

DAILY POINTS

December 22, 2023 @ 6:55 EST

Contributors

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Chart 1

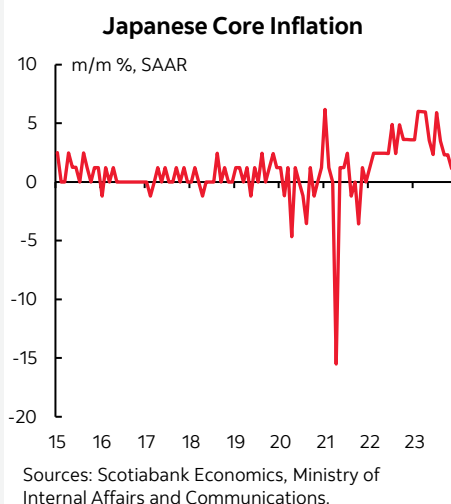
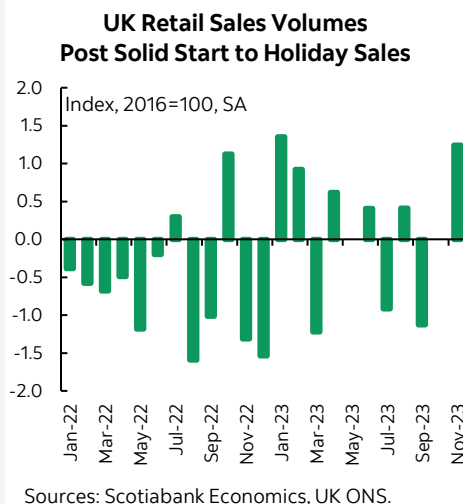


Chart 2



On Deck for Friday, December 22

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12-22	08:30	Real GDP (m/m)	Oct	0.2	0.1	0.1
US	12-22	08:30	Durable Goods Orders (m/m)	Nov P	3.5	2.2	-5.4
US	12-22	08:30	Durable Goods Orders ex. Trans. (m/m)	Nov P	0.2	0.1	0.0
US	12-22	08:30	PCE Deflator (m/m)	Nov	0	0.0	0.0
US	12-22	08:30	PCE Deflator (y/y)	Nov	2.8	2.8	3.0
US	12-22	08:30	PCE ex. Food & Energy (m/m)	Nov	0.2	0.2	0.2
US	12-22	08:30	PCE ex. Food & Energy (y/y)	Nov	3.4	3.3	3.5
US	12-22	08:30	Personal Spending (m/m)	Nov	0.2	0.3	0.2
US	12-22	08:30	Personal Income (m/m)	Nov	0.5	0.4	0.2
US	12-22	10:00	New Home Sales (000s a.r.)	Nov	650	688.0	679.0
US	12-22	10:00	U. of Michigan Consumer Sentiment	Dec F	--	69.4	69.4

KEY POINTS:

- **Global markets in holiday mode**
- **UK consumers smashed expectations**
- **Japanese core inflation is trending lower, supporting a cautious BoJ**
- **Canadian GDP: Likely a solid October, November question mark**
- **Will US core PCE land softer than core CPI?**
- **US consumer data will kick off holiday tracking**
- **Key to durable goods orders will be core**
- **US new home sales expected to rebound**
- **Global Week Ahead—Double Holiday Edition!**

Please see the Global Week Ahead—Double Holiday Edition! [here](#) in publication format and the accompanying summary deck should be in your inboxes. This issue covers expectations through to January 5th 2024; the first week will be light, but the first week of 2024 will be packed with key developments.

The last day before Christmas will go out with a bang as several macro reports are digested. Thus far, the market effects are small. Early closes will likely give a concentrated period for N.A. markets to react as Canadian bonds shut at 1pmET and US bond markets shut at 2pmET.

The dollar is very slightly weaker primarily against sterling and Scandies. Gilts are a touch richer despite a strong beat on retail sales. N.A. equity futures are little changed and ditto for European cash markets. US core PCE and consumer data poses mild risk and so does Canadian GDP.

Japanese core CPI was weak in November and reinforces the lack of any BoJ urgency to end negative rates. Ex-food and energy prices were up by only 1.1% m/m SAAR following a pair of 2.3% prior gains which gives three months of increases that are signalling a material softening from earlier in the year and over 2022H2. The trend is pointed lower (chart 1).

A question is whether this is a soft patch driven by waning effects of the prior passthrough of oil and yen movements that could rise again with support from what could be the two strongest back-to-back years for wage gains since the early 1990s depending upon Spring negotiations. There is one more inflation reading before the BoJ's next decision on January 23rd.

UK retail sales volumes strongly beat expectations along with positive revisions. Total sales were up 1.3% m/m in November (consensus 0.4%) and October was revised up a bit to flat from a mild -0.3% drop (chart 2). Sales ex-fuel were also up 1.3% (consensus +0.3%)

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and the prior month was revised up three-tenths to +0.2%. There was high breadth to the gain with household goods up 3.5% m/m, clothing and footwear up 1.3%, food up 0.8%, and most of it was done in person as a proxy for e-commerce sales was only up 0.2%.

Here's what's on tap into the North American session.

Canadian GDP—Solid Growth?

October's reading is expected to grow by 0.2% m/m based on StatCan 'flash' guidance but as noted above I think there may be upside risk. We'll also get the first preliminary estimate for November GDP that will advance tracking of Q4 growth. One upside is likely to be the retail sector. October's sales volumes were up by 1.4% m/m SA and while Statcan only provided vague guidance that November's sales in value terms were "relatively unchanged" we can probably infer likewise for volumes. The math works out to tracking a 5.5% q/q surge in retail sales volumes in Q4 over Q3 (chart 3).

US core PCE—Soft with a Revisions Question Mark

How do yesterday's downward revisions to Q3 core inflation impact tracking? I'm not sure. We can't tell if October may be revised which in turn depends upon how the monthly revisions worked through Q3 including September. Therefore, we can't really say with much confidence what the jumping off point for November may be like now. Before all of this happened, most were expecting 0.2% m/m which would be a touch softer than the 0.3% rise in core CPI for the same month. Core PCE has been tending to undershoot core CPI given its different methodology including a much lower weight on shelter (chart 4).

US Income Growth and Consumer Spending

A decent gain in consumption on the back of November's holiday sales is expected to be accompanied by a stronger rise in incomes largely through the wages and salaries component (8:30amET).

US Durable Goods Orders—Key Will be Core

November's tally is expected to sharply rebound based on transportation orders but watch core orders that have been weak of late (8:30amET). Order levels are high but growth momentum has stalled out (chart 5).

US New Home Sales Expected to Rebound

November's sales are expected to rise partly due to higher model home foot traffic that serves as a leading indicator (1030amET).

Chart 3

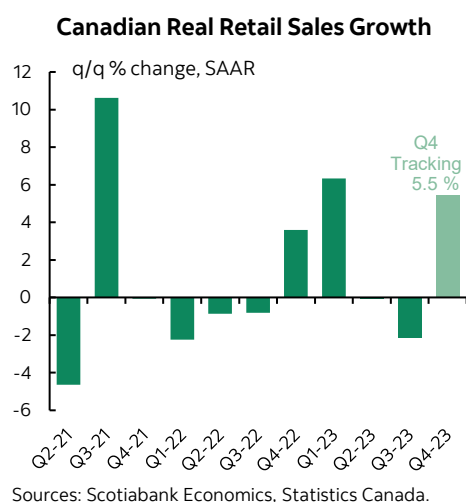


Chart 4

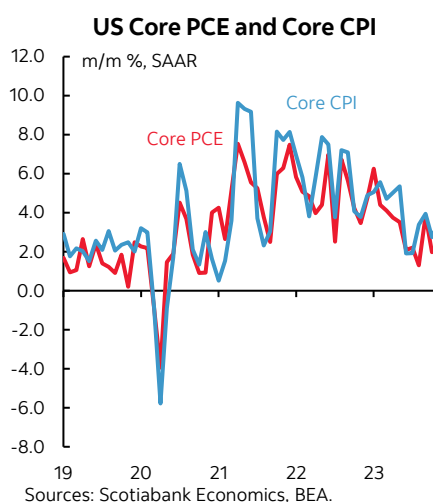


Chart 5



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		
	4.33	4.35	4.45	3.85	3.88	3.91	3.86	3.89	3.91	4.00	4.03	4.01				
	3.95	3.90	3.91	3.24	3.17	3.24	3.12	3.05	3.15	2.99	2.89	2.97				
	2.44	2.45	2.50	1.94	1.93	2.00	1.97	1.96	2.02	2.19	2.17	2.22				
0.06	0.05	0.08	0.25	0.22	0.30	0.63	0.58	0.70	1.58	1.52	1.63	US - Fed	5.50			
4.06	4.07	4.29	3.47	3.49	3.74	3.52	3.53	3.69	4.08	4.09	4.16			England - BoE	5.25	
CANADA	Spreads vs. U.S. (bps):												Euro zone - ECB			4.50
GERMANY	-37	-45	-54	-62	-70	-67	-74	-84	-76	-102	-114	-104				
JAPAN	-188	-190	-194	-192	-195	-191	-189	-193	-190	-181	-186	-179		Japan - BoJ	-0.10	
U.K.	-427	-430	-437	-361	-366	-361	-323	-331	-322	-242	-251	-238				
Equities	-27	-28	-16	-38	-38	-17	-34	-36	-22	8	5	15	Mexico - Banxico	11.25		
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Level			Change			1 Day		1-wk	1-mo	1-yr	Australia - RBA	4.35			
	Last			Change			1 Day		1-wk	1-mo	1-yr					
	20766			164.9			0.8		-0.1	3.2	7.3					
	37404			322.3			0.9		0.4	6.0	13.3					
	4747			48.4			1.0		0.6	4.2	24.2	New Zealand - RBNZ	5.50			
	14964			185.9			1.3		1.4	4.9	42.8					
	16680			-7.7			-0.0		-0.4	4.5	19.9	Next Meeting Date				
	7703			8.3			0.1		1.7	3.1	3.1	Canada - BoC	Jan 24, 2024			
	33169			28.6			0.1		0.6	-0.8	25.1					
	16340			-280.7			-1.7		-2.7	-7.9	-17.0	US - Fed	Jan 31, 2024			
7573			1.7			0.0		-0.3	4.3	16.2						
Commodities	Level			Change			1 Day		1-wk	1-mo	1-yr	England - BoE	Feb 01, 2024			
WTI Crude	74.56			0.67			0.9		4.4	-3.3	-3.8					
Natural Gas	2.61			0.04			1.4		4.7	-9.9	-47.8					
Gold	2059.51			13.56			0.7		2.0	3.5	14.9					
Silver	24.19			0.22			0.9		0.8	2.8	1.2					
CRB Index	266.08			-0.31			-0.1		0.7	-3.3	-2.8	Japan - BoJ	Jan 23, 2024			
Currencies	Level			Change			1 Day		1-wk	1-mo	1-yr	Mexico - Banxico	Feb 08, 2024			
USDCAD	1.3274			-0.0009			-0.1		-0.8	-3.0	-2.8					
EURUSD	1.1026			0.0015			0.1		1.2	1.3	4.1					
USDJPY	141.98			-0.1400			-0.1		-0.1	-5.1	7.3					
AUDUSD	0.6810			0.0008			0.1		1.7	4.1	2.1					
GBPUSD	1.2737			0.0047			0.4		0.4	1.9	5.8	New Zealand - RBNZ	Feb 27, 2024			
USDCHF	0.8536			-0.0026			-0.3		-1.9	-3.4	-8.3					

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