

DAILY POINTS

October 4, 2023 @ 9:00 EST

Contributors

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Chart 1

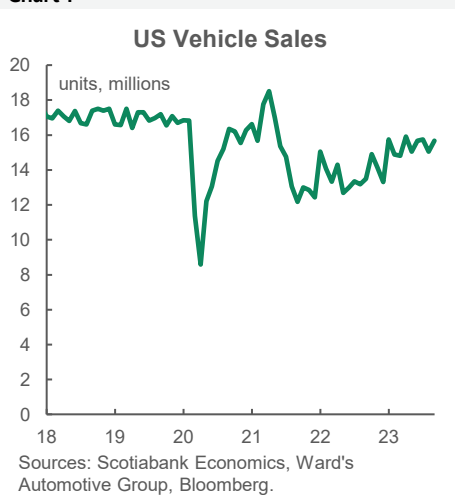
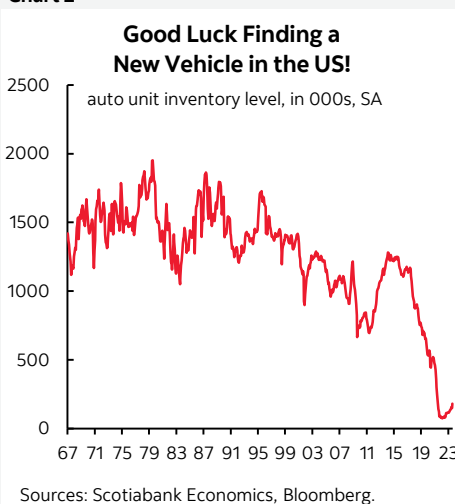


Chart 2



On Deck for Wednesday, October 4

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10-04	07:00	MBA Mortgage Applications (w/w)	Sep 29	--	--	-6.0
US	10-04	08:15	ADP Employment Report (000s m/m)	Sep	200	150.0	89.0
US	10-04	10:00	Factory Orders (m/m)	Aug	0.3	0.3	-2.1
US	10-04	10:00	ISM Non-Manufacturing Composite	Sep	54.0	53.5	54.5
US	10-04	10:25	Fed's Bowman Speaks at Community Banking Research Conference				
US	10-04	10:30	Fed's Goolsbee Speaks at Chicago Payments Symposium				
US	10-04	15:00	Fed's Goolsbee Moderates Discussion With Raghuram Rajan				

KEY POINTS:

- **Bonds enjoy at least a temporary reprieve**
- **We'll soon know if US ADP payrolls was just another nonfarm head fake**
- **US ISM-services to inform growth momentum**
- **US vehicle sales beat expectations**
- **RBNZ holds as expected**

This morning is a great example of how dominant the bond market's sensitivity to the fundamentals is at this point following a protracted sell off. Sovereign bonds are modestly rallying after a disappointing US ADP payrolls report and ahead of more US macro data this morning. Yesterday's US rates selloff that was data-driven by JOLTS extended through the overnight session before reversing this morning. A minor assist came via a beat by US vehicle sales late yesterday that remain on an upward path amid no inventory (charts 1, 2). Sentiment is swinging from one side of the boat to the next in whippy fashion with each release and I'm still of the opinion that the risk-reward trade-offs favours tamping down this bond sell-off. Most of today's focus will be upon another round of US data that is frankly passing the time until the week's marquee release on Friday.

The RBNZ extended its hawkish pause as expected. Fresh explicit forward guidance will be published at its next meeting on November 28th.

US ADP private payrolls can drive market effects but the report lines up poorly with Friday's more important nonfarm payrolls. Bear this in mind when considering the 89k reading for ADP this morning relative to the consensus estimate for a 155k rise in private nonfarm payrolls on Friday. This was not a report that was distorted by strikes since ADP counts folks on payrolls whether paid or not. There is about a one-in-five chance that ADP would come in this low relative to nonfarm which makes it statistically improbable but by no means impossible for nonfarm to come in materially stronger (chart 3).

Chart 3

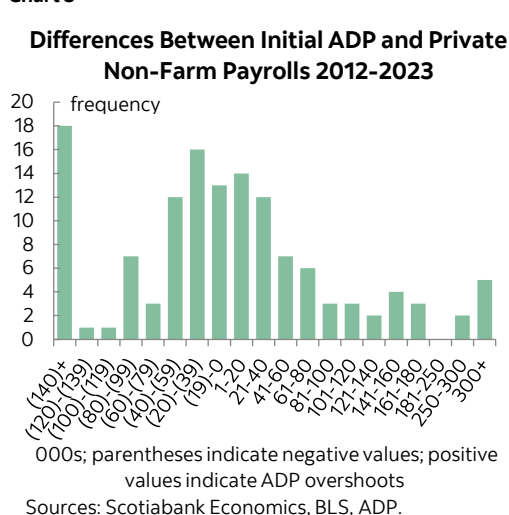
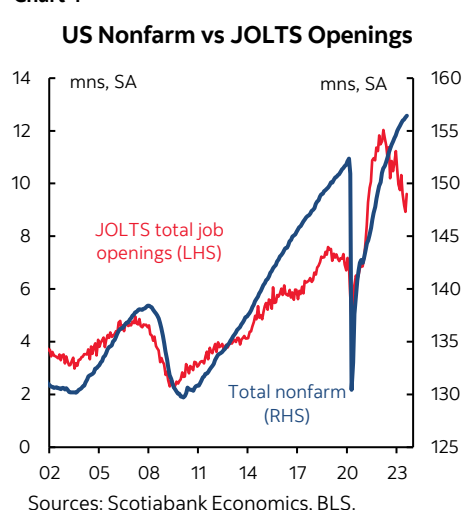


Chart 4



October 4, 2023

There are few other labour market readings available so far other than low initial claims and the pick-up in ISM-mfrg employment. Tomorrow's Challenger layoffs report will be another consideration. Yesterday's JOLTS upside matters because of the recent history that suggests when JOLTS roll, nonfarm payrolls typically follow suit soon thereafter (chart 4).

ISM-services (10amET) will serve as a barometer of activity in the key services sector but also watch its hiring and prices signals after ISM-manufacturing improved on both of those counts yesterday. A mild slip is expected.

US factory orders (10amET) should follow the already known small rise in durables with nondurables tacked on.

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.	5.09	5.15	5.14	4.75	4.80	4.69	4.74	4.80	4.61	4.88	4.92	4.72	Canada - BoC	5.00
CANADA	4.92	4.97	4.96	4.37	4.42	4.34	4.18	4.24	4.09	3.94	3.99	3.87	US - Fed	5.50
GERMANY	3.21	3.21	3.24	2.84	2.85	2.81	2.95	2.97	2.84	3.16	3.21	3.03		
JAPAN	0.07	0.06	0.03	0.34	0.33	0.29	0.81	0.77	0.74	1.82	1.78	1.71	England - BoE	5.25
U.K.	4.97	4.99	4.87	4.64	4.64	4.47	4.61	4.60	4.36	5.03	5.05	4.79		
	Spreads vs. U.S. (bps):													
CANADA	-17	-19	-18	-38	-38	-35	-56	-55	-52	-94	-93	-85	Euro zone - ECB	4.50
GERMANY	-188	-194	-189	-190	-195	-187	-179	-183	-177	-172	-171	-169	Japan - BoJ	-0.10
JAPAN	-503	-510	-511	-441	-447	-439	-393	-403	-387	-306	-314	-301		
U.K.	-13	-16	-26	-10	-16	-21	-13	-20	-25	16	13	7	Mexico - Banxico	11.25
Equities	Level						% change:							
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	19021	-156.3					-0.8	-2.7	-7.4	-1.8			Australia - RBA	4.10
Dow 30	33002	-431.0					-1.3	-1.8	-5.3	8.9			New Zealand - RBNZ	5.50
S&P 500	4229	-58.9					-1.4	-1.0	-6.3	11.6				
Nasdaq	13059	-248.3					-1.9	-0.0	-6.9	16.8				
DAX	15172	86.7					0.6	-0.3	-4.1	19.7				
FTSE	7468	-2.2					-0.0	-1.6	0.2	5.4				
Nikkei	30527	-711.1					-2.3	-5.7	-7.6	12.6			Canada - BoC	Oct 25, 2023
Hang Seng	17196	-135.4					-0.8	-1.6	-6.8	-4.9			US - Fed	Nov 01, 2023
CAC	7049	51.7					0.7	-0.3	-3.2	16.7				
Commodities	Level						% change:							
WTI Crude	87.66	-1.57					-1.8	-6.4	2.5	1.3			England - BoE	Nov 02, 2023
Natural Gas	3.02	0.07					2.2	9.1	9.0	-55.9			Euro zone - ECB	Oct 26, 2023
Gold	1826.70	3.68					0.2	-2.6	-6.0	5.8			Japan - BoJ	Oct 31, 2023
Silver	21.06	-0.57					-2.6	-8.5	-14.6	8.4				
CRB Index	281.49	-1.00					-0.4	-2.1	-1.0	0.4				
Currencies	Level						% change:							
USDCAD	1.3718	0.0010					0.1	1.6	0.9	1.5			Mexico - Banxico	Nov 09, 2023
EURUSD	1.0522	0.0055					0.5	0.2	-2.5	5.4			Australia - RBA	Nov 06, 2023
USDJPY	148.93	-0.0900					-0.1	-0.5	1.7	3.3			New Zealand - RBNZ	Nov 28, 2023
AUDUSD	0.6338	0.0036					0.6	-0.2	-1.9	-2.5				
GBPUSD	1.2169	0.0092					0.8	0.3	-3.6	6.0				
USDCHE	0.9152	-0.0058					-0.6	-0.7	3.5	-6.6				

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