

**ON DECK FOR MONDAY, SEPTEMBER 9**

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	09/09	15:00	Consumer Credit (US\$ bn m/m)	Jul	–	16.0	14.6

**KEY POINTS:**

- Markets biding their time ahead of the ECB
- Peso shakes off Mexican CPI
- Sterling appreciates after UK macro releases point to a strong July
- Another doomed UK early election vote tonight
- China's exports mildly disappoint
- German exports beat expectations
- Canada faces a quiet week after the jobs shocker
- US: quiet start to a week with CPI, retail sales ahead
- Global Week Ahead

Please see the Global Week Ahead [here](#). Key risks will include:

- CBs: ECB, Turkey, Peru, Negara
- CPI: US, China, India...
- ...Norway, Sweden, Mexico, Argentina
- China macro
- US retail sales, UofM sentiment
- UK wages, other macro
- CDN election call
- European macro
- UK politics
- GDP: Russia, Japan (rev)
- US, CDN auctions

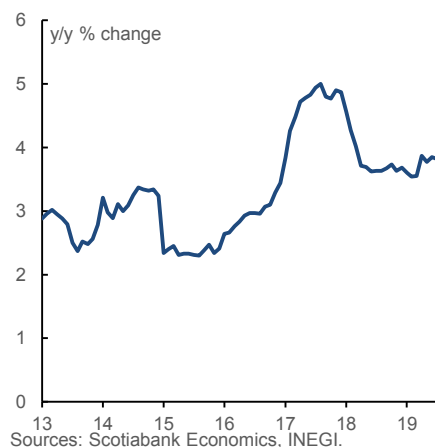
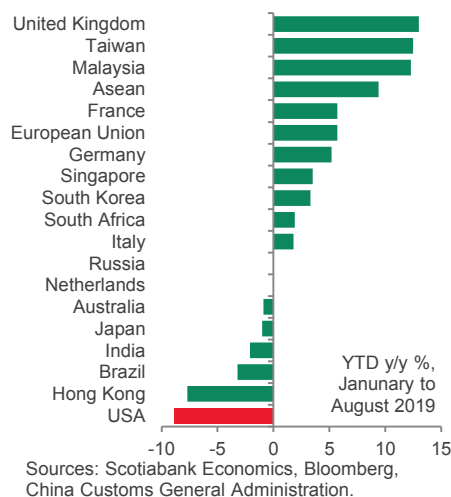
**INTERNATIONAL**

Much of this week's focus will be upon Thursday's ECB meeting. In the meantime, a round of UK, German, Chinese and Mexican data is being digested but is having little effect other than upon pound sterling (see below). Canada will be quiet this week. US markets start off quietly, but CPI and retail will heat things up a bit later in the week.

- Sovereign bond yields are under upward pressure this morning. Canadian short-term yields are under performing US Treasuries as rates continue to react to last Friday's jobs gain (+81.1k, 20k consensus, recap [here](#)). European 10 year yields are up by 4–6bps. US Treasuries are up by 3–4bps.
- The USD is flat on a DXY basis. Safe havens like the Swiss franc and yen are among the weakest crosses. Sterling is appreciating after stronger than expected releases (see below). CAD is little changed after the sizeable post-jobs move on Friday. The Euro is flat and so is the Mexican peso that didn't so much as bat an eye as fresh Mexican CPI figures (see below).

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**Mexican Core Inflation**

**Chinese Export Growth by Country**


- US equity futures are up by about ¼% while TSX futures are flat. European markets are mixed, as sterling's rise is denting the FTSE100 (-½%) while most of the rest of Europe is rallying a little outside of flat stocks in Paris.
- Oil prices are up by about 30 cents in terms of Brent and WTI. There isn't much behind the small move. Saudi Arabia replaced its energy minister who had negotiated cuts with other producers with a member of the royal family who nevertheless pledged policy continuity.

**The Mexican peso shook off fresh inflation data as they offered no real incremental information to the outlook for Banxico policy.** Mexican inflation fell back to 3.2% y/y (3.8% prior) and bang in line with consensus. Core inflation, however, was stable at 3.8% y/y. Core inflation has been remarkably stable for the past five months after a prior increase (chart 1). Therefore, both headline and core inflation are in the upper half of Banxico's 2–4% inflation target range. Goods and services inflation components are very similar to one another at 3.8% y/y. Within goods, food and beverage prices are up 4.6% with livestock up 5.8%, while non-food prices are up 2.9%. Within services, housing is up by under 3% y/y.

**Chinese trade came in on the softer side of consensus.** Data for the month of August showed exports down 1% y/y in USD terms (+2.2% consensus, +3.3% prior) and up 2.6% y/y in yuan terms (6.3% consensus, 10.3% prior). Imports were down 5.6% y/y in dollar terms, -2.6% in yuan terms and both were roughly in line with consensus expectations. The export figures mask trade diversion. China's exports to the US were down 16% y/y for the second largest pace of decline in the trade war (behind February), but somehow exports to Taiwan were up by about 25% y/y. Nevertheless, exports to the US are still about eight times exports to Taiwan, so the scope for diverting and re-exporting is pretty modest. Chart 2 shows the export growth figures by country, but on a year-to-date basis over the same period last year in order to lessen some of the wild swings that can be driven by shifting year-ago comparators.

**UK macro data generally surprised higher for July in a set of four updates this morning.** Pound sterling appreciated after the batch of releases because they at least delay recession risk that has been overhanging the economy. Consensus had been forecasting a contraction in the UK economy during Q2. That would have been the dip since 2012Q4. Overall GDP was up 0.3% m/m (0.1% consensus). Industrial output was up 0.1% m/m (-0.3% consensus) and was led by a 0.3% rise in manufacturing output (-0.3% consensus). Construction output was up 0.5% m/m (0.2% consensus). A gauge of service sector activity expanded by 0.3% (+0.1% consensus). Finally, while the trade deficit deteriorated somewhat, it came in better than expected as exports were up 3.5% m/m and imports were up by 3.3%.

Regardless of Q2 data, the air remains heavy with Brexit risk. **Parliament will be suspended after another (probably doomed) attempt by PM Johnson to put forth an early election vote in Parliament.** The vote is expected to occur around 10pm London time (5pmET).

**German exports also surprised higher.** They were up 0.7% m/m in July (-0.5% consensus), but imports were down 1.5% (-0.3%). Exports have trended slightly higher since April by a cumulative 2% at a non-annualized rate, but the longer trend generally remains sideways since the end of 2017.

## CANADA

There is nothing due out in Canada today. The focus this week will be upon when the Trudeau administration may drop the writ to formalize the election campaign ahead of the predetermined October 21<sup>st</sup> election. Only housing starts are due out (tomorrow) along with a 30s auction on Wednesday.

## UNITED STATES

The US calendar is also very quiet to start the week. Only consumer credit figures for July are due (3pmET). Most of the week's focus will be upon CPI on Thursday and retail sales on Friday while the Fed goes into black-out ahead of next week's FOMC statement, revised forecasts including dots and Chair Powell's press conference.

Fixed Income	Government Yield Curves (%):											Central Banks		
U.S. CANADA GERMANY JAPAN U.K.  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		
	1.56	1.54	1.51	1.45	1.43	1.39	1.59	1.56	1.50	2.06	2.03	1.96	Canada - BoC	1.75
	1.52	1.49	1.35	1.35	1.32	1.19	1.31	1.28	1.16	1.52	1.50	1.43	US - Fed	2.25
	-0.86	-0.87	-0.93	-0.87	-0.88	-0.93	-0.61	-0.64	-0.70	-0.02	-0.08	-0.16	England - BoE	0.75
	-0.31	-0.29	-0.30	-0.34	-0.33	-0.35	-0.25	-0.24	-0.27	0.24	0.22	0.15		
	0.42	0.39	0.33	0.38	0.34	0.27	0.56	0.51	0.42	1.06	1.02	0.94		
	Spreads vs. U.S. (bps):													
	-4	-6	-16	-10	-11	-20	-28	-28	-34	-54	-53	-54	Euro zone - ECB	0.00
	-242	-241	-243	-232	-231	-232	-219	-220	-220	-209	-211	-213	Japan - BoJ	-0.10
-186	-184	-180	-179	-177	-173	-184	-180	-176	-183	-181	-181			
-114	-115	-117	-107	-109	-112	-102	-106	-108	-100	-101	-103			
Equities	Level					% change:								
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	16535	-39.5			-0.2	0.9	1.2	2.8			Australia - RBA	1.00		
Dow 30	26797				0.3	1.7	1.9	3.4			New Zealand - RBNZ	1.00		
S&P 500	2979	2.7			0.1	1.9	2.1	3.7						
Nasdaq	8103	-13.8			-0.2	1.6	1.8	2.5						
DAX	12225	33.3			0.3	2.3	4.5	2.2						
FTSE	7239	-43.7			-0.6	-0.6	-0.2	-0.5						
Nikkei	21318	118.8			0.6	3.4	3.1	-4.4			Canada - BoC	Oct 30, 2019		
Hang Seng	26681	-9.4			-0.0	4.1	2.9	-1.1			US - Fed	Sep 18, 2019		
CAC	5596	-8.4			-0.1	1.9	5.0	6.5						
Commodities	Level					% change:								
WTI Crude	56.75	0.23			0.4	3.0	4.1	-16.2			England - BoE	Sep 19, 2019		
Natural Gas	2.53	0.03			1.2	10.5	19.2	-9.0			Euro zone - ECB	Sep 12, 2019		
Gold	1511.38	4.67			0.3	-1.2	1.3	26.3			Japan - BoJ	Sep 19, 2019		
Silver	18.15	-1.08			-5.6	-1.3	10.7	27.2						
CRB Index	172.78	0.15			0.1	1.4	0.4	-9.2						
Currencies	Level					% change:								
USDCAD	1.3156	-0.0017			-0.1	-1.3	-0.5	-0.1			Mexico - Banxico	Sep 26, 2019		
EURUSD	1.1036	0.0007			0.1	0.6	-1.5	-4.8						
USDJPY	106.96	0.0400			0.0	0.7	1.2	-3.8			Australia - RBA	Oct 01, 2019		
AUDUSD	0.6871	0.0025			0.4	2.3	1.3	-3.4						
GBPUSD	1.2364	0.0081			0.7	2.5	2.8	-5.1			New Zealand - RBNZ	Sep 24, 2019		
USDCHF	0.9899	0.0024			0.2	-0.1	1.8	1.5						

*Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing. While this source is believed to be reliable, Scotiabank cannot guarantee its accuracy.*

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