

DAILY POINTS

December 12, 2023 @ 6:35 EST

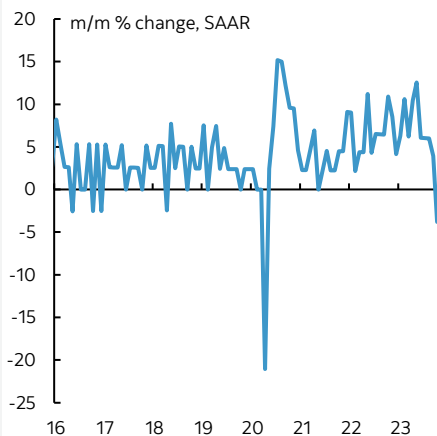
Contributors

Derek Holt

VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1

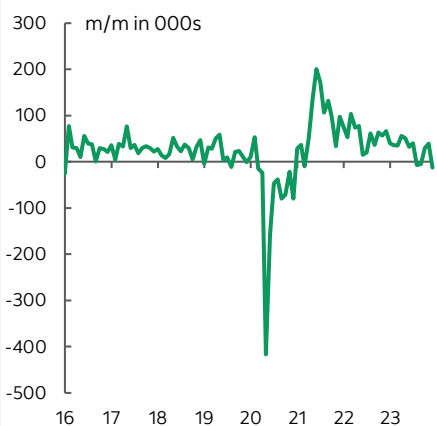
UK Wage Growth



Sources: Scotiabank Economics, UK ONS.

Chart 2

UK Payroll Employment



Sources: Scotiabank Economics, UK ONS.

On Deck for Tuesday, December 12

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12-12	08:30	CPI (m/m)	Nov	-0.1	0.0	0.0
US	12-12	08:30	CPI (y/y)	Nov	3.1	3.1	3.2
US	12-12	08:30	CPI (index)	Nov	--	307.0	307.7
US	12-12	08:30	CPI ex. Food & Energy (m/m)	Nov	0.1	0.3	0.2
US	12-12	08:30	CPI ex. Food & Energy (y/y)	Nov	4	4.0	4.0
US	12-12	13:00	US\$21B 30-year reopening				
US	12-12	14:00	Treasury Budget (US\$ bn)	Nov	--	--	-248.5

KEY POINTS:

- Markets position for a soft US CPI print
- US CPI is expected to be soft, but it's core that will matter
- FOMC participants have until tonight to firm up forecasts
- US to auction 30s post-CPI
- Markets bring forward first BoE cut to June 2024...
- ...after UK wages post the first outright decline since the start of the pandemic...
- ...and UK payroll employment dips by the most since 2020

Sovereign bonds are rallying in anticipation of a weak US CPI print this morning while they fade the post-nonfarm reaction. Gilts are outperforming with yields down by about 10bps across most of the curve following soft job market readings. Equities are little changed across NA futures and European cash markets except for about a mild rally in London on brought-forward BoE cut bets. The dollar is broadly softer ahead of CPI, with CAD, sterling and MXN underperforming.

I don't see the latest readings on UK jobs and wages being impactful to the BoE on Thursday when they hold and counsel patience. They did, however, bring forward market pricing for the first rate cut to the June 2024 meeting that went from about -18bps priced pre-data to just over -¼%. Why?

Wages fell outright for the first time since April 2020 at the very start of the pandemic (chart 1). They were down by 3.8% m/m SAAR in October. It's only one month, but it sticks out like a sore thumb along what was previously a decelerating but still firm trend.

Payroll positions fell by 12,807 positions in November. That's the first dip since August after about 70k jobs were created over the months of September and October, and it's the biggest drop since November 2020. Chart 2.

US CPI PREVIEW

The US updates CPI for November at (8:30amET). Some expectations are offered below and also see my week ahead as part of your readings to prepare.

The CPI update lands right toward the beginning of the FOMC's two day meeting. Committee participants submitted their forecast inputs to the SEP on Friday evening but have until tonight to submit any revisions to their macro projections and dots. It's therefore plausible that the print could influence some of their dots and the median dots if enough of them are waffling to the point to which one data point matters even in the wake of Friday's jobs and wages.

m/m % change headline / core CPI, November:

- Scotia: -0.1 / +0.1
- Consensus mean: 0.0 / 0.3

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- Consensus median: 0.0 / 0.3
- Headline range: Most are calling for 0% or 0.1%
- Core range: 0.3 and 0.2 are the most popular estimates

Rationale:

- The Cleveland Fed's 'nowcast for headline CPI is 0% m/m SA. It has tended to overestimate inflation this year.
- The Cleveland Fed's 'nowcast' for core CPI is 0.3% m/m SA. It has also tended to overestimate core inflation this year.
- There are quite a few calls for a weak headline.
- Gasoline will be a significant weighted drag on headline CPI.
- used vehicle prices also slipped according to industry guidance, but new vehicle prices were little changed
- Shelter including OER and rent of primary residence are tracking firmly again
- November saw greater than usual seasonal discounting in a diverse array of consumer items compared to last year and may weigh on several categories (charts 3, 4).
- A wildcard is whether core services light up again. At 0.2% m/m in October, CPI services ex-housing and ex-energy services returned to about the average rate of increase over the April to July period and came off 0.6% the prior month. This could be an upside risk.

Chart 3

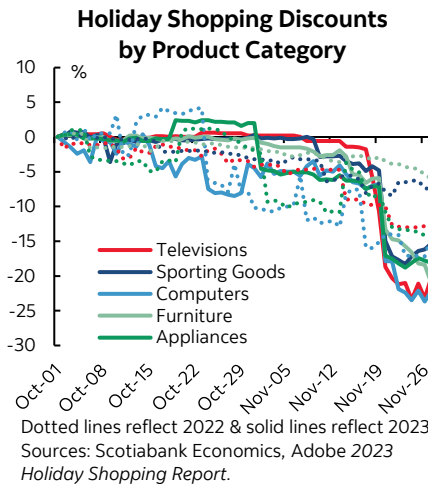
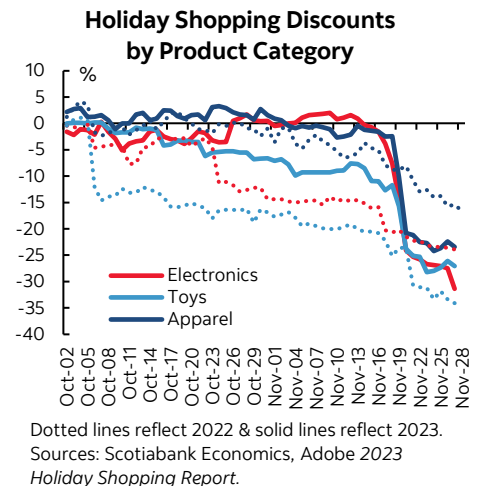


Chart 4



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	Canada - BoC	5.00	
	4.68	4.71	4.58	4.20	4.25	4.14	4.19	4.23	4.17	4.28	4.33	4.30			
	4.20	4.15	4.12	3.54	3.49	3.52	3.42	3.37	3.44	3.21	3.18	3.25	US - Fed	5.50	
	2.69	2.71	2.61	2.20	2.24	2.19	2.22	2.27	2.25	2.40	2.46	2.45	England - BoE	5.25	
	0.07	0.09	0.04	0.31	0.35	0.26	0.72	0.77	0.67	1.73	1.76	1.67	Euro zone - ECB	4.50	
	4.49	4.61	4.51	4.03	4.15	4.06	3.95	4.08	4.03	4.45	4.55	4.57	Japan - BoJ	-0.10	
	Spreads vs. U.S. (bps):												Mexico - Banxico	11.25	
	-48	-56	-46	-66	-76	-61	-77	-86	-72	-107	-115	-104			
	-199	-200	-197	-201	-201	-195	-197	-196	-192	-188	-187	-185			Australia - RBA
-461	-462	-454	-390	-390	-388	-347	-347	-350	-256	-257	-263	New Zealand - RBNZ			5.50
-19	-10	-6	-17	-10	-8	-24	-16	-14	16	22	27	Next Meeting Date			
Equities	Level						% change:								
	Last	Change		1 Day		1-wk	1-mo		1-yr						
S&P/TSX	20318	-13.2		-0.1		-0.5	3.4		1.5		Canada - BoC		Jan 24, 2024		
Dow 30	36405	157.1		0.4		0.6	6.2		7.1		US - Fed		Dec 13, 2023		
S&P 500	4622	18.1		0.4		1.2	4.7		15.8		England - BoE		Dec 14, 2023		
Nasdaq	14432	28.5		0.2		1.7	4.6		29.5		Euro zone - ECB		Dec 14, 2023		
DAX	16765	-29.3		-0.2		1.4	10.0		17.2		Japan - BoJ		Dec 19, 2023		
FTSE	7572	26.6		0.4		1.1	2.9		1.7		Mexico - Banxico		Dec 14, 2023		
Nikkei	32844	51.9		0.2		0.2	0.8		18.0		Australia - RBA		Feb 05, 2024		
Hang Seng	16375	173.0		1.1		0.3	-4.8		-15.9		New Zealand - RBNZ		Feb 27, 2024		
CAC	7556	4.4		0.1		2.3	7.3		13.6						
Commodities	Level						% change:								
WTI Crude	71.08	-0.24		-0.3		-1.7	-7.9		-2.9		Canada - BoC		Jan 24, 2024		
Natural Gas	2.44	0.00		0.2		-10.1	-19.7		-63.0		US - Fed		Dec 13, 2023		
Gold	1987.81	5.87		0.3		-1.6	2.5		11.6		England - BoE		Dec 14, 2023		
Silver	22.92	-0.87		-3.7		-8.9	1.9		-0.8		Euro zone - ECB		Dec 14, 2023		
CRB Index	261.77	-1.06		-0.4		-2.2	-4.2		-2.8		Japan - BoJ		Dec 19, 2023		
Currencies	Level						% change:								
USDCAD	1.3566	-0.0008		-0.1		-0.2	-1.7		-0.5		Mexico - Banxico		Dec 14, 2023		
EURUSD	1.0799	0.0034		0.3		0.0	0.9		2.5		Australia - RBA		Feb 05, 2024		
USDJPY	145.10	-1.0600		-0.7		-1.4	-4.4		5.4		New Zealand - RBNZ		Feb 27, 2024		
AUDUSD	0.6591	0.0023		0.4		0.6	3.4		-2.3						
GBPUSD	1.2566	0.0011		0.1		-0.2	2.3		2.4						
USDCHF	0.8749	-0.0035		-0.4		-0.0	-3.0		-6.6						

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