

### DAILY POINTS

December 20, 2023 @ 6:35 EST

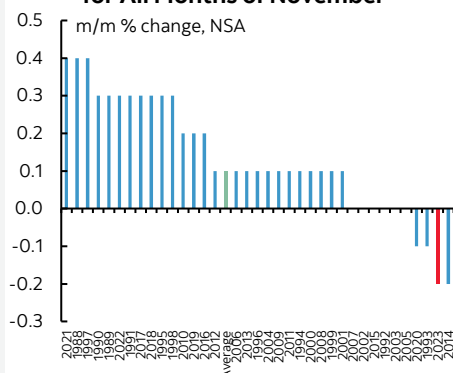
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Chart 1

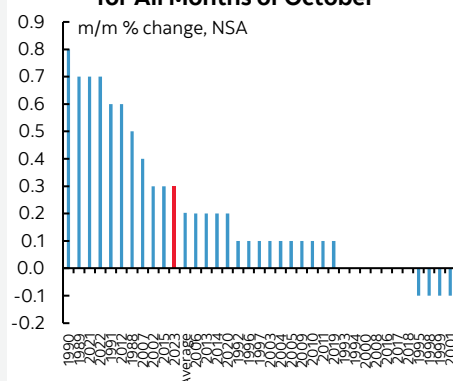
#### Comparing UK Core CPI for All Months of November



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 2

#### Comparing UK Core CPI for All Months of October



Sources: Scotiabank Economics, UK Office for National Statistics.

#### On Deck for Wednesday, December 20

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12-20	07:00	MBA Mortgage Applications (w/w)	Dec 15	--	--	7.4
US	12-20	08:30	Current Account (US\$ bn)	3Q	--	-196.0	-212.1
US	12-20	10:00	Consumer Confidence Index	Dec	103	104.0	102.0
US	12-20	10:00	Existing Home Sales (mn a.r.)	Nov	3.8	3.8	3.8
US	12-20	10:00	Existing Home Sales (m/m)	Nov	0.3	-0.5	-4.1

#### KEY POINTS:

- Sovereign yields move lower after a pair of European inflation readings
- Gilts bull steepen as core inflation posts one of the weakest Novembers on record...
- ...but it's still just one print after a string of hotter than usual readings
- German producer prices mostly followed commodities lower
- Chinese banks left their lending rates unchanged as expected
- US consumer confidence is expected to improve
- BoC's Summary of Deliberations may be stale on arrival

Thank you for an early Christmas present, Colorado. There is hope for adherence to the US Constitution and for fair justice in general. Now let's see whether Trump really did buy off the Supreme Court.

Sovereign yields are rallying and led by the UK on renewed pile on effects into global rate cut bets driven by one data point in one country. Some of the rally in US Ts preceded the European data. Stocks are mixed with London leading the few gainers and US futures lower with TSX futures flat. The USD is little changed on a DXY basis with sterling the main downside performer and the yen and won the main gainers. Oil is up a buck.

The main focal points include the aftermath of soft European inflation readings ahead of some US macro data and more BoC communications.

Chinese banks left their 1- and 5-year lending rates unchanged as expected.

UK CPI tumbled by more than expected and that drove yields on gilts sharply lower in a bull steepener move with 2s rallying 14bps and 10s down 9bps. Sterling is leading decliners to the USD. Markets doubled pricing for a March rate cut with about 50–50 odds now while shifting to more than fully price a cut by May. Those are big moves on one data point. Core CPI in m/m NSA terms was among the weakest on record compared to like months of November in history (chart 1). That pulled the y/y core rate down from 5.7% y/y to 5.1% (consensus 5.6%) for a sizable downward surprise. Is it overdone? Perhaps, as it is just one month of data after a long string of hotter than seasonally normal m/m gains (charts 2–4).

German producer prices fell 0.5% m/m in November (-0.3% consensus) which is broadly in line with the softer tone in commodities last month. Energy prices fell 1.4% m/m, but PPI ex-energy also slipped by just -0.1% m/m with a small dip in food prices contributing alongside flat consumer and capital goods prices. This data reinforced UK CPI in contributing to dearer EGBs.

On tap into the N.A. session will be the following matters.

US consumer confidence (10amET) is expected to improve in December's reading, given improved cash flow (recently faster wage growth, lower gasoline prices), and lower mortgage rates amid easier financial conditions including equities. The Conference Board's measure is more driven by employment conditions than the UoM gauge.

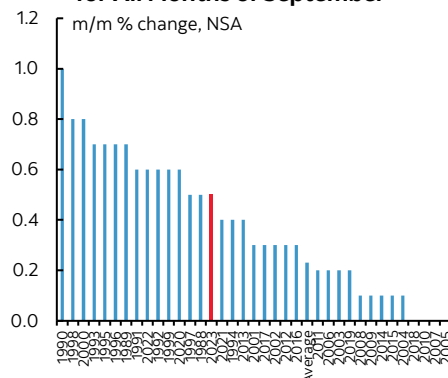
December 20, 2023

The BoC's Summary of Deliberations in the lead-up to the December 6<sup>th</sup> decision will be released in the afternoon (1:30pmET). Watch for further discussion around the range of opinion on whether to retain a hike bias in addition to potential further guidance on the guideposts for eventually easing. The Summary might be a tad stale given the Fed and given Canadian CPI.

The US also updates existing home sales for November (10amET). They may hold steady at about 3.8 million SAAR given tracking of pending sales.

Chart 3

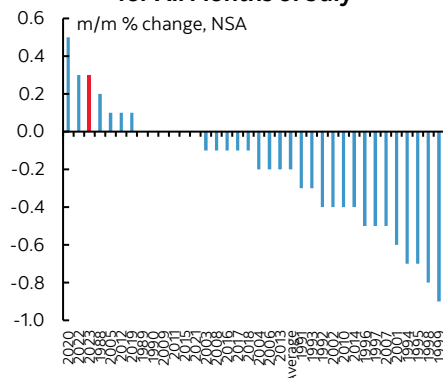
### Comparing UK Core CPI for All Months of September



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 4

### Comparing UK Core CPI for All Months of July



Sources: Scotiabank Economics, UK Office for National Statistics..

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. 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
	4.38	4.44	4.43	3.89	3.94	3.97	3.89	3.93	4.02	4.01	4.04	4.18		
	3.99	3.99	4.22	3.27	3.29	3.54	3.14	3.16	3.40	2.95	2.96	3.21		
	2.46	2.51	2.67	1.95	2.00	2.17	1.98	2.02	2.17	2.18	2.21	2.35		
JAPAN	0.05	0.08	0.06	0.20	0.25	0.27	0.56	0.63	0.69	1.50	1.56	1.66	US - Fed	5.50
U.K.	4.14	4.29	4.38	3.54	3.68	3.89	3.56	3.65	3.83	4.10	4.15	4.33	England - BoE	5.25
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):												Euro zone - ECB	4.50
	-39	-45	-21	-62	-65	-43	-75	-77	-62	-106	-108	-97		
	-192	-193	-176	-193	-194	-180	-191	-192	-184	-183	-183	-183		
	-433	-437	-437	-369	-369	-370	-333	-330	-332	-251	-248	-252		
	JAPAN	-433	-437	-437	-369	-369	-370	-333	-330	-332	-251	-248	-252	Japan - BoJ
U.K.	-24	-15	-5	-35	-26	-9	-33	-28	-19	9	11	16	Mexico - Banxico	11.25
Equities	Level						% change:						Next Meeting Date	
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							
	20840	216.9		1.1	3.0	2.9	7.9							
	37558	251.9		0.7	2.7	6.8	14.3							
	4768	27.8		0.6	2.7	4.9	24.8							
	15003	98.0		0.7	3.2	5.0	42.2							
	16730	-14.6		-0.1	-0.2	5.2	20.5							
	7687	49.2		0.6	1.8	2.5	4.3							
	33676	456.6		1.4	2.3	0.9	26.8							
	16614	108.8		0.7	2.4	-6.5	-13.0							
CAC	7579	4.2		0.1	0.6	4.6	17.5	US - Fed	Jan 31, 2024					
Commodities	Level						% change:						Next Meeting Date	
WTI Crude	74.91	0.97		1.3	7.8	-3.5	-1.6							
Natural Gas	2.54	0.05		2.0	8.9	-11.8	-52.3							
Gold	2033.55	-6.80		-0.3	0.3	2.8	11.9							
Silver	23.91	-0.03		-0.1	4.2	-0.4	2.9							
CRB Index	267.70	1.80		0.7	3.7	-3.2	-1.7	Japan - BoJ	Jan 23, 2024					
Currencies	Level						% change:						Next Meeting Date	
USDCAD	1.3337	0.0004		0.0	-1.3	-2.8	-2.0							
EURUSD	1.0940	-0.0041		-0.4	0.6	0.0	3.0							
USDJPY	143.41	-0.4300		-0.3	0.4	-3.4	8.9							
AUDUSD	0.6768	0.0005		0.1	1.6	3.2	1.3							
GBPUSD	1.2653	-0.0079		-0.6	0.3	1.2	3.9	New Zealand - RBNZ	Feb 27, 2024					
USDCHF	0.8628	0.0019		0.2	-1.0	-2.5	-6.8							

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