

KEY POINTS:

- Risk trade looks through the Fed
- On guard for Brexit & US stimulus headlines
- BoE, Norges expected to stand pat
- Can Australia follow up a blow-out jobs report with another gain?
- US: Claims, Philly, starts
- Canada's third jobs report

TODAY'S NORTH AMERICAN MARKETS

The risk trade generally looked through disappointing US retail sales figures this morning and shook off the FOMC's effects as rapidly as they occurred. That returns the focus to monitoring potential progress in US stimulus and Brexit talks.

- Stocks held onto gains into the close. The S&P500 was up by less than ¼%. Toronto was up by just over ¼%. European markets closed higher by ¼% to 1 ½% except for a small loss in Spain.
- The USD initially appreciated following the FOMC communications but subsequently lost ground to close weaker on the day. Most currencies appreciated against the USD—except CAD. I don't have a great explanation for CAD's depreciation. BoC Governor Macklem's remark about the C\$ being on the BoC's radar was nevertheless followed by CAD appreciation to the USD yesterday perhaps as he sounded generally more upbeat. Today's unwind of yesterday's CAD rise started well before inflation figures registered a bit firmer than expected headline but a touch softer core including revisions.
- Oil was up ½%. Gold was flat.
- Sovereign debt curves remained little changed in the US and Canada following the FOMC and Canadian inflation.

OVERNIGHT MARKETS

Overnight developments are likely to primarily affect regional markets but guidance from the Bank of England will be a focal point.

Both the content and tone of the **Bank of England's policy announcement at 7amET** will ultimately depend partly on Brexit talks. No changes are expected tomorrow. While the increased asset purchase target announced at last month's meeting suggests the bank will hold monetary conditions as is, there is a potential the bank announces more accommodation should Brexit talks ultimately collapse. At the moment, however, they appear to be achieving notable progress by narrowing the issues down to one—what to do with fisheries—which is likely to keep policy monetary policy unchanged for now.

The November Australian jobs report will be released at 7:30pmET. This is a volatile report which reported 179k jobs added in the month of October. It may

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be challenged to post a further gain. The RBA has stated that its policy will be aimed at improving labour market conditions as a way of stoking inflationary pressure. We expect hours worked to rise as spare capacity is alienated.

Norges Bank is expected to hold its Deposit Rate at 0% at 4amET. Despite higher than expected inflation, the Bank is unlikely to revise forward their guidance of holding rates until the end of 2022. We expect the bank will wait until the economic recovery has matured before signaling a tightening in monetary conditions.

TOMORROW'S NORTH AMERICAN MARKETS

Nothing should carry material surprises on the macro docket tomorrow which means that tape bombs on Brexit and US stimulus negotiations will likely carry the most potential to impact markets if anything.

Banxico is expected by most including our Mexican economists to hold at 4.25% tomorrow afternoon, but a minority think they might have another cut up their sleeves (2pmET).

Canada's ADP payrolls report for November is usually good for a giggle (8:30amET).

US releases will include jobless claims (8:30amET), the US Philly Fed's metric (8:30amET) and housing starts for November (8:30amET).

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.	0.12	0.12	0.15	0.37	0.37	0.40	0.92	0.91	0.94	1.66	1.65	1.69	Canada - BoC	0.25
CANADA	0.25	0.25	0.27	0.45	0.44	0.47	0.73	0.73	0.75	1.30	1.29	1.30	US - Fed	0.25
GERMANY	-0.73	-0.76	-0.77	-0.74	-0.79	-0.79	-0.57	-0.61	-0.61	-0.16	-0.20	-0.18	England - BoE	0.10
JAPAN	-0.12	-0.12	-0.12	-0.12	-0.12	-0.11	0.01	0.01	0.02	0.63	0.62	0.63		
U.K.	-0.08	-0.05	-0.08	-0.03	-0.03	-0.04	0.27	0.26	0.26	0.83	0.83	0.81		
	Spreads vs. U.S. (bps):													
CANADA	13	14	12	8	8	7	-19	-18	-19	-36	-36	-39	Euro zone - ECB	0.00
GERMANY	-84	-87	-92	-111	-115	-120	-148	-152	-154	-182	-185	-186	Japan - BoJ	-0.10
JAPAN	-24	-24	-27	-48	-48	-52	-91	-90	-91	-103	-103	-106		
U.K.	-19	-17	-23	-40	-39	-44	-64	-65	-68	-82	-83	-88	Mexico - Banxico	4.25
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	17567		60.9		0.3		0.0		4.0		3.0		Australia - RBA	0.10
Dow 30	30155		-44.8		-0.1		0.3		0.7		6.8			
S&P 500	3701		6.6		0.2		0.8		2.0		16.0		New Zealand - RBNZ	0.25
Nasdaq	12658		63.1		0.5		2.6		6.2		43.6			
DAX	13566		203.1		1.5		1.7		3.3		2.1			
FTSE	6571		57.6		0.9		0.1		3.2		-12.7			
Nikkei	26757		69.6		0.3		-0.2		2.9		11.2		Canada - BoC	Jan 20, 2021
Hang Seng	26460		253.0		1.0		-0.2		0.2		-5.0		US - Fed	Dec 16, 2020
CAC	5548		17.4		0.3		0.0		1.2		-7.0			
Commodities	Level						% change:							
WTI Crude	47.84		0.02		0.0		2.3		15.5		-21.5		England - BoE	Dec 17, 2020
Natural Gas	2.70		0.02		0.9		5.8		0.3		16.4			
Gold	1863.89		-0.91		-0.0		1.5		-0.9		26.3		Euro zone - ECB	Jan 21, 2021
Silver	24.22		0.36		1.5		-1.1		-0.1		43.0			
CRB Index	163.86		0.84		0.5		3.1		6.5		-11.5		Japan - BoJ	Dec 18, 2020
Currencies	Level						% change:							
USDCAD	1.2743		0.0000		0.0		0.0		-2.8		-3.2		Mexico - Banxico	Dec 17, 2020
EURUSD	1.2194		-0.0006		-0.0		0.5		2.8		9.4			
USDJPY	103.50		0.0300		0.0		-0.7		-0.7		-5.5		Australia - RBA	Feb 01, 2021
AUDUSD	0.7570		-0.0007		-0.1		0.5		3.7		10.5			
GBPUSD	1.3499		-0.0010		-0.1		1.5		1.9		2.8		New Zealand - RBNZ	Feb 23, 2021
USDCHF	0.8855		0.0001		0.0		-0.1		-2.9		-9.7			

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