

DAILY POINTS

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Contributors

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Chart 1

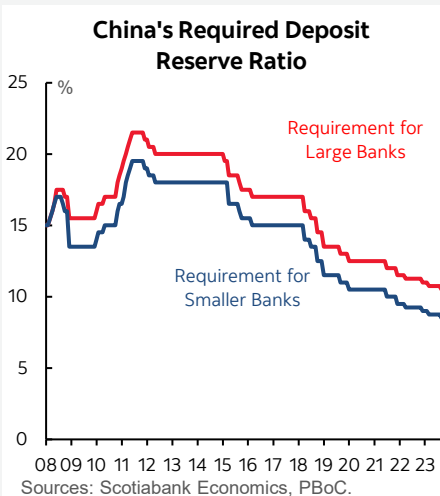
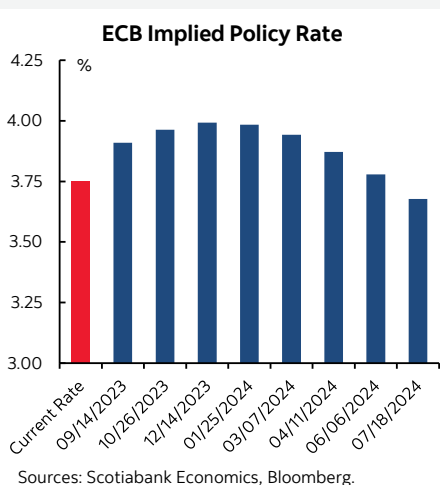


Chart 2



On Deck for Thursday, September 14

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09-14	08:30	Wholesale Trade (m/m)	Jul	1.4	1.4	-3.0
US	09-14	08:30	Initial Jobless Claims (000s)	Sep 09	220	225.0	216.0
US	09-14	08:30	Continuing Claims (000s)	Sep 02	1690	1692.5	1679.0
US	09-14	08:30	PPI (m/m)	Aug	0.4	0.4	0.3
US	09-14	08:30	PPI ex. Food & Energy (m/m)	Aug	0.2	0.2	0.3
US	09-14	08:30	Retail Sales (m/m)	Aug	0.0	0.1	0.7
US	09-14	08:30	Retail Sales ex. Autos (m/m)	Aug	0.2	0.4	1.0
US	09-14	10:00	Business Inventories (m/m)	Jul	--	0.1	0.0

KEY POINTS:

- **China stimulus props up risk appetite into major developments**
- **China applies further easing by cutting reserve requirements at banks**
- **Two reasons why the ECB will probably hike and why they shouldn't say they're done**
- **US retail sales, PPI and claims could photobomb the ECB**
- **The UAW strike deadline is tonight**
- **Australia posted a strong jobs recovery but it was all part-timers**

Modest movements across multiple assets classes could change very quickly this morning. The simultaneous release of the ECB's decisions and US data on retail sales, PPI and claims could spark some fireworks at around the same time. We'll find out as soon as tonight whether UAW workers at Ford, GM and Stellantis will strike which seems likely, given exorbitant wage and COLA demands. Whether the PBOC eases again could be more impactful but this morning's RRR cut may lessen the odds of another rate cut now.

China cut the required reserve ratios for large (10.5% from 10.75%) and small (8.5% from 8.75%) banks while keeping rural banks unchanged at 5% (chart 1). This is a further step toward applying stimulus and it's consistent with my narrative for some time now that sentiment toward China has been too bearish relative to what has been priced in measures such as depressed equity P/Es to the yuan. The move had been somewhat telegraphed by a Chinese newspaper before China released credit figures earlier this week when the paper correctly guided that credit figures would surprise higher and that further reductions in the required reserve ratios were coming.

Australian jobs sharply rebounded in August, but the details were soft. 65k jobs were created which smashed consensus expectations for 25k and the prior month's 14.6k drop was revised away to being flat (-1.4k). All the jobs that were created were part-time in both months which doesn't translate into as much of an effect on hours and pay as full-time positions. Australia's curve was dearer across maturities partly due to the weakness under the hood.

On tap into this morning will be the following developments:

1. A slim 34-32 majority in Bloomberg's consensus thinks that the deposit rate will stay at 3.75%. I would expect a hike and cautious data dependent guidance from Lagarde in her presser. That consensus may be stale in light of yesterday morning's anonymous guidance that the forecast for 2024 inflation may be raised higher than June's 3% forecast. Around two-thirds of a 25bps hike is priced for today (chart 2). To not hike would risk the unusual signal that financial conditions could ease despite ongoing pressures particularly in terms of second-round wage-price effects. Furthermore, second-round wage pressures on inflation in a region where collective bargaining decisions drive lagging and arguably bigger effects for longer than the US labour market that clears supply and demand

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somewhat more readily. As for the bias, I would think they shouldn't deliver a clear bias that they are done hiking versus being data dependent and keeping the door open to more. If they signal they are clearly done then markets being markets will pounce and take it as a clearer signal to buy the front-end. That may be very premature.

2. US retail sales are expected to be soft given what we know about how lower auto sales and higher gasoline prices cancel each other out. Core sales may also face downside risk after the prior month's large 1% jump. It's a nominal print, so one upside could be yesterday's 0.6% jump in CPI and 0.3% core rise and so watch lagging volume measures that strip out price effects.

3. US producer prices risk adding to yesterday's mild upside surprise to core inflation. Headline PPI is expected to rise on higher commodity pressures, but core producer prices are expected to be up by a fairly mild 0.2% m/m.

4. Will last week's US weekly initial jobless claims reverse or build upon the prior week's pre-holiday effect? California was estimated two weeks ago and so were some others, and the Friday into a long weekend may have seen folks delaying applications.

5. Canada only updates wholesale sales for July, but it should add to rebound evidence that may build into Friday when manufacturing sales and existing home sales get updated. I was left feeling duped by all this build-up to a big housing announcement by Ottawa yesterday afternoon only to find it was a total non-event and photo-op. The Feds have been serially overstimulating housing demand with fiscal measures, rates of immigration that the economy cannot handle and aided by the BoC's too-low-for-too-long bias through the pandemic and in prior years such as former Governor Poloz's inappropriate easing in early 2015. Now they're pivoting toward blaming municipalities which is partly correct but also rather rich. It's going to be impossible to bring to market enough supply in a short enough period of time to meet the surging housing demand when the country is taking on new arrivals at a pace of about 100k per month as per the latest figures for population growth.

6. Tonight's after-market brings out decisions by the PBOC (9:20pmET) and Peru's central bank (7pmET). Midnight is the UAW strike deadline but whether they announce at that time or soon afterward is unclear.

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	5.00		
	4.98	4.97	4.95	4.39	4.38	4.37	4.26	4.25	4.25	4.36	4.34	4.34				
	4.70	4.69	4.61	3.97	3.96	3.92	3.70	3.68	3.64	3.54	3.52	3.47			US - Fed	5.50
	3.17	3.17	3.08	2.67	2.68	2.62	2.64	2.65	2.61	2.75	2.75	2.75				
	0.03	0.03	0.02	0.28	0.28	0.22	0.72	0.71	0.66	1.69	1.70	1.65				
4.97	4.99	5.14	4.53	4.57	4.72	4.33	4.35	4.45	4.64	4.66	4.71					
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):												Euro zone - ECB	4.25		
-28	-28	-34	-42	-42	-46	-56	-57	-60	-82	-82	-87					
-181	-180	-187	-172	-170	-176	-162	-160	-163	-161	-159	-160	Japan - BoJ			-0.10	
-495	-494	-493	-411	-410	-415	-354	-354	-359	-267	-265	-269					
-1	1	19	14	18	34	7	10	21	29	32	36	Mexico - Banxico	11.25			
Equities	Level					% change:							Next Meeting Date			
	Last	Change				1 Day	1-wk	1-mo	1-yr							
S&P/TSX	20279	55.9				0.3	0.3	-0.1	2.8			Australia - RBA			4.10	
Dow 30	34576	-70.5				-0.2	0.4	-2.1	11.1							
S&P 500	4467	5.5				0.1	0.0	-0.5	13.2			New Zealand - RBNZ			5.50	
Nasdaq	13814	40.0				0.3	-0.4	0.2	17.9							
DAX	15641	-12.6				-0.1	-0.5	-1.7	20.1							
FTSE	7590	64.1				0.9	2.0	1.1	4.3			Canada - BoC			Oct 25, 2023	
Nikkei	33168	461.6				1.4	0.5	2.9	19.0							
Hang Seng	18048	38.7				0.2	-2.2	-2.9	-4.7			US - Fed			Sep 20, 2023	
CAC	7225	2.1				0.0	0.4	-1.7	16.1							
Commodities	Level					% change:							Next Meeting Date			
WTI Crude	89.66				1.14	1.3	3.2	8.7	1.3			England - BoE			Sep 21, 2023	
Natural Gas	2.79				0.11	4.2	8.3	-0.1	-69.4							
Gold	1907.56				-0.56	-0.0	-0.6	0.0	12.4			Euro zone - ECB			Sep 14, 2023	
Silver	22.91				0.01	0.0	-2.4	0.9	15.0							
CRB Index	287.62				0.28	0.1	1.0	3.4	0.5			Japan - BoJ			Sep 22, 2023	
Currencies	Level					% change:										
USDCAD	1.3519				-0.0030	-0.2	-1.2	0.4	2.7			Mexico - Banxico	Sep 28, 2023			
EURUSD	1.0733				0.0003	0.0	0.3	-1.6	7.5							
USDJPY	147.31				-0.1500	-0.1	0.0	1.2	3.0			Australia - RBA	Oct 02, 2023			
AUDUSD	0.6445				0.0023	0.4	1.1	-0.6	-4.5							
GBPUSD	1.2478				-0.0012	-0.1	0.0	-1.6	8.1			New Zealand - RBNZ	Oct 03, 2023			
USDCHF	0.8936				-0.0001	-0.0	0.1	1.7	-7.1							

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