

KEY POINTS:

- Market sentiment sours as US stimulus talks drag on
- Global covid-19 trends in pictures
- The BoC's twin business and consumer surveys in charts
- Fed's Clarida repeats more needed, not out of ammo
- Light calendar-based risk overnight through tomorrow

TODAY'S NORTH AMERICAN MARKETS

A lack of obvious traction toward a US fiscal stimulus deal knocked risk appetite down a peg or two as the day wore on and particularly toward the end of the session. Stimulus headlines will remain dominant through tonight into tomorrow's Pelosi-imposed deadline. Otherwise, global calendar-based risk will be light. The weekly round-up of global covid-19 cases is provided in chart form along with the main takeaways from the Bank of Canada's twin business and consumer surveys.

- US stocks fell by 1½% to just over that in the case of the Nasdaq. Canada fell by about ¾%. European markets sold off by a lesser amount on average because they shut before the fun really started in North American trading.
- Sovereign curves still wound up bear steepening a touch in the US and Canada. European markets saw Brexit headlines richen the gilts curve slightly while the main move in EGBs was to widen Italian and peripheral spreads.
- Oil prices fell by a few dimes with gold little changed.
- Currency markets generally still sold the greenback, but fiscal headlines this afternoon turned the dollar around somewhat. By the end of the session the Mexican peso sank to the weakest performer among major and semi-major crosses.

US fiscal stimulus talks dragged on today with no apparent deal in sight.

As this note is being sent, we are awaiting guidance following a 3pmET call between US House Speaker Pelosi and US Treasury Secretary Mnuchin. Lower than even odds are likely attached to getting a sizeable package before tomorrow's deadline that Pelosi imposed.

US Fed Vice Chair Clarida's speech on the economic outlook and monetary policy contained no surprises ([here](#)). His main takeaway is that more monetary and fiscal policy stimulus is probably needed and that the Fed is not out of ammunition.

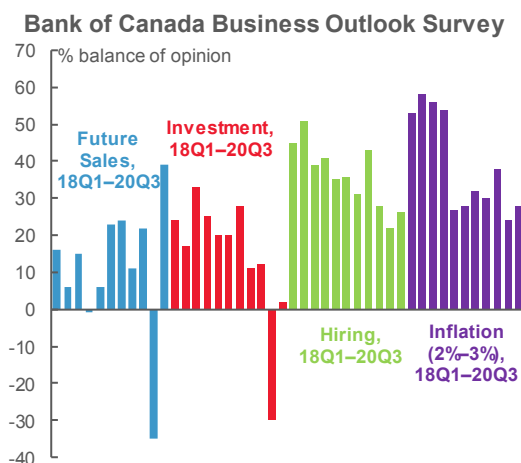
The Bank of Canada's Business Outlook Survey ([here](#)) did not garner much attention by markets. It showcased improvement in measures like expectations for future sales growth, investment in new capacity and hiring plans as well as inflation expectations during Q3 compared to Q2. That was expected to reflect reopening efforts. The survey is nevertheless stale as it was conducted between August 24th and September 16th and hence before most of the second wave

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Chart 1



Sources: Scotiabank Economics, Bank of Canada.

upturn in covid-19 cases. Charts 1–4 depict various aspects of what the limited size of 100 respondents across industries and regions said and the correlations with 'hard' data.

The Bank of Canada also updated its quarterly consumer survey ([here](#)). I'll leave it to you to determine based on charts 5–8 whether their expectations are realistic or not. In my view, they're too high on inflation but probably in the ballpark on house prices and wages with downside risk.

Since we've adopted the custom of **providing global covid-19 charts** at the start of each week, please see charts 9–17 for Canada and its provinces as well as charts 18–25 for global trends. All of Europe and North America is deep into second waves while case trends in LatAm and under somewhat greater control (ex-Argentina) and ditto across Asia except for Malaysia and Indonesia.

OVERNIGHT MARKETS

There is nothing material by way of calendar-based risk that is due out overnight that is likely to drive global market sentiment.

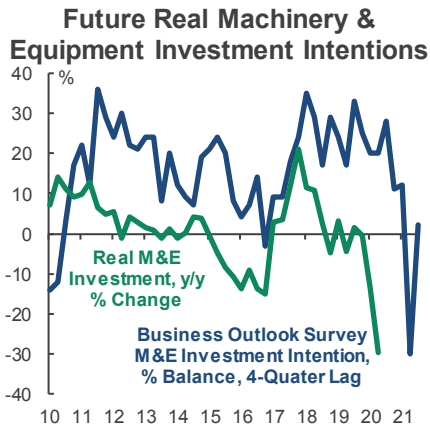
RBA October Monetary Policy Meeting Minutes (8:30pm ET): These minutes will be ignored by markets after RBA Governor Lowe's speech last week. In his address, Governor Lowe suggested that it's possible for the RBA to cut its cash rate 15bps to 0.1% as soon as its November 2nd meeting. If this were to go ahead, the lower rate would likely be complemented by a reduction in the three-year yield target and new purchases in other parts of the Australian government bond curve.

PBoC One-Year Loan Prime Rate (9:30pm ET): Our Asia Pacific Economist Tuuli McCully expects the One-Year Loan Prime Rate to remain at 3.85%. Bank officials should signal their continued satisfaction with China's recovery so far, despite Q3 GDP coming in softer than expected—4.6% y/y compared to the 5.5% y/y consensus. In addition, no change is expected for the Five-Year Loan Prime Rate which currently sits at 4.65%.

TOMORROW'S NORTH AMERICAN MARKETS

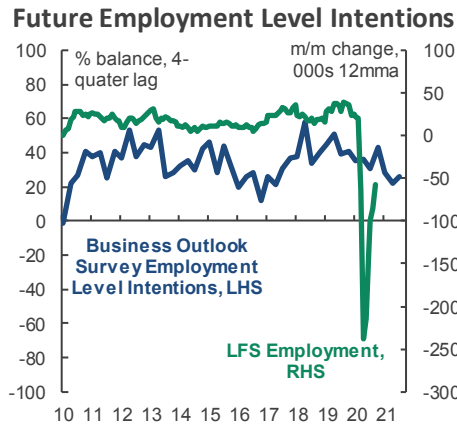
Stimulus watch will dominate US markets with just US housing starts on tap (8:30amET). Calendar's calendar is empty.

Chart 2



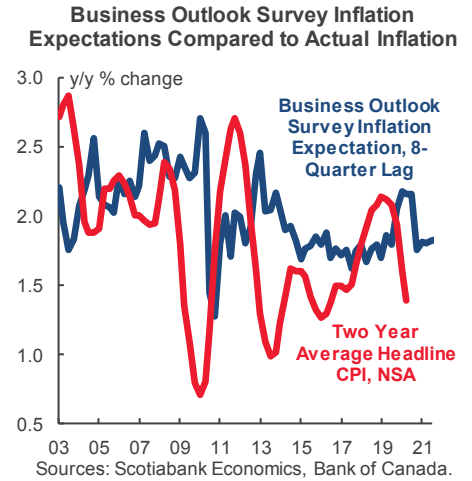
Sources: Scotiabank Economics, Bank of Canada, Statistics Canada.

Chart 3



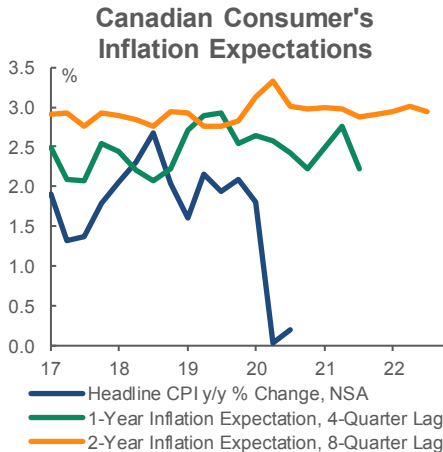
Sources: Scotiabank Economics, Bank of Canada, Statistics Canada.

Chart 4



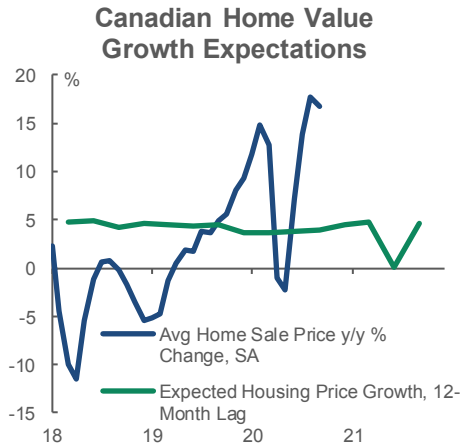
Sources: Scotiabank Economics, Bank of Canada.

Chart 5



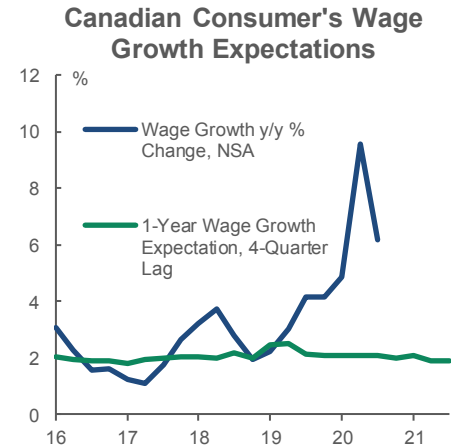
Sources: Scotiabank Economics, Statistics Canada, Bank of Canada.

Chart 6



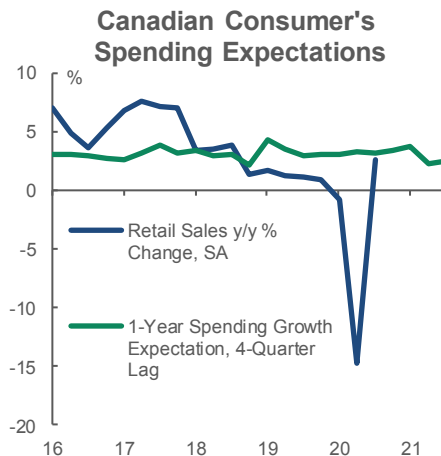
Sources: Scotiabank Economics, CREA, Bank of Canada.

Chart 7



Sources: Scotiabank Economics, Statistics Canada, Bank of Canada.

Chart 8



Sources: Scotiabank Economics, Statistics Canada, Bank of Canada.

Chart 9

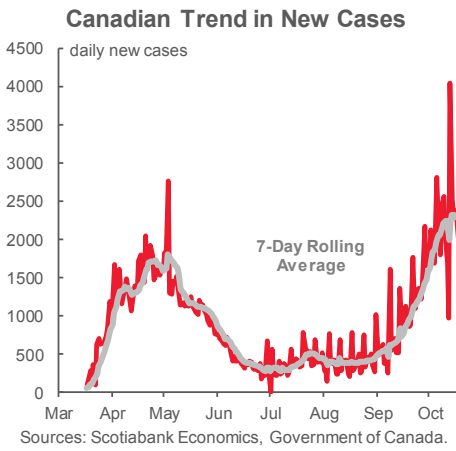


Chart 10

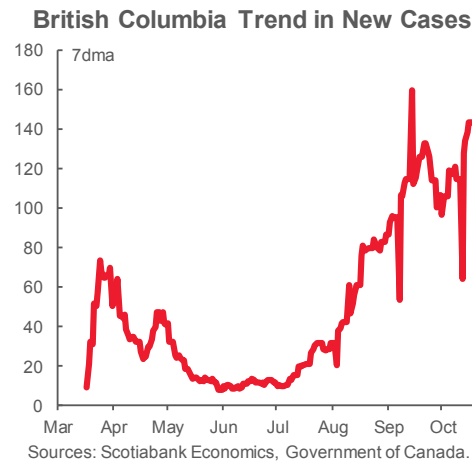


Chart 11

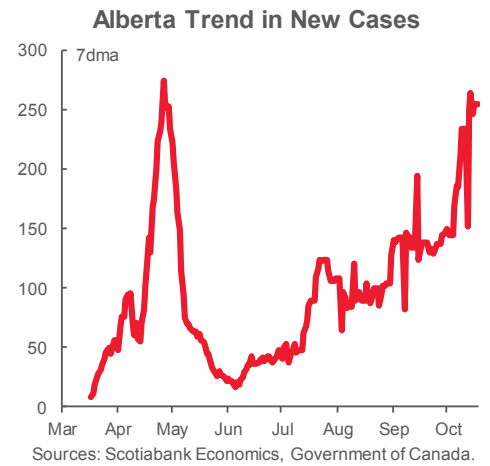


Chart 12

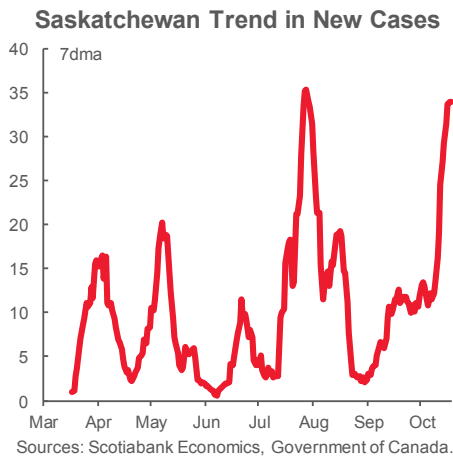


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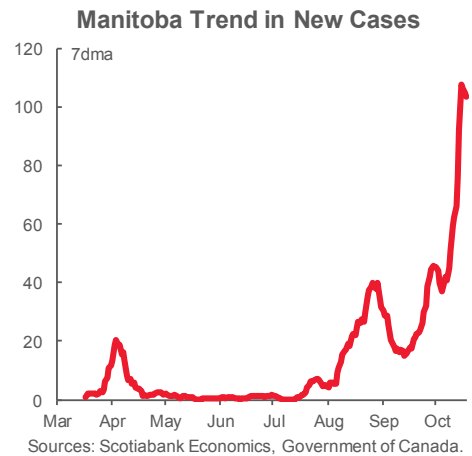


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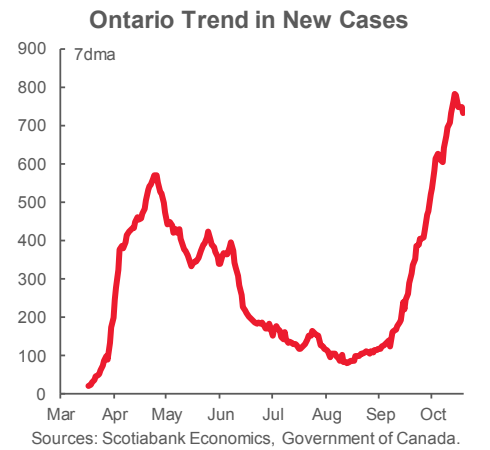


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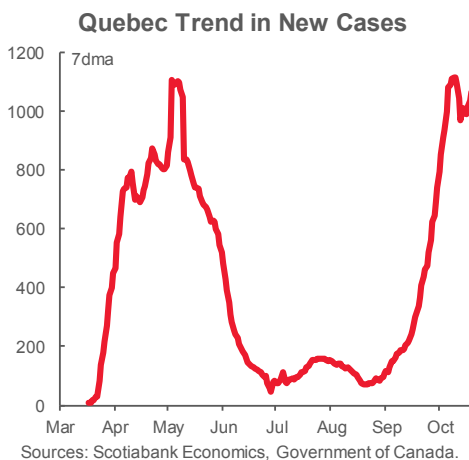


Chart 16

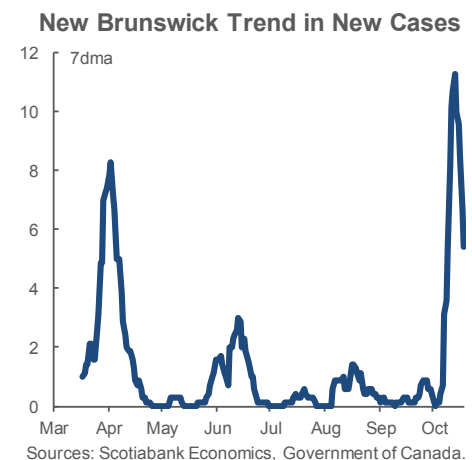


Chart 17

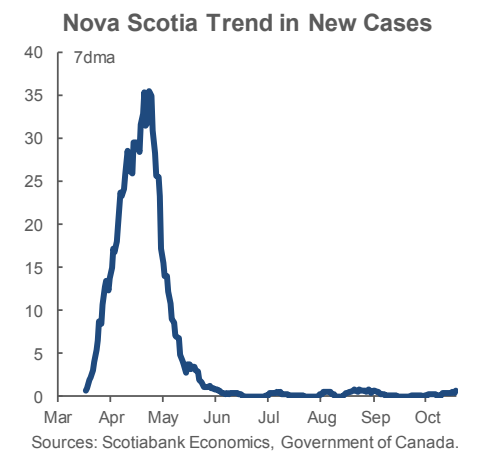


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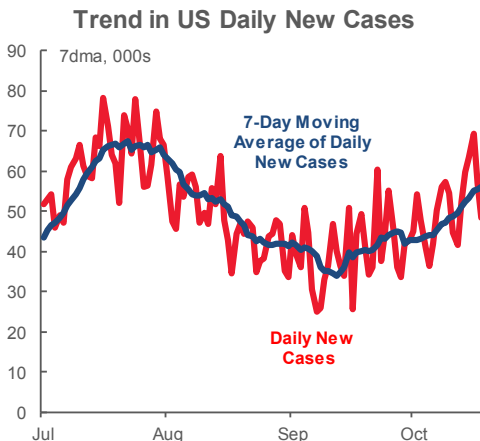


Chart 19

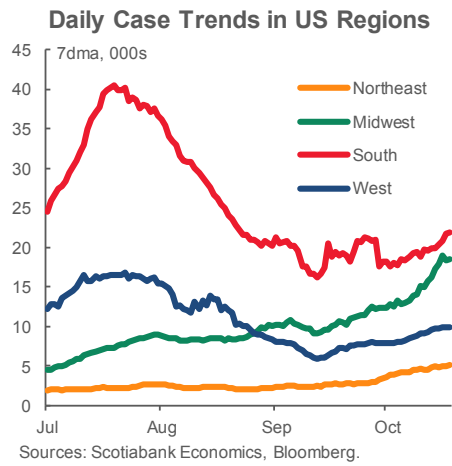


Chart 20

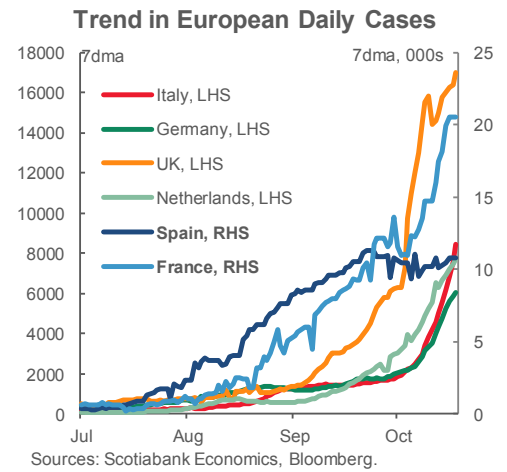


Chart 21

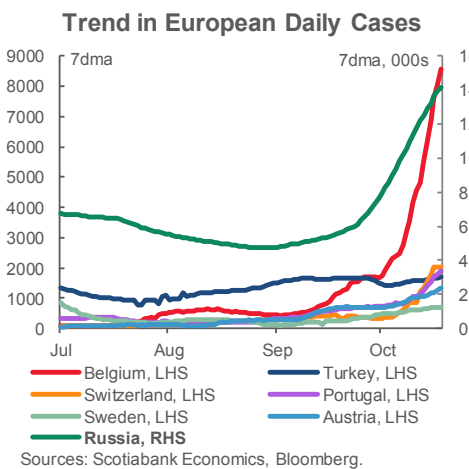


Chart 22

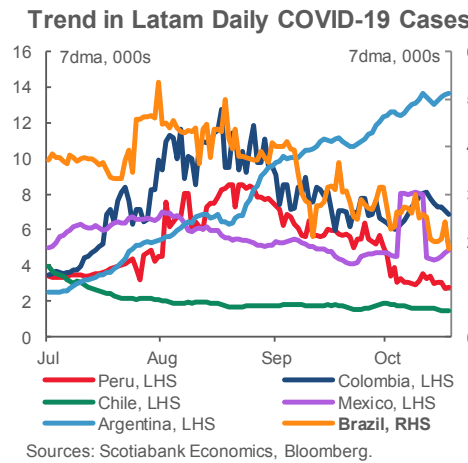


Chart 23

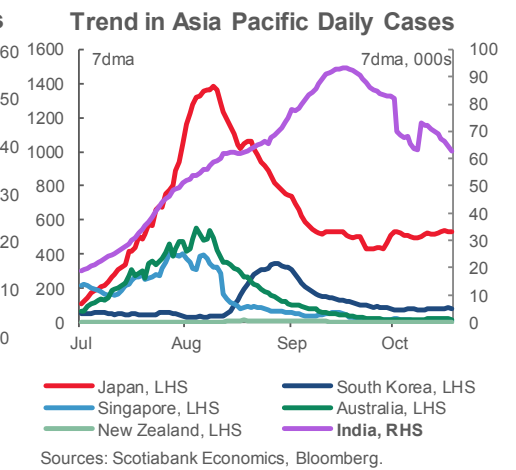


Chart 24

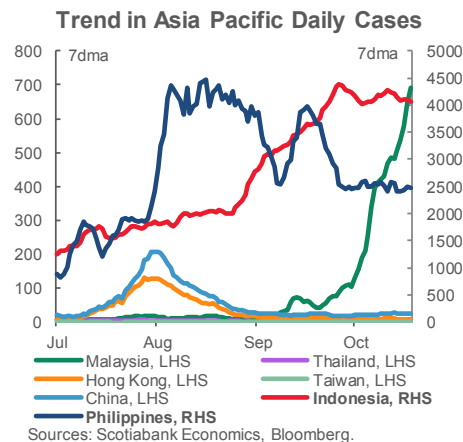
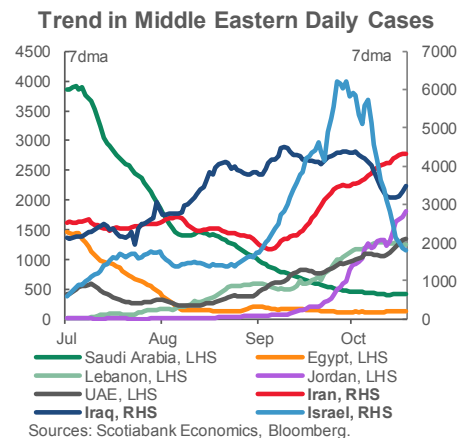


Chart 25



| 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. | 0.15 | 0.14 | 0.16 | 0.33 | 0.32 | 0.34 | 0.76 | 0.75 | 0.78 | 1.55 | 1.53 | 1.57 | Canada - BoC | 0.25 |
| CANADA | 0.23 | 0.23 | 0.26 | 0.35 | 0.34 | 0.38 | 0.58 | 0.57 | 0.63 | 1.17 | 1.16 | 1.23 | US - Fed | 0.25 |
| GERMANY | -0.79 | -0.78 | -0.73 | -0.81 | -0.80 | -0.74 | -0.63 | -0.62 | -0.55 | -0.21 | -0.20 | -0.12 | England - BoE | 0.10 |
| JAPAN | -0.13 | -0.13 | -0.13 | -0.11 | -0.11 | -0.09 | 0.03 | 0.02 | 0.03 | 0.62 | 0.62 | 0.64 | | |
| U.K. | -0.07 | -0.06 | -0.03 | -0.09 | -0.08 | -0.03 | 0.17 | 0.18 | 0.27 | 0.71 | 0.73 | 0.85 | | |
| Spreads vs. U.S. (bps): | | | | | | | | | | | | | | |
| | 8 | 8 | 10 | 2 | 2 | 4 | -18 | -17 | -15 | -38 | -37 | -35 | | |
| CANADA | 8 | 8 | 10 | 2 | 2 | 4 | -18 | -17 | -15 | -38 | -37 | -35 | Euro zone - ECB | 0.00 |
| GERMANY | -93 | -92 | -88 | -114 | -112 | -108 | -139 | -137 | -132 | -176 | -173 | -169 | Japan - BoJ | -0.10 |
| JAPAN | -28 | -28 | -28 | -44 | -43 | -43 | -73 | -72 | -74 | -93 | -91 | -93 | | |
| U.K. | -22 | -20 | -18 | -42 | -40 | -37 | -59 | -56 | -51 | -84 | -80 | -72 | | |
| Equities | Level | | | | | | % change: | | | | | | | |
| | Last | Change | | | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | |
| S&P/TSX | 16323 | -115.7 | | | -0.7 | -1.4 | 0.8 | -0.3 | | | | | Mexico - Banxico | 4.25 |
| Dow 30 | 28215 | -391.3 | | | -1.4 | -2.2 | 2.0 | 5.4 | | | | | Australia - RBA | 0.25 |
| S&P 500 | 3431 | -53.2 | | | -1.5 | -2.9 | 3.3 | 14.9 | | | | | New Zealand - RBNZ | 0.25 |
| Nasdaq | 11486 | -185.7 | | | -1.6 | -3.3 | 6.4 | 42.0 | | | | | | |
| DAX | 12855 | -54.3 | | | -0.4 | -2.2 | -2.0 | 1.7 | | | | | | |
| FTSE | 5885 | -34.9 | | | -0.6 | -1.9 | -2.0 | -17.7 | | | | | | |
| Nikkei | 23671 | 260.5 | | | 1.1 | 0.5 | 1.3 | 5.2 | | | | | Canada - BoC | Oct 28, 2020 |
| Hang Seng | 24542 | 155.5 | | | 0.6 | 1.8 | 0.4 | -8.1 | | | | | US - Fed | Nov 05, 2020 |
| CAC | 4929 | -6.6 | | | -0.1 | -1.0 | -1.0 | -12.5 | | | | | | |
| Commodities | Level | | | | | | % change: | | | | | | | |
| | | Change | | | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | |
| WTI Crude | 40.67 | -0.21 | | | -0.5 | 3.1 | -1.1 | -24.4 | | | | | England - BoE | Nov 05, 2020 |
| Natural Gas | 2.85 | 0.08 | | | 2.8 | -1.1 | 39.2 | 22.8 | | | | | Euro zone - ECB | Oct 29, 2020 |
| Gold | 1901.21 | 1.92 | | | 0.1 | -1.1 | -2.5 | 27.6 | | | | | Japan - BoJ | Oct 29, 2020 |
| Silver | 24.36 | 0.43 | | | 1.8 | 0.2 | -11.0 | 41.2 | | | | | | |
| CRB Index | 151.61 | 0.13 | | | 0.1 | -0.1 | 0.0 | -13.7 | | | | | | |
| Currencies | Level | | | | | | % change: | | | | | | | |
| | | Change | | | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | |
| USDCAD | 1.3190 | 0.0001 | | | 0.0 | 0.6 | -0.9 | 0.8 | | | | | Mexico - Banxico | Nov 12, 2020 |
| EURUSD | 1.1770 | 0.0052 | | | 0.4 | -0.4 | -0.0 | 5.6 | | | | | Australia - RBA | Nov 02, 2020 |
| USDJPY | 105.42 | 0.0200 | | | 0.0 | 0.1 | 0.7 | -2.9 | | | | | New Zealand - RBNZ | Nov 10, 2020 |
| AUDUSD | 0.7060 | -0.0021 | | | -0.3 | -2.1 | -2.3 | 2.8 | | | | | | |
| GBPUSD | 1.2942 | 0.0027 | | | 0.2 | -0.9 | 1.0 | -0.1 | | | | | | |
| USDCHF | 0.9103 | -0.0046 | | | -0.5 | 0.1 | -0.5 | -7.7 | | | | | | |

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