KEY POINTS:

- **Markets enter final sprint to the holiday break**
- **Overnight: Brexit, BoT hold**
- **CDN GDP: October up, November uncertain**
- **US on tap: claims, durables, PCE, new home sales**

TODAY'S NORTH AMERICAN MARKETS

Global calendars will go dead quiet after tomorrow, but in the meantime, Brexit negotiations will groan on and continue to combine with COVID-19 headlines to guide markets. Today brought more of the same after the morning developments. The US will fire off another salvo of macro releases in the morning that could impact markets—especially job market signals—and then its calendar goes pretty much silent until the new year. Failing achievement of a Brexit agreement could bring out defensive positioning before the Christmas break.

- The US S&P500 fell by about ½% along with the DJIA but the Nasdaq closed up ½%. Toronto closed higher, but with little breadth as Shopify singlehandedly added ½% to the index today. European stocks closed up by 1–2% except for a ½% rise in London.
- Sovereign bonds rallied across North American and European markets. The gilts front-end led the rally as the 2s10s curve steepened a little. US and Canadian sovereign yields fell by about 2bps in 10s by the time of publishing.
- The dollar climbed again with gains of just under ½% to over 1% across major currencies.
- Oil fell by about 2%.

OVERNIGHT MARKETS

Overnight markets will continue to monitor Brexit negotiations. The only release on tap will be the policy decision by the Bank of Thailand and they are expected to hold at 0.5% (2:05amET).

TOMORROW'S NORTH AMERICAN MARKETS

The US and Canada will update a series of macroeconomic readings tomorrow morning.

Canada releases October GDP and provides guidance for November GDP (8:30amET). StatsCan previously guided that growth would be 0.2% m/m in October based upon preliminary estimates.

The bigger uncertainty surrounds the preliminary reading for November GDP. There are two forces at play in driving expectations for November. One is that November data has been pretty solid thus far. Hours worked were up by a robust 1.2% m/m for the reference week including the 15th of the month. Since

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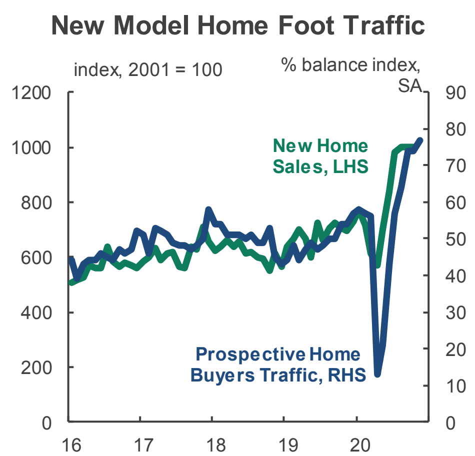
Chart 1



Sources: Scotiabank Economics, Bloomberg.

GDP is hours worked times labour productivity the gain in hours worked is a good sign. True, the estimate is for the middle of the month before Toronto and some of its surrounding 'burbs went into lock down the following week, but that might not get fully captured in the preliminary estimates as opposed to revisions. We also know that housing starts were up 14% m/m. Retail sales were "relatively unchanged" which seems to be StatsCan code language for a decent gain given the pattern of late. Wholesale trade was up by a strong 1% m/m but existing home sales slipped by 1.6% m/m.

Secondly, we need to consider the lock down effect itself. It's likely to be much smaller at least for November than when lock downs started in March. For one thing the whole country went into lock down around mid-March whereas the experiences this November were more uneven. For another, the most affected sectors—like accommodation and food services, or arts and entertainment—are only about 73% and 54% of what they were back in February and their weights in GDP are lower. On-line sales, curbside shopping, work from home and income supports should also make this experience less negative through the narrow lens of GDP growth.

A wave of US releases will get crammed into tomorrow morning again before the global calendar goes empty.

- **US durable goods orders** during November are expected to rise by ½% m/m for headline and core orders ex-defence and aircraft (8:30amET). Core orders have risen for six straight months.
- **US weekly claims** may further inform nonfarm payroll expectations for December as tomorrow's figure pushes right through the reference period (8:30amET). The consensus guesstimate is for little change around 880k; three weeks prior to that the figure was down around 716k so markets will be sensitive to further deterioration.
- **US consumer spending & incomes** during November are likely to post an income drop on continued roll-off of benefits and a spending decline given what we already know happened to retail sales (8:30amET).
- **US PCE inflation** during November should be little changed both in terms of headline and core based in part on earlier CPI figures (8:30amET).
- **US new home sales** during November are expected to be little changed, notwithstanding still elevated foot traffic through model homes as shown in chart 1 (10amET).

Fixed Income — Government Yield Curves (%):

	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	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	0.12	0.36	0.38	0.37	0.92	0.94	0.91	1.65	1.67	1.65
CANADA	0.23	0.23	0.25	0.42	0.44	0.44	0.70	0.72	0.73	1.25	1.28	1.29
GERMANY	-0.74	-0.74	-0.76	-0.76	-0.75	-0.79	-0.60	-0.58	-0.61	-0.20	-0.18	-0.20
JAPAN	-0.13	-0.13	-0.12	-0.12	-0.12	-0.12	0.01	0.01	0.01	0.63	0.64	0.62
U.K.	-0.13	-0.11	-0.05	-0.11	-0.08	-0.03	0.18	0.21	0.26	0.73	0.75	0.83
	Spreads vs. U.S. (bps):											
CANADA	11	11	14	6	6	8	-22	-21	-18	-40	-40	-36
GERMANY	-85	-86	-87	-112	-113	-115	-151	-152	-152	-185	-185	-185
JAPAN	-24	-25	-24	-48	-50	-48	-91	-92	-90	-102	-104	-103
U.K.	-25	-23	-17	-47	-46	-39	-73	-73	-65	-92	-92	-83

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	17552	50.9	0.3	0.3	3.1	2.5
Dow 30	30034	-182.1	-0.6	-0.5	2.6	5.5
S&P 500	3690	-4.8	-0.1	-0.1	3.7	14.6
Nasdaq	12798	55.8	0.4	1.6	8.0	43.4
DAX	13418	171.8	1.3	0.4	2.1	0.7
FTSE	6453	36.8	0.6	-0.9	1.6	-14.9
Nikkei	26436	-278.0	-1.0	-0.9	3.6	11.0
Hang Seng	26119	-187.4	-0.7	-0.3	-1.4	-6.4
CAC	5467	73.5	1.4	-1.1	-0.5	-9.2

Commodities	Level		% change:			
WTI Crude	46.88	-1.09	-2.3	-1.6	11.2	-22.4
Natural Gas	2.77	0.06	2.3	3.1	4.4	18.8
Gold	1862.61	-14.28	-0.8	0.5	-0.4	26.0
Silver	26.16	0.34	1.3	9.6	8.2	53.5
CRB Index	163.61	-1.21	-0.7	0.4	4.8	-11.6

Currencies	Level		% change:			
USDCAD	1.2906	0.0049	0.4	1.6	-1.3	-1.8
EURUSD	1.2157	-0.0087	-0.7	0.0	2.7	9.6
USDJPY	103.69	0.3700	0.4	0.0	-0.8	-5.2
AUDUSD	0.7525	-0.0062	-0.8	-0.4	3.3	8.7
GBPUSD	1.3348	-0.0116	-0.9	-0.8	0.2	3.2
USDCHF	0.8903	0.0046	0.5	0.5	-2.5	-9.3

Central Banks

Current Rate	
Canada - BoC	**0.25**
US - Fed	**0.25**
England - BoE	**0.10**
Euro zone - ECB	**0.00**
Japan - BoJ	**-0.10**
Mexico - Banxico	**4.25**
Australia - RBA	**0.10**
New Zealand - RBNZ	**0.25**

Next Meeting Date	
Canada - BoC	**Jan 20, 2021**
US - Fed	**Jan 27, 2021**
England - BoE	**Feb 04, 2021**
Euro zone - ECB	**Jan 21, 2021**
Japan - BoJ	**Jan 21, 2021**
Mexico - Banxico	**Feb 11, 2021**
Australia - RBA	**Feb 01, 2021**
New Zealand - RBNZ	**Feb 23, 2021**