

DAILY POINTS

November 15, 2023 @ 7:15 EST

Contributors

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Chart 1

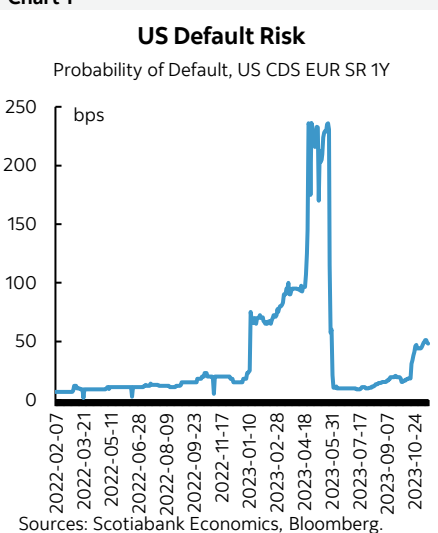
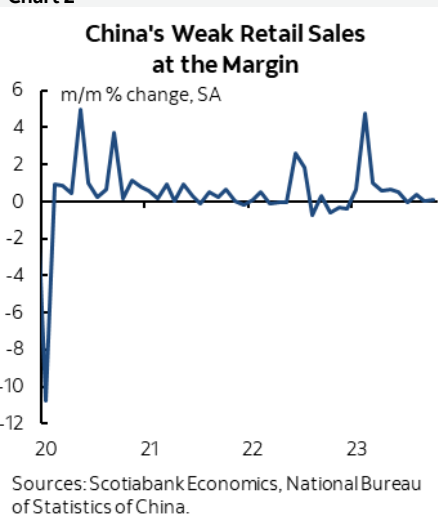


Chart 2



On Deck for Wednesday, November 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11-15	07:00	MBA Mortgage Applications (w/w)	Nov 10	--	--	2.5
CA	11-15	08:30	Manufacturing Shipments (m/m)	Sep	-0.1	-0.1	0.7
CA	11-15	08:30	Wholesale Trade (m/m)	Sep	0.0	0.0	2.3
US	11-15	08:30	Empire State Manufacturing Index	Nov	--	-3.0	-4.6
US	11-15	08:30	PPI (m/m)	Oct	0.1	0.1	0.5
US	11-15	08:30	PPI ex. Food & Energy (m/m)	Oct	0.3	0.3	0.3
US	11-15	08:30	Retail Sales (m/m)	Oct	-0.1	-0.3	0.7
US	11-15	08:30	Retail Sales ex. Autos (m/m)	Oct	0.0	-0.2	0.6
CA	11-15	09:00	Existing Home Sales (m/m)	Oct	--	-2.0	-1.9
US	11-15	09:30	Fed's Barr Testifies on Oversight of Financial Regulators				
US	11-15	10:00	Business Inventories (m/m)	Sep	--	0.4	0.4
US	11-15	15:30	Fed's Barkin Speaks About Housing				

KEY POINTS:

- **Equities continue to rally as markets may be prematurely pricing Fed cuts**
- **Rates, FX markets move on from yesterday's US CPI**
- **Shutdown averted, but US government dysfunction will return**
- **PBOC holds policy rate as most expected**
- **Chinese macro readings were mixed**
- **Australian wage growth skyrockets, markets probably shouldn't have ignored it**
- **UK core CPI wasn't that weak**
- **US retail sales are expected to be soft**
- **US mortgage purchase applications jump for a second week**
- **US PPI could largely mirror CPI**
- **US Empire gauge to kick off the march to the next ISM-manufacturing print**
- **Canada to updated home sales, manufacturing, wholesale**
- **Colombian GDP may rebound**

There isn't much follow-through on yesterday's rallies across asset classes following a mildly softer than expected US CPI print (recap [here](#)) and traction toward averting—or perhaps merely delaying—a US government shutdown. I still think the market reaction to CPI was overdone; markets are far too sensitive in both directions to minor swings in data over recent months and not demonstrating much by way of an ability to think about bigger picture thematic matters over time. Nothing overnight proved to be terribly impactful as markets await US retail sales. Treasuries have a very slight cheapening bias along with Canadas and longer dated gilts whereas EGBs have a very slightly richening bias. Stocks are up by ¼% to 1% across NA futures and European cash markets following stronger gains across Asia-Pacific benchmarks that played catch up overnight. The USD is stable on a DXY basis.

Here's a recap of developments from late yesterday through the overnight session and before turning to expectations into the North American session.

US GOVERNMENT SHUTDOWN AVERTED/POSTPONED

The US House of Representatives voted 336–95 in favour of a continuing resolution to fund the government past this Friday's expiration of the current funding agreement. Now it's onto the Dems-controlled Senate which is likely to pass it given that 209 Dems supported the bill in the House. After that it's onto President Biden's desk and must be signed by Friday at midnight in order to avert even a temporary government shutdown on

Saturday. The dysfunctional US political system will be back at it all again given the two-stage approach this time with some funding expiring by January 19th and other funding expiring by February 2nd. CDS default pricing never climbed as high as it did around the debt ceiling fracas earlier this year but may remain volatile on path to the next round of turmoil (chart 1).

PBOC HOLDS POLICY RATE AS MOST HAD EXPECTED

The PBOC left its 1-year Medium-Term Lending Facility Rate unchanged at 2.5% as widely expected. A tiny minority had thought they might cut, but they've been wrongly saying that for a while. This probably means that the banks will then leave their 1- and 5-year Loan Prime Rates unchanged at the start of next week with the five being key to the property market.

CHINESE MACRO DATA WAS MIXED

Chinese year-over-year macro readings for the month of October were mixed. Retail sales were up by 7.6% y/y (7% consensus) which on the surface looks like a mild beat, but this beat was driven by shifts in year-ago base effects while for the second consecutive month sales were weak in month-over-month terms at just 0.07% m/m SA (chart 2). Industrial production, however, was up 4.6% y/y and roughly in line with consensus at 4.5%, but it was up by 0.4% m/m SA for a sixth straight month of decent gains (chart 3). Fixed asset investment disappointed a touch at 2.9% ytd y/y (3.1% consensus). The jobless rate held unchanged at 5% as expected.

JAPAN'S ECONOMY DISAPPOINTS

Japan's Q3 GDP landed considerably worse than expected and the details were weak. GDP contracted by 2.1% q/q SAAR (-0.4% consensus) and should have gotten a mild assist from a slight downward revision to Q2 (4.5% instead of 4.8%) but clearly did not (chart 4). The downside surprise came through consumption that was flat (consensus 0.3% q/q SA nonannualized) and revised down for Q2 to -0.9% q/q SA from -0.6%. Business spending also disappointed at -0.6% q/q SA nonannualized (+0.1% consensus). The yen shook it all off and retained the appreciation to the USD that had followed the prior day's US CPI figures.

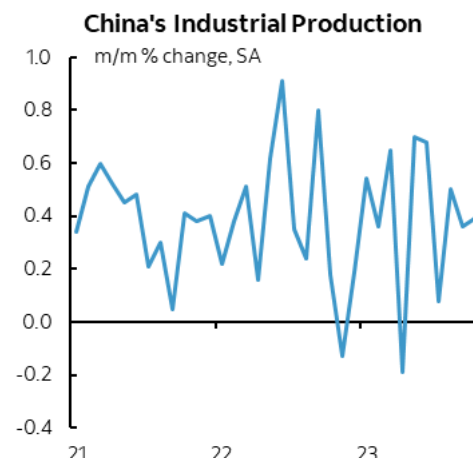
AUSTRALIAN WAGE GROWTH SOARS

Australia's wage growth matched expectations at 1.3% q/q SA nonannualized and reinforced the RBA's decision to hike last week alongside a hawkish bias. The annualized rate of increase is over 5% q/q SAAR (chart 5). That's the fastest gain since the inception of the series in 1997. The A\$ nevertheless shook it off and the Australian rates curve rallied on US CPI effects which I'm not sure was the correct response to the kind of wage-price dynamics the RBA is facing. It could be that markets played it safe ahead of tonight's job market figures.

WHY GILTS LARGELY IGNORED WEAKER THAN EXPECTED UK CPI

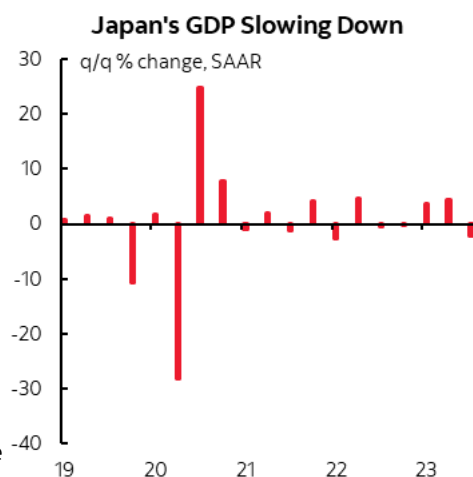
UK CPI landed a tick weaker than expected at 0% m/m NSA. Core CPI was also a tick weaker than expected at 5.7% y/y but at 0.3% m/m NSA it was slightly firmer than the average of past months of October which is the way to look at seasonally unadjusted data (chart 6). This merely reinforced pricing for no change at the December meeting and pricing for later meetings initially fell but subsequently reversed as the morning progressed.

Chart 3



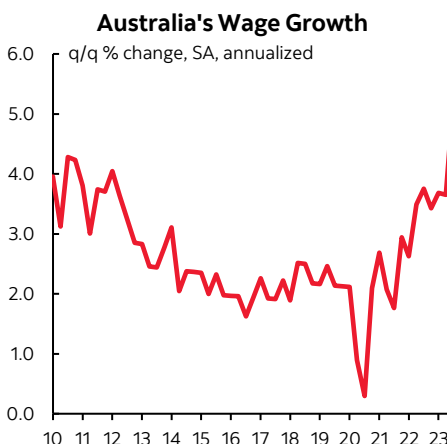
Sources: Scotiabank Economics, National Bureau of Statistics of China.

Chart 4



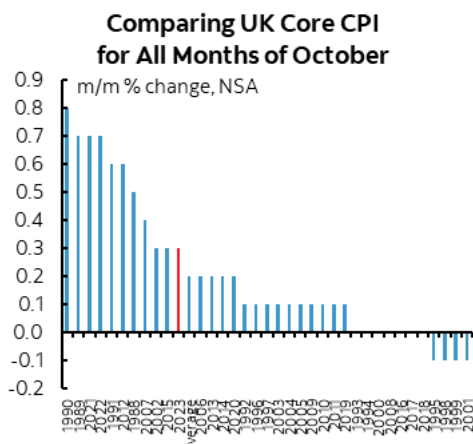
Sources: Scotiabank Economics, Economic and Social Research Institute Japan.

Chart 5



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 6



Sources: Scotiabank Economics, UK Office for National Statistics.

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The gilts front-end largely ignored the data after rallying yesterday following US CPI. Sterling, however, is among the weaker crosses to the USD this morning.

On tap into the N.A. session will be the following developments after US mortgage applications jumped by 2.8% with purchase applications up by about 3% w/w for the second consecutive week.

- US retail sales are expected to dip due to what we know for auto sales and gasoline prices but may post mild nominal growth in core sales (8:30amET).
- US producer prices are expected to almost mirror yesterday morning's CPI numbers in terms of soft headline and slightly more resilient core measures (8:30amET).
- The US Empire manufacturing gauge (8:30amET) kicks off the regional surveys' march to the next ISM report.
- Canada updates existing home sales that will probably slip again which remains the point of the exercise to tighten monetary policy (9amET).
- Just before that we'll get Canadian manufacturing sales for September (8:30amET) that was previously guided to be little changed at -0.1% m/m SA, and Canadian wholesale sales ex-energy and grains (8:30amET) that were previously guided to be unchanged.
- Colombia releases Q3 GDP (11amET) that is expected to rebound from the Q2 contraction.

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.	4.84	4.84	4.93	4.44	4.44	4.51	4.46	4.45	4.49	4.64	4.62	4.62	Canada - BoC	5.00
CANADA	4.43	4.40	4.47	3.80	3.78	3.81	3.70	3.69	3.70	3.51	3.50	3.49	US - Fed	5.50
GERMANY	2.98	2.99	3.02	2.55	2.55	2.57	2.60	2.60	2.62	2.82	2.82	2.81	England - BoE	5.25
JAPAN	0.07	0.09	0.12	0.36	0.40	0.42	0.80	0.86	0.86	1.71	1.76	1.78		
U.K.	4.58	4.58	4.62	4.19	4.18	4.24	4.17	4.15	4.24	4.61	4.58	4.69		
	Spreads vs. U.S. (bps):													
CANADA	-42	-43	-47	-65	-66	-70	-76	-76	-79	-112	-112	-113	Euro zone - ECB	4.50
GERMANY	-187	-185	-192	-190	-189	-194	-186	-185	-188	-181	-181	-180	Japan - BoJ	-0.10
JAPAN	-477	-474	-481	-408	-404	-409	-366	-359	-364	-292	-286	-284		
U.K.	-26	-25	-31	-26	-26	-26	-29	-30	-25	-3	-5	8		
Equities	Level			Change			% change:			1 Day			Next Meeting Date	
	Last													
S&P/TSX	20024			314.6			1.6	2.3	2.9	0.1			Canada - BoC	Dec 06, 2023
Dow 30	34828			489.8			1.4	2.0	3.4	3.7			US - Fed	Dec 13, 2023
S&P 500	4496			84.1			1.9	2.7	3.9	12.6			England - BoE	Dec 14, 2023
Nasdaq	14094			326.6			2.4	3.3	5.1	24.1			Euro zone - ECB	Dec 14, 2023
DAX	15736			122.0			0.8	3.3	3.6	9.4			Japan - BoJ	Dec 19, 2023
FTSE	7519			78.8			1.1	1.6	-1.1	2.0				
Nikkei	33520			823.8			2.5	4.2	5.9	19.6			Mexico - Banxico	Dec 14, 2023
Hang Seng	18079			682.1			3.9	2.9	2.5	-1.0			Australia - RBA	Dec 04, 2023
CAC	7235			49.2			0.7	2.9	3.3	8.9			New Zealand - RBNZ	Nov 28, 2023
Commodities	Level			Change			% change:			1 Day				
WTI Crude	77.93			-0.33			-0.4	3.5	-11.1	-10.3				
Natural Gas	3.19			0.08			2.7	2.7	-1.5	-47.1				
Gold	1972.99			8.70			0.4	1.2	2.1	10.9				
Silver	22.35			0.28			1.2	-0.8	1.2	4.1				
CRB Index	277.45			-0.18			-0.1	0.6	-2.3	-2.4				
Currencies	Level			Change			% change:			1 Day				
USDCAD	1.3679			-0.0014			-0.1	-0.8	0.5	3.0				
EURUSD	1.0865			-0.0014			-0.1	1.5	2.9	5.0				
USDJPY	150.33			-0.0400			-0.0	-0.4	0.5	7.9				
AUDUSD	0.6529			0.0022			0.3	2.0	2.9	-3.4				
GBPUSD	1.2474			-0.0025			-0.2	1.5	2.1	5.1				
USDCHF	0.8875			-0.0016			-0.2	-1.3	-1.4	-6.0				

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