

DAILY POINTS

December 1, 2023 @ 7:40 EST

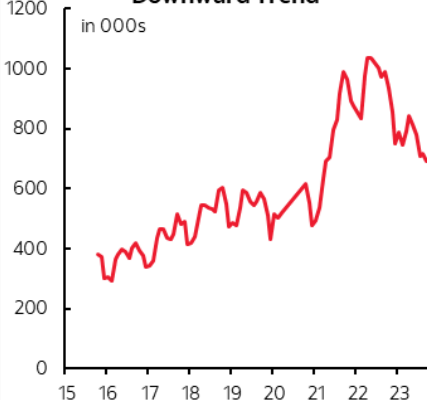
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Chart 1

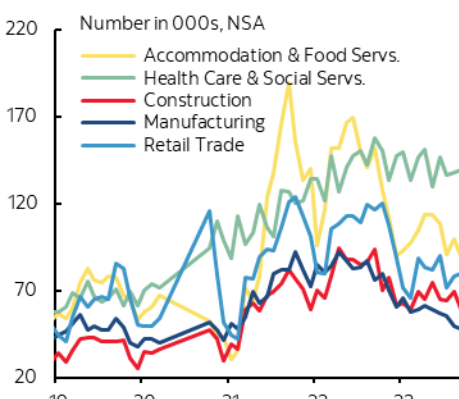
Canadian Job Vacancies Continuing Downward Trend



Sources: Scotiabank Economics, Statistics Canada

Chart 2

Canada Still Has A Lot More Job Vacancies To Fill In!



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Friday, December 1

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12-01	08:30	Employment (000s m/m)	Nov	15.0	14.0	17.5
CA	12-01	08:30	Unemployment Rate (%)	Nov	5.9	5.8	5.7
US	12-01	09:00	Total Vehicle Sales (mn a.r.)	Nov	15.5	15.5	15.5
US	12-01	10:00	Construction Spending (m/m)	Oct	0.4	0.3	0.4
US	12-01	10:00	ISM Manufacturing Index	Nov	47.5	47.8	46.7
US	12-01	10:00	Fed's Goolsbee Participates in Moderated Discussion				
US	12-01	11:00	Fed's Powell Speaks in Fireside Chat				
US	12-01	14:00	Fed's Powell, Cook Take Part in Discussion on Tech Innovation				

KEY POINTS:

- **Markets await Powell's last words into blackout**
- **What Powell might address**
- **Canadian jobs and wages to update what is already a very strong year**
- **ISM-manufacturing headlines US macro readings**

Done your Christmas shopping yet? Month-end brings new beginnings as the calendar flips over after a wild rally in basically everything last month. There are lots more investing opportunities ahead and it starts today with key developments such as updated thinking from Fed Chair Powell and key releases from Canada and the US. Tuck a nice bond under that Christmas tree. How romantic.

Canada's bank earnings season ended in a tie with three beats and three misses. BMO disappointed expectations for adjusted EPS this morning while National Bank beat.

CANADIAN JOBS PREVIEW

One month doesn't make a trend but try telling that to whippy markets these days if we get a surprise when the job market readings get updated for November this morning (8:30amET). A big gain might be less impactful to markets than a loss given the market's bias these days. All estimates are within the 95% confidence interval of +/- 57k that defines the noise bands. That signals lack of conviction.

To date, it's hard to say job growth has been slowing on a trend basis. Canada gained 18k in October but posted 40k and 64k gains over August and September and is up by over 400k jobs year-to-date.

Here is a summary of the expectations:

- Consensus median: +14k
- Consensus mean: +14k (no skewness)
- Scotia: +15k
- Range: -5k to +50k, most within about 10-20k
- 95% confidence interval: +/-57k
- Std dev: 12.25
- UR: 5.8% from 5.7% (Scotia 5.9%)
- Wages: ~5% y/y

The expected drivers include the following points:

- vacancies could continue to be filled. They have come down but remain elevated especially in categories like health and social services and accommodation and food services (charts 1, 2).

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- immigration remains very strong, although the born in Canada category is filling many of the vacancies. Either way, the two forces can continue to fill ongoing openings.
- striking workers don't drop out of the Canadian numbers, but there may still have been a strike effect weighing on the October manufacturing numbers that could rebound
- job postings have been trending softer but are still strong enough for job growth (chart 3).
- firmer GDP growth in September and October from earlier months may be correlated with employment gains.
- wage growth eased to 3.7% m/m SAAR in October which is still well above the BoC's 2% inflation target but it was the softest reading in four months (chart 4). November's reading will inform whether there is a new trend. Nevertheless, wage growth is sharply exceeding tumbling productivity and the two have to be considered together as we await the Q3 update on productivity and unit labour costs next week.
- Also watch hours worked. We lost a lot recently due to strikes and the result is that so far there is no growth in hours baked into Q4 (charts 5, 6). Will that rebound from strikes this morning, or continue to be soft?

FED'S POWELL AND DATA TO DRIVE US MARKETS

US markets will focus upon Fed-speak and macro releases as follows.

Fed Chair Powell gets his last remarks in before the communications blackout kicks in tomorrow ahead of the December 13th FOMC decisions. He's in a fireside chat at 11amET (watch [here](#)). A hold is widely expected at the upcoming meeting, but Powell's appearance could be useful in other respects.

For one, how are they presently viewing financial market conditions? He might have to soften references to tightened financial conditions given the powerful moves in bonds and equities since they statement-codified reference to tighter financial conditions in the November 1st statement. They did that basically at the peak for the 10-year Treasury yield that has since rallied back to about mid-September levels. That still retains some of the sell off in fixed income that occurred particularly from late July through September, but instead of the 10s yield (that drives 30-year mortgages in the US) being up by 130bps since late June, it's now up by only about 60bps. At the same time, the S&P500 has pushed toward a record high on a nominal index basis with a trailing price-earnings of over 22 times and 1-year forward price-earnings ratio of 20%.

For another, will Powell provide any guidance that could inform expectations for the coming dot plot? What does he think of market pricing for cuts to begin as soon as March/April and over 100bps of easing by the end of next year? The September dot plot showed 50bps of cuts in 2024 which would also imply a probably later start than is priced.

We also get three forms of data out of the US this morning:

- ISM-manufacturing (10amET): Most of the focus will be upon this reading for November. It's expected to improve but remain in contraction partly due to what we know about the regional surveys and transportation production (chart 7). Also watch prices paid given the connections to inflation (chart 8).

Chart 3

Canadian Total Job Postings

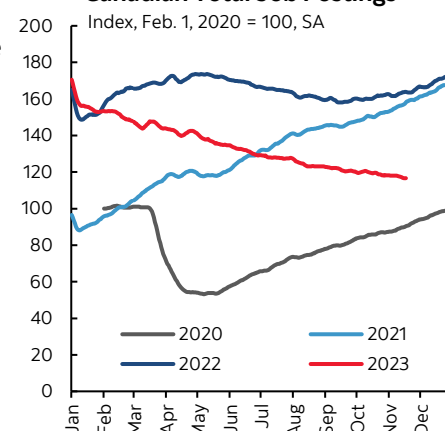


Chart 4

Average Hourly Wages of Permanent Workers

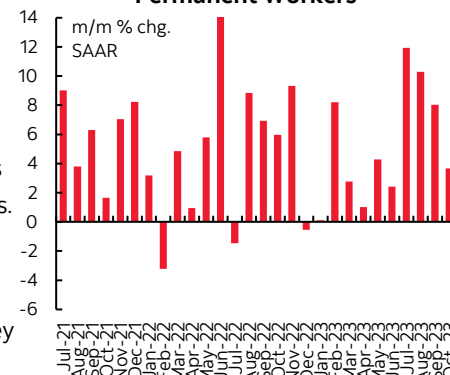


Chart 5

Total Hours Lost Due to Strikes or Lockouts

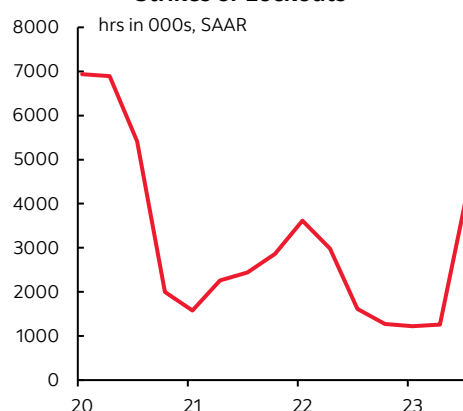
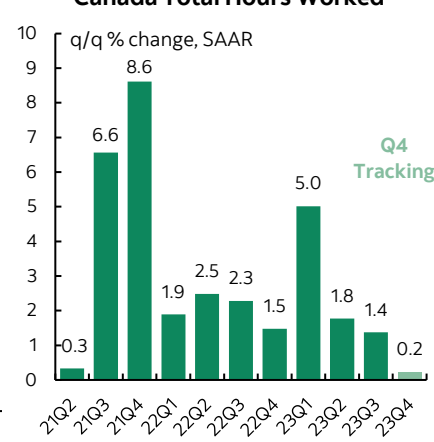


Chart 6

Canada Total Hours Worked

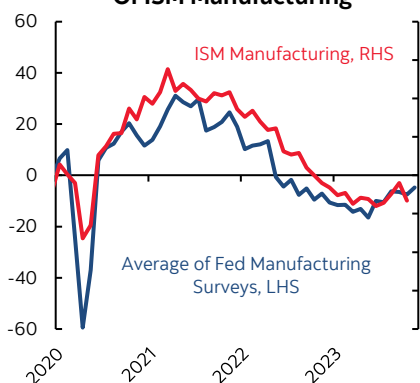


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- Industry guidance also points to expectations for vehicle sales during November (e.o.d.) to remain around 15.5 million and hence trending at the highest levels since early 2021 when they rebounded from the pandemic's initial effects.
- Construction spending during October (10amET): a mild gain is expected to extend an uninterrupted streak of increases throughout this year.

Chart 7

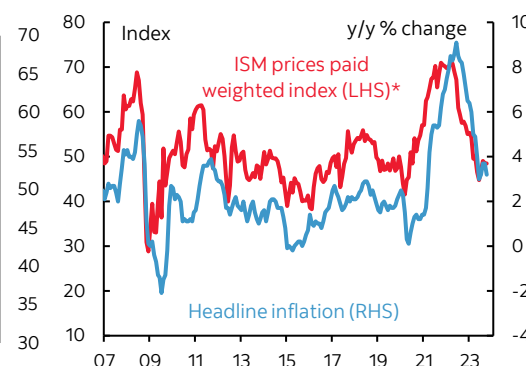
The Five Fed Surveys As A Predictor Of ISM Manufacturing



Sources: Scotiabank Economics, Federal Reserve System, ISM.

Chart 8

ISM Prices Paid vs Inflation



*Weighted at 75% of ISM-services prices paid index and 10% of ISM-mfg. prices paid index.
Sources: Scotiabank Economics, BLS, ISM.

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.	4.69	4.68	4.95	4.28	4.27	4.49	4.34	4.33	4.47	4.51	4.50	4.60	Canada - BoC	5.00
CANADA	4.18	4.19	4.45	3.62	3.63	3.82	3.55	3.55	3.71	3.36	3.35	3.49	US - Fed	5.50
GERMANY	2.78	2.82	3.07	2.36	2.37	2.62	2.44	2.45	2.64	2.69	2.69	2.82	England - BoE	5.25
JAPAN	0.05	0.03	0.06	0.27	0.26	0.36	0.70	0.67	0.78	1.67	1.66	1.68		
U.K.	4.60	4.61	4.71	4.17	4.18	4.33	4.20	4.18	4.28	4.71	4.69	4.75		
Equities	Spreads vs. U.S. (bps):												Next Meeting Date	
	CANADA			GERMANY			JAPAN			U.K.				
	-51	-49	-50	-66	-64	-66	-79	-78	-75	-115	-114	-111		
	-191	-187	-188	-192	-189	-187	-190	-188	-183	-181	-181	-178		
	-464	-465	-489	-401	-401	-413	-364	-366	-369	-284	-283	-292		
	-9	-7	-24	-10	-9	-16	-14	-15	-19	20	20	15		
Commodities	Level												Next Meeting Date	
	% change:													
	Last	1-day	1-wk	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr				
S&P/TSX	20236		120.1	0.6	0.6	6.1	-1.4							
Dow 30	35951		520.5	1.5	1.9	8.0	4.5							
S&P 500	4568		17.2	0.4	0.2	7.8	12.1							
Nasdaq	14226		-32.3	-0.2	-0.3	8.9	23.9							
DAX	16322		106.1	0.7	1.8	9.4	12.6							
FTSE	7498		44.3	0.6	0.1	2.1	-0.8							
Nikkei	33432		-55.4	-0.2	-0.6	4.6	20.4							
Hang Seng	16830		-212.6	-1.2	-4.2	-4.7	-9.9							
CAC	7333		22.0	0.3	0.5	5.8	8.6							
Currencies	Level												Next Meeting Date	
	% change:													
	Last	1-day	1-wk	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr				
USDCAD	1.3541		-0.0020	-0.1	-0.7	-2.3	0.8							
EURUSD	1.0894		0.0006	0.1	-0.4	3.1	3.6							
USDJPY	148.08		-0.1200	-0.1	-0.9	-1.9	9.4							
AUDUSD	0.6618		0.0013	0.2	0.5	3.5	-2.8							
GBPUSD	1.2648		0.0024	0.2	0.4	4.1	3.3							
USDCHE	0.8755		0.0003	0.0	-0.8	-3.6	-6.6							

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