

**KEY POINTS:**

- Risk-on as month-end approaches
- Canada's second wave is among the world's worst
- Will US consumer confidence follow UoM higher...
- ...and provide a clue to where nonfarm may land?
- German, French, Tokyo inflation due out
- US Presidential debate 9pmET tomorrow night

**TODAY'S NORTH AMERICAN MARKETS**

Credit month-end rebalancing? Maybe, but I can't think of another compelling reason for the sudden snapback in equities after things were looking fairly negative earlier this morning. The month's correction in equities may have created an opportunity to pivot back toward risk at cheaper entry points. Pure speculation toward Brexit negotiations is as yet little informed by material visible progress. Covid-19 case trends are diverging globally.

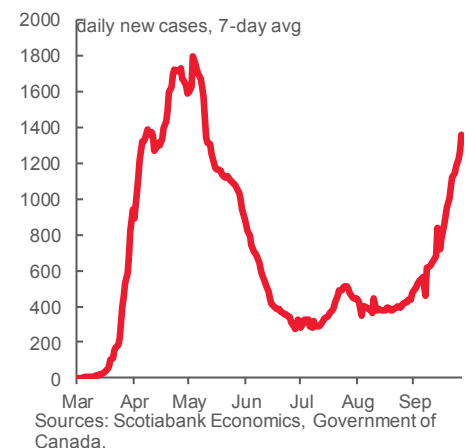
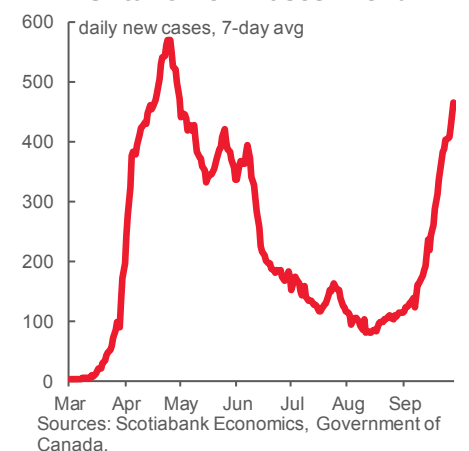
- Stocks rallied pretty much everywhere today. The strongest gains were in Frankfurt (3.2%) with other European exchanges up by over 2% except for London's 1 ½% rise. US equities were up by 1 ¼% with Toronto up by about 1%. Rallies were marked by significant breadth.
- Sovereign bonds were little changed except for cheapening concentrated at the long ends in the US and Canada (+2–3bps). The gilts curve also cheapened a touch on earlier morning guidance against negative rates from BoE Deputy Governor Ramsden and reported progress in Brexit negotiations.
- Oil prices were up by either side of 1% with gold up 1%.
- The USD depreciated a touch and mainly versus European crosses as CAD and the Mexican peso underperformed.

**Canada is definitely in the grips of a second wave of covid-19 cases that ranks among the worst as the country appears to have prematurely lowered its guard.** Charts 1 and 2 depict the increases. Geniuses like the unmasked folks at the Wasaga Beach event in Ontario this past weekend (go ahead and google some pics) are ensuring that further outbreaks will continue which should make every unemployed Canadian and business that's struggling for its survival thoroughly outraged for their callousness. This merits enhanced emphasis upon scenarios and contingencies. See the updated charts at the back of this note for global covid-19 cases as well as a breakdown of Canada's covid-19 case trends by province. Ontario hit a single-day record of 700 cases today which took its seven day smoothed moving average even closer to the peak in May. Canada's renewed outbreak is among the world's worst as cases in Latin American subside with the exception of Argentina, US cases are trending upward but at a cooler pace than in Canada, several large European countries are trending upward and Asia's experience is mixed thus far.

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**Chart 1**
**Canadian New Cases Trend**

**Chart 2**
**Ontario New Cases Trend**


## OVERNIGHT MARKETS

There is nothing due overnight that is likely to roil markets rather than to perhaps incrementally inform ECB risks.

**Japan updates the September print for Tokyo CPI tonight (7:30pm ET).** This is a precursor to nationwide CPI which isn't released until late October and tends to follow Tokyo inflation. Headline Tokyo CPI is expected to slow two tenths to 0.1% y/y, which is approximately where the gauge was during the height of the pandemic. Core CPI is expected to remain disinflationary at -0.3% y/y. While the Japanese government is beginning to ease travel and recreational restrictions, inflation is not likely to rebound in Q4. Beginning in October, Tokyo will be included in the Government's Go To Travel campaign, which is aimed at spurring on the recovery to Japan's tourism industry. There will likely be a transitory drag on travel prices moving forward as the initiative offers heavy subsidies to tourists.

**The path to Friday's Eurozone inflation numbers that might inform ECB risks starts overnight. Germany updates September CPI (3am–8am ET).** Regional inflation indicators will be released starting at 3am and concluding with the nationwide and EU harmonized inflation (HICP) figures at 8am. Germany's HICP is expected to remain at -0.1% y/y as registered in August. As part of Germany's stimulus package, the government cut the VAT by 3 percentage points for regular goods and 2 percentage points for food items. The VAT cut will be in place until the end of the year is expected to weight on German inflation through the incentive's duration.

**September Spanish CPI will also be released (3amET).** Inflation is expected to remain at -0.5% y/y as energy prices and travel prices will provide most of the disinflationary pressure.

## TOMORROW'S NORTH AMERICAN MARKETS

**One of tomorrow's US macro releases may further inform expectations for Friday's nonfarm payrolls report** while it's difficult to imagine what else Fed speakers may have to say that would matter to markets at this juncture. All of this may be a warm-up to the first Presidential debate tomorrow night at 9pmET.

Are jobs more plentiful or harder to find in September compared to the prior month? The answer to this question may matter in terms of expectations for Friday's nonfarm payrolls report and it will be contained within the Conference Board's measure of consumer confidence. If the improvement in the University of Michigan's sentiment survey (78.9, 74.1 prior) was any indication, then the mid-month reading could portend a follow-up gain in the Conference Board's measure at 10amET.

Otherwise, the rest of the calendar will be pretty light with just the US advance merchandise trade balance for August (8:30amET), US repeat home sale prices for July (9amET) and several Fed speakers. Each of NY Fed President Williams (9:15amET, 1pmET), Philly Fed President Harker (9:30amET), Vice Chair Clarida (11:40amET) and Vice Chair Quarles (1pmET, 3pmET) will speak.

Chart 3

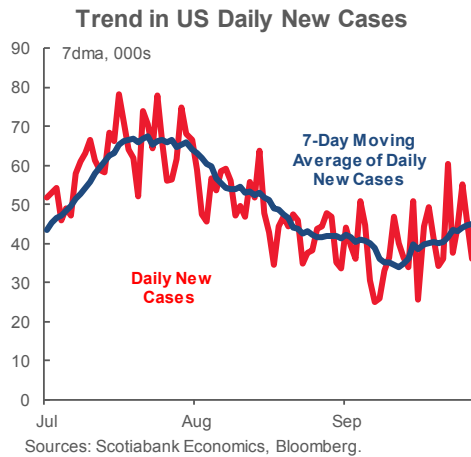


Chart 4

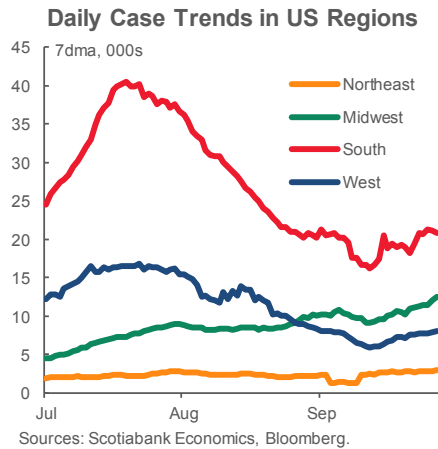


Chart 5

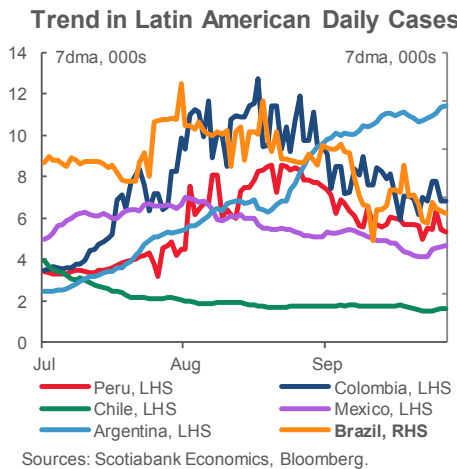


Chart 6

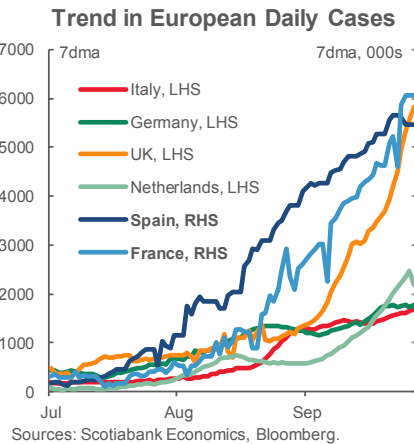


Chart 7

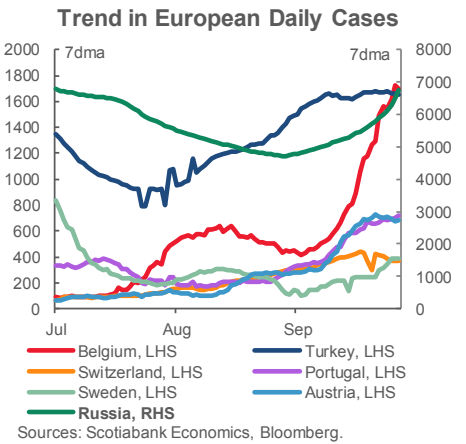


Chart 8

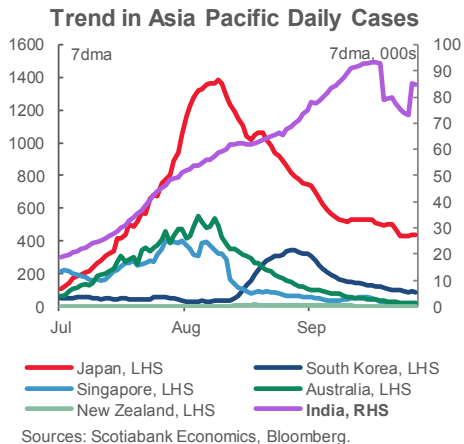


Chart 9

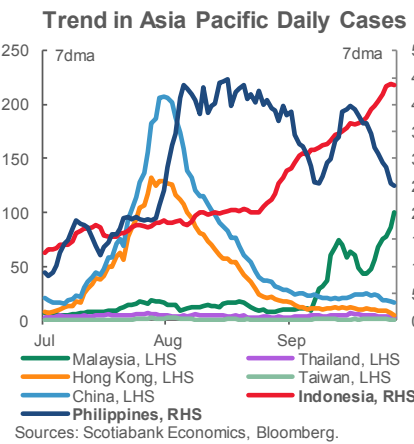


Chart 10

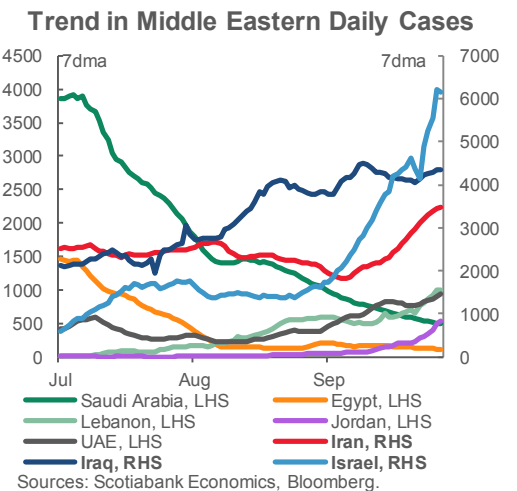


Chart 11

**British Columbia New Cases Trend**

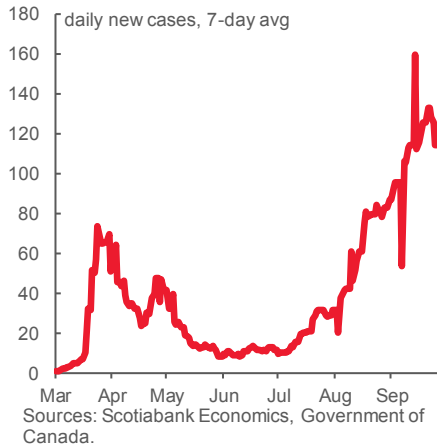


Chart 12

**Quebec New Cases Trend**

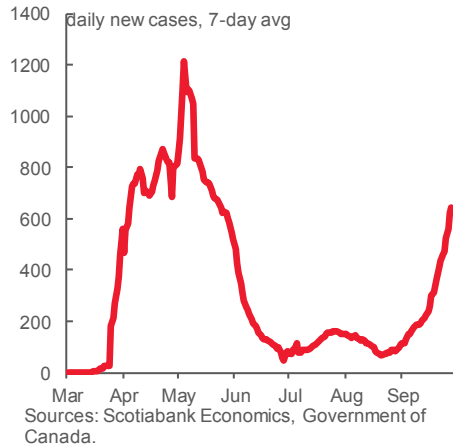


Chart 13

**Alberta New Cases Trend**

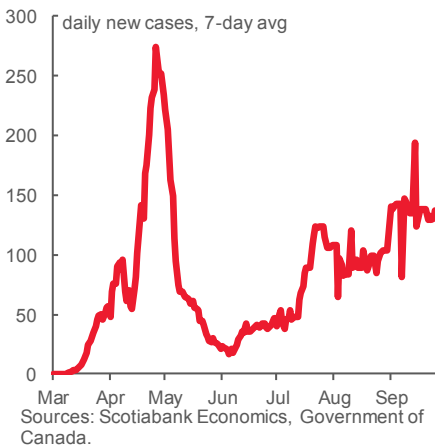


Chart 14

**Saskatchewan New Cases Trend**

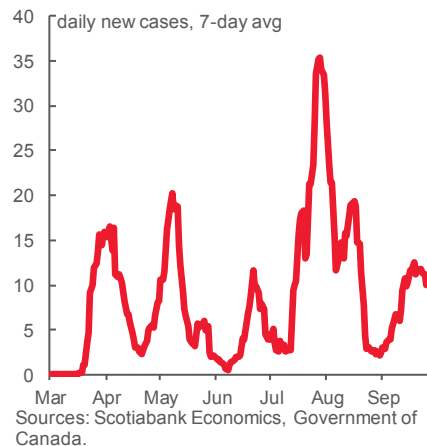


Chart 15

**Manitoba New Cases Trend**

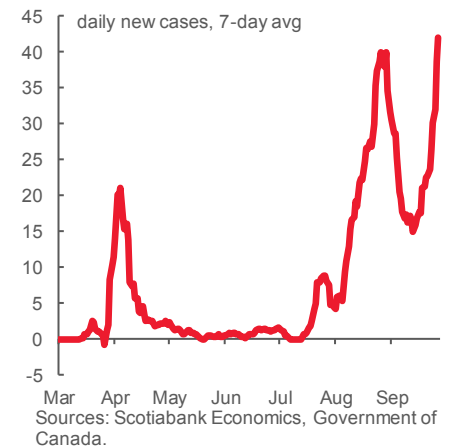


Chart 16

**New Brunswick New Cases Trend**

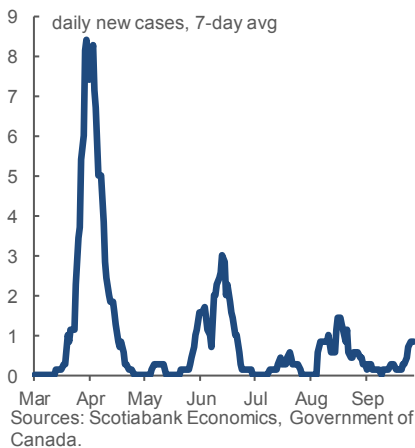


Chart 17

**Newfoundland New Cases Trend**

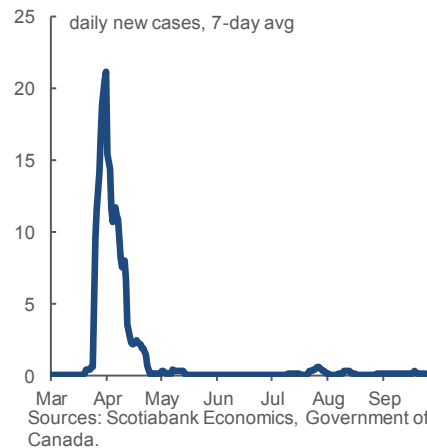
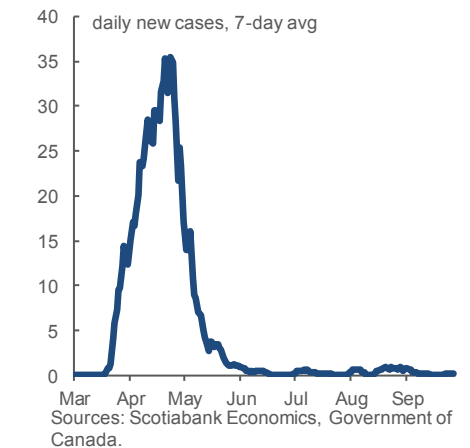


Chart 18

**Nova Scotia New Cases Trend**



| 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.         | 0.13                         | 0.13  | 0.14  | 0.26    | 0.27  | 0.27  | 0.66      | 0.66  | 0.67  | 1.42    | 1.40  | 1.42              | Canada - BoC       | 0.25         |
| CANADA       | 0.25                         | 0.25  | 0.26  | 0.35    | 0.35  | 0.35  | 0.55      | 0.54  | 0.55  | 1.10    | 1.07  | 1.07              | US - Fed           | 0.25         |
| GERMANY      | -0.70                        | -0.71 | -0.73 | -0.72   | -0.72 | -0.73 | -0.53     | -0.53 | -0.53 | -0.09   | -0.10 | -0.10             | England - BoE      | 0.10         |
| JAPAN        | -0.14                        | -0.15 | -0.14 | -0.11   | -0.12 | -0.11 | 0.02      | 0.01  | 0.02  | 0.62    | 0.61  | 0.59              | Euro zone - ECB    | 0.00         |
| U.K.         | -0.06                        | -0.07 | -0.12 | -0.08   | -0.09 | -0.14 | 0.20      | 0.19  | 0.16  | 0.74    | 0.73  | 0.72              | Japan - BoJ        | -0.10        |
|              | Spreads vs. U.S. (bps):      |       |       |         |       |       |           |       |       |         |       |                   |                    |              |
| CANADA       | 12                           | 12    | 12    | 9       | 8     | 8     | -11       | -12   | -12   | -32     | -33   | -34               | Mexico - Banxico   | 4.25         |
| GERMANY      | -83                          | -84   | -86   | -98     | -99   | -99   | -119      | -119  | -120  | -151    | -150  | -151              | Australia - RBA    | 0.25         |
| JAPAN        | -26                          | -28   | -28   | -37     | -38   | -38   | -63       | -65   | -65   | -80     | -79   | -83               | New Zealand - RBNZ | 0.25         |
| U.K.         | -18                          | -20   | -26   | -35     | -36   | -40   | -46       | -47   | -51   | -68     | -67   | -70               |                    |              |
| Equities     | Level                        |       |       | Change  |       |       | % change: |       |       |         |       | Next Meeting Date |                    |              |
|              | Last                         |       |       |         |       |       | 1 Day     | 1-wk  | 1-mo  | 1-yr    |       |                   |                    |              |
| S&P/TSX      | 16228                        |       |       | 163.1   |       |       | 1.0       | 1.5   | -2.9  | -2.8    |       |                   | Canada - BoC       | Oct 28, 2020 |
| Dow 30       | 27569                        |       |       | 395.1   |       |       | 1.5       | 1.6   | -3.8  | 2.8     |       |                   | US - Fed           | Nov 05, 2020 |
| S&P 500      | 3354                         |       |       | 55.8    |       |       | 1.7       | 2.2   | -4.4  | 13.3    |       |                   | England - BoE      | Nov 05, 2020 |
| Nasdaq       | 11109                        |       |       | 195.6   |       |       | 1.8       | 3.1   | -5.0  | 39.9    |       |                   | Euro zone - ECB    | Oct 29, 2020 |
| DAX          | 12871                        |       |       | 401.7   |       |       | 3.2       | 2.6   | -1.2  | 4.0     |       |                   | Japan - BoJ        | Oct 29, 2020 |
| FTSE         | 5928                         |       |       | 85.3    |       |       | 1.5       | 2.1   | -0.6  | -20.2   |       |                   |                    |              |
| Nikkei       | 23512                        |       |       | 307.0   |       |       | 1.3       | 0.8   | 2.7   | 7.5     |       |                   |                    |              |
| Hang Seng    | 23476                        |       |       | 240.6   |       |       | 1.0       | -2.0  | -7.7  | -9.6    |       |                   |                    |              |
| CAC          | 4843                         |       |       | 113.6   |       |       | 2.4       | 1.1   | -3.2  | -14.1   |       |                   |                    |              |
| Commodities  | Level                        |       |       | Change  |       |       | % change: |       |       |         |       |                   |                    |              |
|              |                              |       |       |         |       |       |           |       |       |         |       |                   |                    |              |
| WTI Crude    | 40.59                        |       |       | 0.34    |       |       | 0.8       | 3.3   | -5.5  | -27.4   |       |                   |                    |              |
| Natural Gas  | 2.10                         |       |       | -0.04   |       |       | -1.8      | 14.5  | -20.9 | -12.6   |       |                   |                    |              |
| Gold         | 1881.08                      |       |       | 19.49   |       |       | 1.0       | -1.6  | -4.3  | 25.7    |       |                   |                    |              |
| Silver       | 22.63                        |       |       | 0.41    |       |       | 1.8       | -16.4 | -14.6 | 21.9    |       |                   |                    |              |
| CRB Index    | 148.73                       |       |       | 0.37    |       |       | 0.2       | 0.6   | -3.1  | -15.4   |       |                   |                    |              |
| Currencies   | Level                        |       |       | Change  |       |       | % change: |       |       |         |       |                   |                    |              |
|              |                              |       |       |         |       |       |           |       |       |         |       |                   |                    |              |
| USDCAD       | 1.3379                       |       |       | -0.0007 |       |       | -0.1      | 0.5   | 2.1   | 1.0     |       |                   | Mexico - Banxico   | Nov 12, 2020 |
| EURUSD       | 1.1670                       |       |       | 0.0039  |       |       | 0.3       | -0.9  | -2.0  | 7.1     |       |                   | Australia - RBA    | Oct 05, 2020 |
| USDJPY       | 105.47                       |       |       | -0.1100 |       |       | -0.1      | 0.8   | 0.1   | -2.4    |       |                   | New Zealand - RBNZ | Nov 10, 2020 |
| AUDUSD       | 0.7071                       |       |       | 0.0040  |       |       | 0.6       | -2.1  | -4.0  | 4.8     |       |                   |                    |              |
| GBPUSD       | 1.2835                       |       |       | 0.0089  |       |       | 0.7       | 0.1   | -3.9  | 4.4     |       |                   |                    |              |
| USDCHF       | 0.9245                       |       |       | -0.0038 |       |       | -0.4      | 1.1   | 2.2   | -7.3    |       |                   |                    |              |

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