex-housing prices are expected to remain subdued compared to the peak rates of increase earlier in the pandemic period.

As argued in my week ahead ([here](#)), I don't think the release will be enough to sway the FOMC away from a pause next week. The trends in core inflation and jobs plus rising

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downside risk to GDP growth after Q3 could drive a cautious approach. Toss in the risks of a UAW strike announcement as soon as tomorrow and a US government shutdown into October plus student loan payments shock and our best guess at Q4 GDP growth is tracking about 0% growth to err on the side of caution. After that we'll see, since some of these shocks could reverse into early 2024 and therefore complicate the Fed's ability to read the tea leaves.

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			
	5.03	5.02	5.02	4.45	4.43	4.42	4.30	4.28	4.28	4.38	4.35	4.35	Canada - BoC	5.00	
	4.72	4.70	4.68	4.00	3.97	3.97	3.72	3.69	3.69	3.55	3.52	3.50	US - Fed	5.50	
	3.18	3.13	3.12	2.70	2.65	2.66	2.68	2.64	2.65	2.79	2.77	2.77			
	0.03	0.04	0.02	0.28	0.28	0.23	0.71	0.71	0.66	1.70	1.72	1.65	England - BoE	5.25	
	5.02	5.04	5.24	4.61	4.64	4.81	4.42	4.42	4.53	4.72	4.73	4.78			
	Spreads vs. U.S. (bps):														
	CANADA	-31	-32	-34	-45	-46	-45	-58	-59	-60	-83	-83	-85	Euro zone - ECB	4.25
	GERMANY	-185	-190	-190	-174	-178	-176	-162	-164	-163	-159	-159	-158	Japan - BoJ	-0.10
JAPAN	-500	-499	-500	-416	-415	-419	-359	-357	-362	-268	-263	-270			
U.K.	-1	2	22	17	21	39	12	13	25	34	38	43			
Equities	Level						% change:								
	Last	Change					1 Day	1-wk	1-mo	1-yr					
S&P/TSX	20223	40.3					0.2	-0.9	-0.9	2.9			Australia - RBA	4.10	
Dow 30	34646	-17.7					-0.1	0.0	-1.8	11.4					
S&P 500	4462	-25.6					-0.6	-0.8	-0.0	13.5			New Zealand - RBNZ	5.50	
Nasdaq	13774	-144.3					-1.0	-1.8	0.9	18.4					
DAX	15599	-116.1					-0.7	-0.9	-1.5	18.3					
FTSE	7499	-28.2					-0.4	1.0	-0.3	1.5					
Nikkei	32707	-69.9					-0.2	-1.6	0.7	14.3			Canada - BoC	Oct 25, 2023	
Hang Seng	18009	-16.7					-0.1	-2.4	-4.1	-4.4			US - Fed	Sep 20, 2023	
CAC	7196	-57.3					-0.8	0.0	-2.0	15.2					
Commodities	Level						% change:								
WTI Crude	89.50	0.66					0.7	2.2	7.6	2.5			England - BoE	Sep 21, 2023	
Natural Gas	2.75	0.01					0.4	9.7	-0.6	-66.8			Euro zone - ECB	Sep 14, 2023	
Gold	1911.98	-1.69					-0.1	-0.2	-0.1	12.3			Japan - BoJ	Sep 22, 2023	
Silver	22.90	-0.21					-0.9	-2.7	0.9	19.2					
CRB Index	287.35	1.01					0.4	0.8	2.7	0.5					
Currencies	Level						% change:								
USDCAD	1.3572	0.0019					0.1	-0.5	0.8	3.1			Mexico - Banxico	Sep 28, 2023	
EURUSD	1.0731	-0.0023					-0.2	0.0	-1.6	7.6			Australia - RBA	Oct 02, 2023	
USDJPY	147.41	0.3300					0.2	-0.2	1.3	2.0					
AUDUSD	0.6405	-0.0021					-0.3	0.4	-1.3	-4.8			New Zealand - RBNZ	Oct 03, 2023	
GBPUSD	1.2471	-0.0019					-0.2	-0.3	-1.7	8.5					
USDCHF	0.8931	0.0018					0.2	0.2	1.7	-7.1					

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