

DAILY POINTS

November 29, 2023 @ 8:10 EST

Contributors

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Chart 1

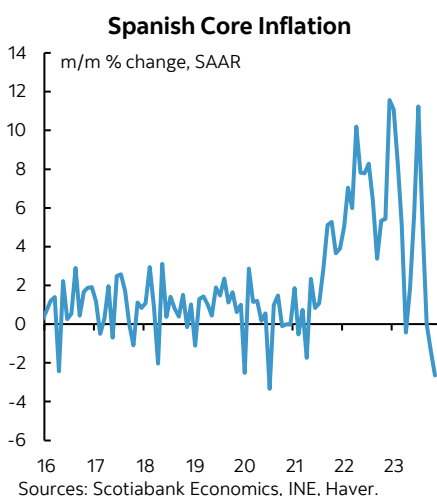
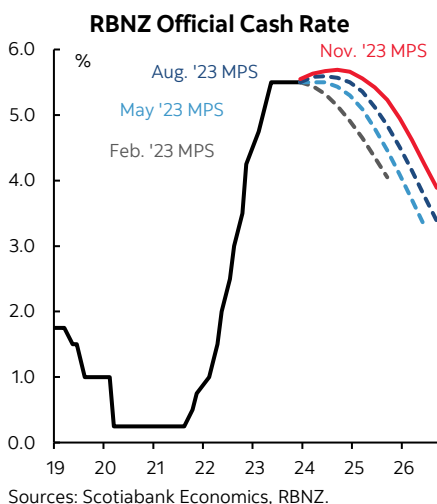


Chart 2



On Deck for Wednesday, November 29

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11-29	07:00	MBA Mortgage Applications (w/w)	Nov 24	--	--	0.3
CA	11-29	08:30	Current Account (C\$ bn a.r.)	3Q	--	1.0	-6.6
US	11-29	08:30	GDP (q/q a.r.)	3Q S	5.0	5.0	4.9
US	11-29	08:30	GDP Deflator (q/q a.r.)	3Q S	--	3.5	3.5
US	11-29	08:30	Initial Jobless Claims (000s)	Nov 25	215	218.0	209.0
US	11-29	08:30	Continuing Claims (000s)	Nov 18	1850	1865.0	1840.0
US	11-29	08:30	Wholesale Inventories (m/m)	Oct P	--	0.2	0.2
US	11-29	13:45	Fed's Mester Speaks on Financial Stability				
US	11-29	14:00	Federal Reserve Releases Beige Book				

KEY POINTS:

- **Markets rally on weaker Eurozone, AU inflation**
- **German, Spanish inflation was weaker than expected especially on core**
- **Australian inflation was also weaker than expected**
- **Kiwi dollar outperforms on hawkish sounding RBNZ...**
- **...that flagged immigration as part of a tightening bias**
- **OECD updates lagging global projections**
- **US Q3 GDP, core PCE revisions on tap**
- **US mortgage purchase applications are still on a tear**
- **Sweden's krona weakens after GDP disappoints**
- **BoT held as expected**

The dollar was looking set for a down day until Eurozone inflation readings hit the Euro and related crosses and added to pre-data curve richening across EGBs and elsewhere including into N.A. Kiwis went the other way on the market bias after the RBNZ's hawkish tone. The result is helping to buoy equity markets with mild gains between about ¼% in Toronto, up to about 1% gains in the Dax and Italian equities. Oil is up by over a buck ahead of OPEC+ tomorrow. N.A. developments will be light with just US GDP and core PCE revisions. The TSX is underperforming between bank results.

Headline German inflation came in weaker than expected at -0.4% m/m (-0.1% consensus) and with the EU-harmonized reading falling by 0.7% m/m (-0.5% consensus). Most of that information had been digested earlier in the European session after the individual states released estimates between -0.3% m/m and -0.4%. Much of the weakness was in core prices ex-food and energy.

Spanish inflation then backed up the initial reactions to the German state-level data when Spain recorded a -0.6% m/m drop in EU-harmonized inflation (-0.1% consensus). Core inflation pulled back to 4.5% y/y (5% consensus, 5.2% prior). That reading is super volatile but dropped like a stone (chart 1).

The Eurozone tally arrives tomorrow morning along with figures from France and Italy, but there is probably enough evidence to point to downside risk to the -0.2% m/m headline CPI consensus for the overall monetary region.

The results added to pricing for ECB cuts with the first cut mostly priced for April along with roughly 100bps of cuts by the end of 2024 which seems aggressive to me.

The A\$ fell and the two-year yield dropped a further 7bps to add to a pre-data overnight rally. The culprit was that Australian CPI also fell by more than expected (4.9% y/y, 5.2% consensus, 5.6% prior). Part of the reason is that a year-ago cut in fuel taxes dropped out of the comparison in October. Nevertheless, core CPI also ebbed from 5.5% y/y to 5.1%

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with trimmed mean down a tick to 5.3%. CPI was down -0.3% m/m substantially due to a 2.9% drop in fuel prices.

The RBNZ left its official cash rate unchanged at 5.5% as widely expected. A hawkish bias drove underperformance at the front-end that was little changed overnight versus rallies elsewhere and drove NZ\$ strength. Governor Orr said that the Monetary Policy Committee was “showing an upward bias to the interest rate” and did not forecast cuts until mid-2025 while raising the explicitly guided profile for the OCR (chart 2). Part of the rationale that was given is that immigration was adding to inflationary pressures which may be familiar as a risk to BoC watchers.

Sweden's krona is underperforming after GDP disappointed at -0.3% q/q (0% consensus).

The Bank of Thailand held at 2.5% as widely expected.

The OECD got into the act with its semi-annual Economic Outlook this morning. It notoriously lags developments, but just for kicks, their latest prognostications for GDP growth are shown in chart 3.

It was another strong week for US mortgage apps. Purchase applications were up by 4.7% w/w which completed a whole month of strong w/w gains. A big drop in refis (-8.9% w/w) offset the gain in purchase apps for a total apps number that was little changed. The seasonally adjusted purchase index is back up to September levels.

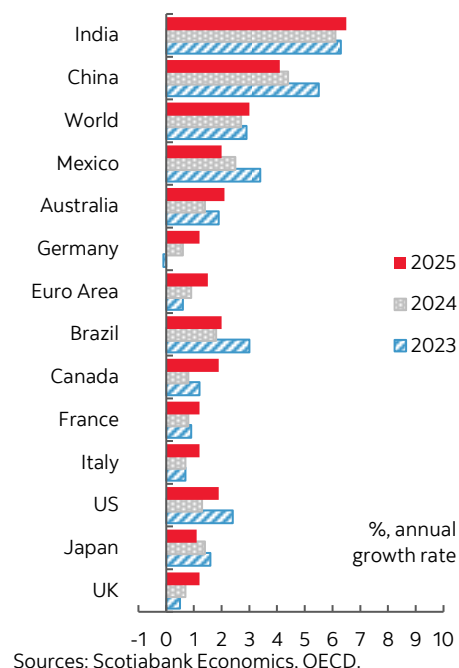
On tap will be a few US releases. US GDP and core PCE revisions arrive shortly (8:30amET). The initial prints were 4.9% q/q SAAR for GDP and 2.4% q/q for core PCE. Material revisions are not expected but markets will be particularly sensitive to any possible PCE revisions ahead of Friday's figures for October.

The US also updates the merchandise trade figures for October (8:30amET) and inventory figures for the same month (8:30amET). The Fed's Beige Book of regional economic conditions will be released at 2pmET.

Canada's bank earnings season is on pause until tomorrow when three more step forward including TD, CIBC and RBC.

Chart 3

OECD November 2023 Economic Outlook: Real GDP Forecast



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		
	4.66	4.74	4.90	4.23	4.28	4.43	4.29	4.32	4.41	4.49	4.51	4.54	Canada - BoC	5.00
	4.21	4.28	4.40	3.61	3.67	3.77	3.54	3.58	3.65	3.34	3.38	3.46		
	2.85	2.92	3.03	2.37	2.45	2.55	2.43	2.50	2.56	2.68	2.73	2.74	US - Fed	5.50
	0.05	0.06	0.04	0.26	0.33	0.31	0.67	0.76	0.73	1.61	1.71	1.64		
	4.57	4.63	4.61	4.12	4.21	4.20	4.11	4.17	4.16	4.61	4.65	4.63	England - BoE	5.25
	Spreads vs. U.S. (bps):													
	-45	-46	-50	-62	-61	-67	-75	-74	-75	-114	-113	-107	Euro zone - ECB	4.50
	-182	-182	-187	-186	-183	-189	-185	-182	-185	-180	-178	-180		
-462	-468	-486	-396	-395	-412	-362	-356	-368	-287	-279	-290	Japan - BoJ	-0.10	
-9	-10	-29	-10	-7	-23	-17	-15	-25	12	14	9			
Equities	Level						% change:						Mexico - Banxico	11.25
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last	Change					1 Day	1-wk	1-mo	1-yr				
	20037	4.1					0.0	-0.4	6.9	-1.2				
	35417	83.5					0.2	0.8	9.3	4.6				
	4555	4.5					0.1	0.2	10.6	15.1				
	14282	40.7					0.3	-0.0	13.0	30.0				
	16146	153.8					1.0	1.2	9.9	12.5				
	7453	-2.7					-0.0	-0.2	2.2	-0.8				
	33321	-87.2					-0.3	-0.1	8.0	19.1				
	16993	-360.7					-2.1	-4.2	-0.7	-8.6				
	7285	34.8					0.5	0.3	7.2	9.2				
Commodities	Level						% change:						US - Fed	Dec 13, 2023
WTI Crude	77.73	1.32					1.7	-0.1	-9.1	-0.6				
Natural Gas	2.83	-0.01					-0.4	-0.7	-10.7	-61.0				
Gold	2041.34	0.37					0.0	2.6	1.7	16.7				
Silver	24.65	-0.11					-0.4	4.8	8.3	14.8				
CRB Index	273.67	3.19					1.2	-1.2	-4.0	-0.7				
Currencies	Level						% change:						England - BoE	Dec 14, 2023
USDCAD	1.3582	0.0008					0.1	-0.8	-1.8	0.0				
EURUSD	1.0984	-0.0009					-0.1	0.9	3.5	6.3				
USDJPY	147.56	0.0800					0.1	-1.3	-1.0	6.4				
AUDUSD	0.6624	-0.0025					-0.4	1.2	3.9	-1.0				
GBPUSD	1.2697	0.0003					0.0	1.6	4.3	6.2				
USDCHF	0.8765	-0.0015					-0.2	-0.8	-2.8	-8.1				
Next Meeting Date														
												Canada - BoC	Dec 06, 2023	
												US - Fed	Dec 13, 2023	
												England - BoE	Dec 14, 2023	
												Euro zone - ECB	Dec 14, 2023	
												Japan - BoJ	Dec 19, 2023	
												Mexico - Banxico	Dec 14, 2023	
												Australia - RBA	Dec 04, 2023	
												New Zealand - RBNZ	Feb 27, 2024	

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