

DAILY POINTS

September 29, 2023 @ 7:00 EST

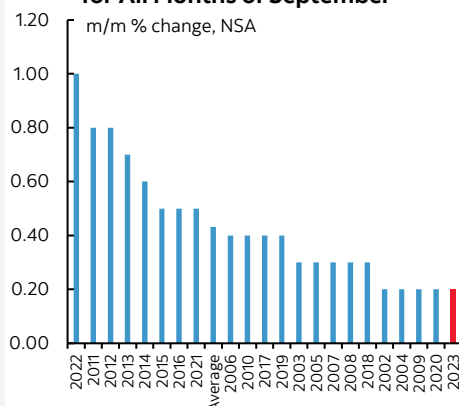
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Chart 1

Comparing Eurozone Core CPI for All Months of September



Sources: Scotiabank Economics, Eurostat.

On Deck for Friday, September 29

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09-29	08:30	Real GDP (m/m)	Jul	0.2	0.1	-0.2
US	09-29	08:30	PCE Deflator (m/m)	Aug	0.5	0.5	0.2
US	09-29	08:30	PCE Deflator (y/y)	Aug	3.5	3.5	3.3
US	09-29	08:30	PCE ex. Food & Energy (m/m)	Aug	0.2	0.2	0.2
US	09-29	08:30	PCE ex. Food & Energy (y/y)	Aug	3.9	3.9	4.2
US	09-29	08:30	Personal Spending (m/m)	Aug	0.4	0.5	0.8
US	09-29	08:30	Personal Income (m/m)	Aug	0.4	0.4	0.2
US	09-29	08:30	Wholesale Inventories (m/m)	Aug P	--	-0.2	-0.2
US	09-29	09:45	Chicago PMI	Sep	--	47.6	48.7
US	09-29	10:00	U. of Michigan Consumer Sentiment	Sep F	--	67.7	67.7
US	09-29	12:45	Fed's Williams to Speak on Monetary Policy				

KEY POINTS:

- **Month-end is being kind to bonds and equities so far**
- **Eurozone core CPI was among the softest on record**
- **US core PCE could undercut core CPI**
- **Canadian GDP: Soft July, better August?**
- **US consumer spending and income probably posted decent gains**
- **German consumers retreated**
- **BanRep expected to hold**
- **China to update PMIs into the weekend**

See ya, September! The month is going out on a bit more of a positive note following mutual sell offs in bonds and equities throughout much of the month. They're both rallying this morning as we go into potential month-end rebalancing effects. Sovereign yields are down by 2-3bps across US Ts with gilts outperforming and EGBs even more so. Canada's curve is slightly underperforming all of them. The dollar is weaker. The dollar is weaker. I figured it was worth repeating what we haven't heard much about of late. Most major currencies are up. Stocks are also broadly higher with N.A. futures gaining by around ½%, European cash markets up by roughly ½% to just under 1%. China and South Korea were both shut.

Now we'll see if such moves hold up into data releases that are favourable so far.

Eurozone inflation was softer than estimated in September. CPI was up 0.3% m/m (0.5% consensus) and 4.3% y/y (4.5% consensus, 5.2% prior). Core CPI was up 4.5% y/y (4.8% consensus, 5.3% prior). More important is that core CPI was up only 0.2% m/m NSA which is below average compared to other months of September in time which is the way to look at the seasonally unadjusted data. It was not only below average, it was way below average and one of the weakest on record (chart 1). In fairness, it's just one month and nobody should overreact to this compared to a long string of readings that were hotter than typical like months in time. There remain legitimate concerns that wages and commodities will be passed through in second round effects on core inflation through winter months. So, rejoice for now, but be careful toward future months.

The results reinforced the drop in EGB yields that began unfolding just before France released ahead of the simultaneous release of the Eurozone add-up and Italian figures. Soft German data preceded the eurozone inflation figures that showcased weak German consume spending.

German retail sales volumes fell 1.2% m/m in August (+0.5% consensus) but part of the reason is that the prior month was revised up from a drop of 0.8% m/m to being flat, so a higher than previously understood jumping off point made it harder to post growth the next month.

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Canada and the US will release significant gauges into the N.A. session and ahead of Canada's Federal holiday on Monday:

1. US core PCE (8:30amET): PCE's lower weight on shelter's solid rise in CPI could mean that August's core PCE lands a little softer than the 0.3% m/m SA rise in core CPI earlier this month. There are several methodological differences between the two sets of inflation readings and the Fed's preferred PCE gauge has tended to undercut CPI.
2. US consumers: Watch for solid nominal gains in income and spending in August's data (8:30amET). I've estimated that the wages and salaries component should lead a 0.4–0.5% m/m gain in incomes with a similar rise in spending partly aided by what we know about retail sales but also by services spending not included in retail.
3. Canadian GDP (8:30amET): Estimates vary between 0% m/m and 0.2% m/m for July's final reading after Statcan had previously guided on September 1st that July GDP was "essentially unchanged." Since then, we've gotten a few releases like hours worked that suggest maybe there was mild growth. More important will be the flash reading for August GDP sans details. A strong rise in hours worked and the reversal of the drag effects of July's BC port strike could pop August higher.
4. Colombia's central bank is unanimously expected to keep its overnight rate unchanged at 13.25% this afternoon in the wake of Banxico's hold yesterday afternoon (2pmET). They are not seeing the same traction on inflation as some other LatAm neighbours, like Brazil, Chile and Peru.
5. China updates its state PMIs tonight that may inform nearer term growth momentum but with any market reaction carrying into the Monday Asian open (9:30pmET).

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			
	5.04	5.06	5.11	4.59	4.62	4.56	4.55	4.58	4.43	4.68	4.70	4.53	Canada - BoC	5.00	
	4.92	4.92	4.91	4.29	4.30	4.20	4.05	4.07	3.91	3.85	3.86	3.69	US - Fed	5.50	
	3.23	3.29	3.26	2.81	2.89	2.75	2.85	2.93	2.74	3.04	3.09	2.89			
	0.05	0.03	0.03	0.32	0.31	0.30	0.77	0.76	0.75	1.73	1.73	1.69	England - BoE	5.25	
	4.91	4.94	4.80	4.54	4.58	4.36	4.45	4.48	4.25	4.88	4.90	4.68			
	Spreads vs. U.S. (bps):														
	-12	-14	-20	-31	-32	-35	-50	-51	-52	-84	-84	-84	Euro zone - ECB	4.50	
	-181	-177	-185	-179	-173	-181	-169	-165	-170	-165	-162	-163			
-499	-503	-508	-428	-432	-426	-378	-381	-369	-295	-298	-284	Japan - BoJ	-0.10		
-12	-12	-31	-5	-4	-20	-10	-9	-19	20	20	16				
Equities	Level						% change:						Mexico - Banxico	11.25	
	Last				Change		1 Day	1-wk	1-mo	1-yr					
S&P/TSX	19591				154.8		0.8	-1.0	-3.4	6.2				Australia - RBA	4.10
Dow 30	33666				116.1		0.3	-1.2	-3.4	15.2					
S&P 500	4300				25.2		0.6	-0.7	-4.4	18.1				New Zealand - RBNZ	5.50
Nasdaq	13201				108.4		0.8	-0.2	-5.3	22.9				Next Meeting Date	
DAX	15481				157.1		1.0	-0.5	-2.8	29.3					
FTSE	7672				70.1		0.9	-0.2	2.8	11.5					
Nikkei	31858				-14.9		-0.0	-1.7	-1.1	20.6				Canada - BoC	Oct 25, 2023
Hang Seng	17810				436.6		2.5	-1.4	-3.6	3.8				US - Fed	Nov 01, 2023
CAC	7192				75.3		1.1	0.1	-2.5	26.7					
Commodities	Level						% change:								
WTI Crude	92.52				0.81		0.9	2.8	14.0	13.9				England - BoE	Nov 02, 2023
Natural Gas	2.97				0.02		0.7	12.4	16.0	-56.9					
Gold	1871.66				6.79		0.4	-2.8	-3.4	12.7				Euro zone - ECB	Oct 26, 2023
Silver	22.55				-0.24		-1.1	-3.0	-6.8	23.5					
CRB Index	287.06				-0.40		-0.1	0.4	2.6	5.9				Japan - BoJ	Oct 31, 2023
Currencies	Level						% change:								
USDCAD	1.3423				-0.0064		-0.5	-0.4	-1.0	-1.9				Mexico - Banxico	Nov 09, 2023
EURUSD	1.0610				0.0044		0.4	-0.4	-2.5	8.1					
USDJPY	149.13				-0.1800		-0.1	0.5	2.2	3.2				Australia - RBA	Oct 02, 2023
AUDUSD	0.6496				0.0069		1.1	0.9	0.2	-0.1					
GBPUSD	1.2269				0.0066		0.5	0.2	-3.0	10.4				New Zealand - RBNZ	Oct 03, 2023
USDCHF	0.9113				-0.0037		-0.4	0.5	3.7	-6.6					

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