

DAILY POINTS

October 3, 2023 @ 7:05 EST

Contributors

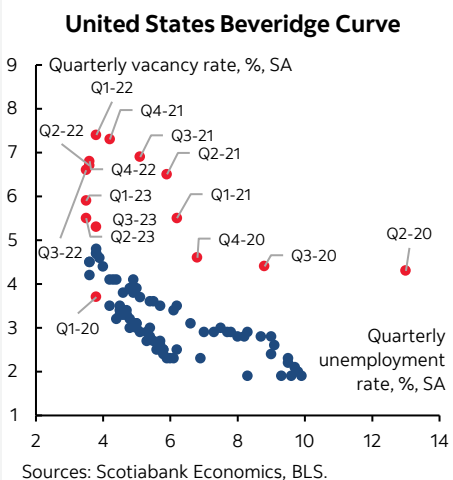
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Chart 1



Chart 2



On Deck for Tuesday, October 3

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-03	08:00	Fed's Bostic Speaks on Economic Outlook, Inflation				
US	10-03	09:00	Total Vehicle Sales (mn a.r.)	Sep	15.4	15.4	15.0
US	10-03	10:00	JOLTS Job Openings (000s)	Aug	--	8815.0	8827.0

KEY POINTS:

- **Minor moves across global asset classes...**
- **...except Canadian rates post-holiday and a BoC warning**
- **Former BoC official warns on rate hikes if core inflation remains high**
- **US job vacancies still falling?**
- **US vehicle sales expected to rise**
- **RBA extends hawkish hold as expected**
- **ISM-manufacturing recap**
- **Order books are improving in the US**
- **China, SK shut for Golden Week**

Global markets are characterized by relatively minor moves absent major catalysts. Canada is returning from holiday and catch-up to yesterday's global moves is driving underperformance in rates alongside the effects of comments by a former BoC official (see below). Canadian 2s are up 6bps with 10s up 16bps. US Treasuries and EGBs are mildly steeper as gilts outperform a touch. The USD is flat as the stability of the euro, yen and MXN offset some softness across CAD, the A\$/NZ\$ and a few others. Stocks are little changed as tiny gains in London and the US are mixed in with slight declines across the rest of Europe and Canada. Canada is returning from holiday today. Markets are shut in China and South Korea for Golden Week. Recall that all US data releases this week will proceed as planned given the surprise deal to avoid an imminent US government shutdown over the weekend.

First, I'll recap a couple of yesterday's developments since it was a Canadian holiday.

US ISM-manufacturing surprised higher yesterday and barely remained in contraction territory in September's reading. The 49 print (47.6 prior, 47.9 consensus) inched closer to the key 50 dividing line between expansion and contraction. Prices paid ebbed by 3.6 points to 43.8 and hence further into falling territory as reported declines in items like steel and aluminum offset increases in energy prices. Perhaps some of the metals softness may be related to the auto strike. Employment increased into expansion territory (51.2, 48.5 prior). New orders improved but are still slightly contracting (49.2, 46.8 prior). New orders have been gently improving over recent months both for services and manufacturing (chart 1).

Former BoC Deputy Governor Beaudry remarked yesterday that if core measures of inflation "don't come down, that really brings a danger that maybe there is a point where the Bank of Canada will need to tighten more." He also warned that further downside to house prices may lie ahead given where fixed rates have risen. He did not comment on immigration.

The RBA extended its cash rate target hold at 4.1% as widely expected while retaining a data dependent tightening bias.

Here are today's developments:

- BoC part-time external non-executive Deputy Governor Nicolas Vincent, an academic, will speak on "pricing practices and monetary policy". Speech at 8:25amET, audience Q&A but no press conference. It's his first speech since his appointment in January.

- The US will update JOLTS job vacancies for August this morning (10amET). They are still elevated at 8.83 million, well off the 12 million peak in March of last year, but still above the roughly 7 million pattern just before the pandemic and 4.5 million longer-run average before the pandemic. Chart 2 shows the Beveridge Curve that depicts marginal improvement in excess demand conditions in labour markets primarily through lower vacancies as the unemployment rate remains low.
- The US will also release vehicle sales for September later today. A modest rise of about 2% m/m SA is expected to 15.4 million based on industry guidance.

Fixed Income	Government Yield Curves (%):												Central Banks			
	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				
U.S.	5.12	5.11	5.12	4.74	4.71	4.61	4.71	4.68	4.54	4.82	4.79	4.68	Canada - BoC	5.00		
CANADA	4.93	4.87	4.93	4.37	4.25	4.28	4.18	4.02	4.02	3.96	3.81	3.80	US - Fed	5.50		
GERMANY	3.22	3.23	3.23	2.84	2.83	2.77	2.94	2.92	2.81	3.17	3.13	3.00	England - BoE	5.25		
JAPAN	0.06	0.06	0.03	0.33	0.33	0.30	0.77	0.78	0.74	1.78	1.77	1.71				
U.K.	4.93	4.98	4.81	4.58	4.61	4.40	4.55	4.56	4.33	5.01	5.01	4.81				
	Spreads vs. U.S. (bps):															
CANADA	-19	-24	-20	-37	-46	-33	-53	-66	-52	-86	-98	-87	Euro zone - ECB	4.50		
GERMANY	-190	-187	-189	-190	-188	-184	-177	-176	-173	-165	-166	-167	Japan - BoJ	-0.10		
JAPAN	-506	-505	-510	-441	-438	-431	-394	-390	-380	-304	-302	-297	Mexico - Banxico	11.25		
U.K.	-19	-12	-31	-16	-10	-21	-16	-12	-21	19	22	13	Australia - RBA	4.10		
Equities	Level						% change:									
	Last			Change			1 Day		1-wk		1-mo		1-yr			
S&P/TSX	19177			-364.1			-1.9		-3.1		-6.7		1.6		Canada - BoC	Oct 25, 2023
Dow 30	33433			-74.2			-0.2		-1.7		-4.0		13.4		US - Fed	Nov 01, 2023
S&P 500	4288			0.3			0.0		-1.1		-5.0		16.6		England - BoE	Nov 02, 2023
Nasdaq	13308			88.5			0.7		0.3		-5.2		23.0		Euro zone - ECB	Oct 26, 2023
DAX	15172			-75.1			-0.5		-0.5		-4.2		24.3		Japan - BoJ	Oct 31, 2023
FTSE	7525			13.8			0.2		-1.3		0.8		8.9			
Nikkei	31238			-521.9			-1.6		-3.3		-4.5		19.2			
Hang Seng	17331			-478.4			-2.7		-2.2		-5.7		0.6			
CAC	7041			-27.5			-0.4		-0.5		-3.5		21.5			
Commodities	Level						% change:									
WTI Crude	88.44			-0.38			-0.4		-2.2		3.4		5.8			
Natural Gas	2.83			-0.01			-0.2		6.7		2.5		-56.2			
Gold	1825.24			-2.79			-0.2		-4.0		-5.9		7.4			
Silver	21.62			-1.46			-6.3		-8.2		-12.3		13.7			
CRB Index	282.48			-2.05			-0.7		-0.9		-0.7		3.5			
Currencies	Level						% change:									
USDCAD	1.3725			0.0049			0.4		1.5		1.0		0.7			
EURUSD	1.0474			-0.0003			-0.0		-0.9		-3.0		6.6			
USDJPY	149.89			0.0300			0.0		0.6		2.3		3.7			
AUDUSD	0.6302			-0.0061			-1.0		-1.5		-2.5		-3.3			
GBPUSD	1.2056			-0.0031			-0.3		-0.8		-4.5		6.5			
USDCHF	0.9233			0.0050			0.5		0.8		4.4		-7.0			
													Next Meeting Date			
													Canada - BoC	Oct 25, 2023		
													US - Fed	Nov 01, 2023		
													England - BoE	Nov 02, 2023		
													Euro zone - ECB	Oct 26, 2023		
													Japan - BoJ	Oct 31, 2023		
													Mexico - Banxico	Nov 09, 2023		
													Australia - RBA	Oct 02, 2023		
													New Zealand - RBNZ	Oct 03, 2023		

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