September 11, 2019 @ *7:50 EST*

ON DECK FOR WEDNESDAY, SEPTEMBER 11

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09/11	07:00	MBA Mortgage Applications (w/w)	Sep 6	--	--	-6.2
CA	09/11	08:30	Capacity Utilization (%)	2Q	--	82.0	80.9
US	09/11	08:30	PPI (m/m)	Aug	0.1	0.0	0.2
US	09/11	08:30	PPI ex. Food & Energy (m/m)	Aug	0.2	0.2	-0.1
US	09/11	10:00	Wholesale Inventories (m/m)	Jul F	--	0.2	0.2

KEY POINTS:

- **Global markets passing time ahead of tomorrow's ECB**
- **China beginning to see the fruits of stimulus efforts…**
- **…as financing was particularly strong for a month of August**
- **Is US core producer price inflation still trending lower?**
- **Oil rallies on further US drawdown**
- **Canada officially enters election campaign today**
- **US, Canada debt auctions today**

INTERNATIONAL

While the main focus remains upon tomorrow's ECB announcements, there are some gems worth considering in the meantime. My ECB preview is contained within the European section of the Global Week Ahead including the math behind the 33% self-imposed limit on bond purchases relative to the potential size of any new QE program. A lag between announcing and implementing would be normal.

China's updated financing figures are showing the fruits of stimulus efforts, with more likely to come (see below).

China finally released a tariff exemptions list that excluded fewer than expected items especially agricultural commodities which isn't a favourable indication of the state of trade talks regardless of Trump's assertions this morning (he's also bashing the Fed in vulgar ways again).

US core producer price inflation has been ebbing with another update on tap today, but the issue remains whether this gets passed through into consumer price measures that have somewhat stabilized (see below).

Canada's worst kept secret has been that PM Trudeau would drop the writ on an election sometime by Sunday given the Elections Act's requirements ahead of the legislated October 21st election; he chose today (see below). Also keep an eye on US oil inventories and debt auctions in the US and Canada.

- The USD is slightly stronger on balance and particularly so against the euro and euro-related crosses like the Swiss franc and northern European crosses ahead of the ECB. CAD is outperforming others and holding its own against the USD partly given higher oil prices.

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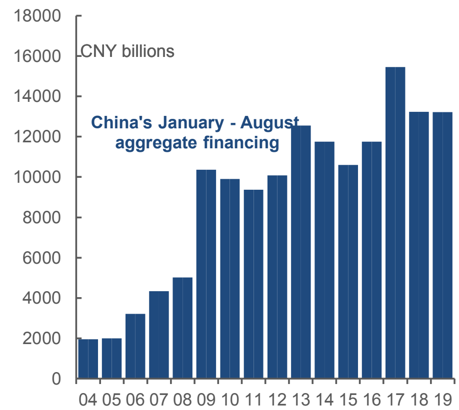
China's Aggregate Financing

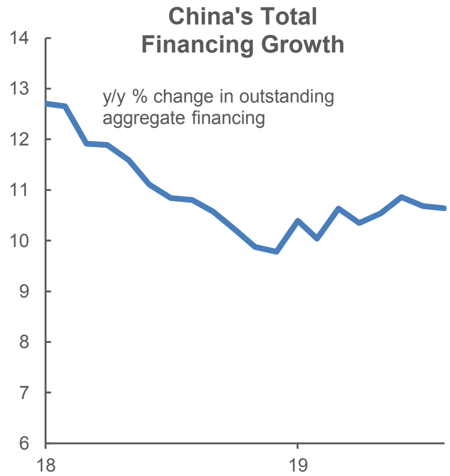


Sources: Scotiabank Economics, Bloomberg.

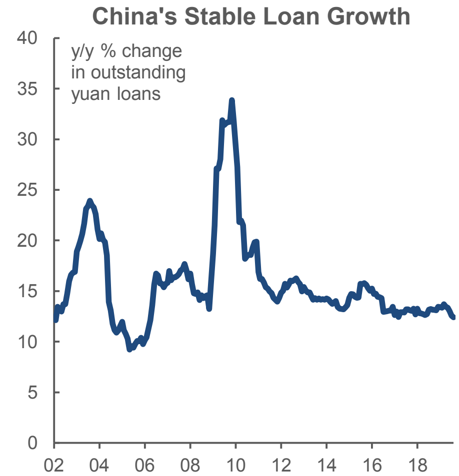
China's New Yuan Loans

Sources: Scotiabank Economics, Bloomberg.

- Sovereign bond markets are mixed. US Treasuries are dearer by about 2bps across most maturities (a touch more at the long end). Canada's curve is slightly bull flattening in 2s10s. Gilts are cheapening somewhat again. EGBs are generally little changed with some richening in bunds and French bonds. The 10 year JGB yield is about 2bps cheaper but still at -0.21%, as speculation mounts ahead of next week's BoJ meeting that the central bank might be concerned about the depths to which longer term bond yields have declined.



Sources: Scotiabank Economics, Bloomberg.

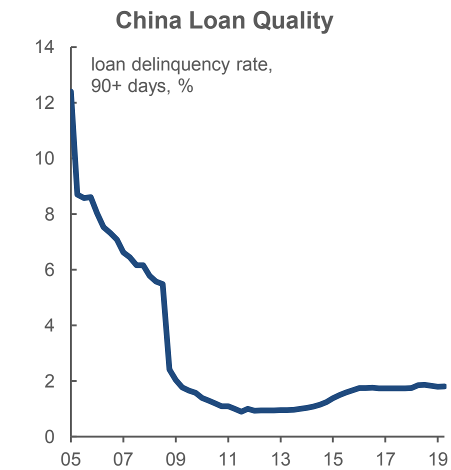


Sources: Scotiabank Economics, Bloomberg.

- Oil prices are rallying by about 60 cents in terms of WTI and Brent on the back of tighter private data on US oil inventories ahead of government figures this morning. This is offsetting the Bolton effect that has markets thinking Trump might give peace more of a chance.

- US equity futures are very slightly positive along with about a ¼% rise in TSX futures. European cash markets are rallying by ½% to ¾% across the main exchanges but London is ahead of all of them with nearly a 1% rise.

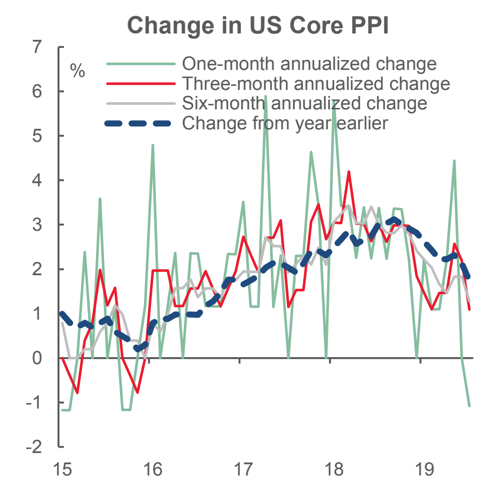
China updated financing figures for August and they beat expectations as stimulus efforts are working their way through. Total financing across all products equalled 1.98 trillion yuan, of which the new loans denominated in local yuan met expectations and accounted for two-thirds of the total financing. Corporate bond issuance surged to the strongest since March. August normally comes in stronger than the prior month, but this August was particularly strong compared to recent years and likely driven by efforts to cut reserve requirements and spring the lending spigot into a softening economy. Charts 1 and 2 show the comparison of year-to-date aggregate financing and new yuan loan financing over the years; 2019 is cyclically elevated but past the peak flows. Another way of looking at it is the year-ago change in outstanding amounts of total financing (chart 3) and new yuan-denominated loans (chart 4) that have slightly eased but remain solid. China's rate of delinquency measured as nonperforming loans with payments late by 90+ days is shown in chart 5.



Sources: Scotiabank Economics, Bloomberg.

UNITED STATES

The US will update producer prices for August (8:30amET). The producer price index excluding food and energy has been falling from a peak of 2.9% y/y in December of last year to 2.1% as of July. That may appear to contradict the escalating tariffs on Chinese imports, but PPI excludes tariffs as it measures prices received by producers. Indirectly, producers could, say, raise prices behind a tariff wall that keeps out imports, but there isn't any of this effect in clear evidence thus far. At the margin, the producer price evidence remains disinflationary. Chart 6 shows changes in seasonally adjusted core producer prices excluding food and energy; the trends across all of these measures has been lower. **The issue at hand remains pass-through into consumer prices including the Fed's preferred PCE gauges.**



Sources: Scotiabank Economics, BLS.

The US government will update weekly oil inventories (10:30amET) after private industry data reported a drawdown of about 7 million barrels last week to motivate some strength in oil prices this morning.

The US Treasury auctions 10s in a US$24 billion reopening (1pmET).

CANADA

Canadian PM Trudeau will pay a visit to the Governor General Payette at 10amET as the formal step to dissolve parliament and officially begin the campaign toward the October 21st campaign. The unofficial campaign has been underway for a while. Clearer election platforms may be spelled out any time onward with potential implications for fiscal policy, the economy and perhaps BoC both through policy influences from other spheres and in the context of the expiration of Governor Poloz's seven year term next June.

Canada auctions 30s at 12pmET.

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.	1.66	1.68	1.43	1.57	1.59	1.32	1.71	1.73	1.47	2.19	2.22	1.97
CANADA	1.59	1.60	1.34	1.43	1.44	1.15	1.41	1.43	1.13	1.60	1.62	1.41
GERMANY	-0.84	-0.84	-0.89	-0.84	-0.83	-0.90	-0.56	-0.55	-0.67	0.03	0.04	-0.15
JAPAN	-0.27	-0.29	-0.29	-0.28	-0.31	-0.35	-0.20	-0.22	-0.28	0.29	0.29	0.12
U.K.	0.50	0.48	0.36	0.45	0.43	0.34	0.65	0.64	0.49	1.15	1.13	1.00
	Spreads vs. U.S. (bps):											
CANADA	-7	-8	-10	-14	-15	-17	-30	-30	-34	-59	-60	-56
GERMANY	-250	-252	-232	-241	-242	-222	-227	-228	-214	-216	-217	-212
JAPAN	-193	-196	-173	-185	-191	-166	-191	-195	-174	-190	-193	-185
U.K.	-116	-120	-107	-112	-116	-98	-107	-109	-97	-105	-108	-97

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	16537	42.3	0.3	0.8	1.2	2.8
Dow 30	26909	73.9	0.3	3.0	2.4	3.6
S&P 500	2979	1.0	0.0	2.5	2.1	3.2
Nasdaq	8084	-3.3	-0.0	2.7	1.6	1.4
DAX	12363	94.6	0.8	2.8	5.7	3.3
FTSE	7336	67.6	0.9	0.3	1.1	0.9
Nikkei	21598	205.7	1.0	4.6	4.4	-4.7
Hang Seng	27159	475.4	1.8	2.4	4.7	2.8
CAC	5618	24.5	0.4	1.5	5.4	6.3
Commodities	Level		% change:			
WTI Crude	58.12	0.72	1.3	3.3	6.6	-16.1
Natural Gas	2.54	-0.04	-1.6	3.8	19.8	-10.2
Gold	1491.64	5.87	0.4	-3.9	-0.0	24.5
Silver	17.99	-0.18	-1.0	-2.6	5.8	26.6
CRB Index	175.60	0.66	0.4	1.7	2.0	-8.4
Currencies	Level		% change:			
USDCAD	1.3146	-0.0006	-0.0	-0.6	-0.7	0.6
EURUSD	1.1000	-0.0043	-0.4	-0.3	-1.9	-5.2
USDJPY	107.72	0.1800	0.2	1.3	2.3	-3.5
AUDUSD	0.6868	0.0007	0.1	1.0	1.7	-3.5
GBPUSD	1.2343	-0.0007	-0.1	0.7	2.2	-5.3
USDCHF	0.9941	0.0020	0.2	1.4	2.6	2.2

Central Banks	
Current Rate	
Canada - BoC	1.75
US - Fed	2.25
England - BoE	0.75
Euro zone - ECB	0.00
Japan - BoJ	-0.10
Mexico - Banxico	8.00
Australia - RBA	1.00
New Zealand - RBNZ	1.00
Next Meeting Date	
Canada - BoC	Oct 30, 2019
US - Fed	Sep 18, 2019
England - BoE	Sep 19, 2019
Euro zone - ECB	Sep 12, 2019
Japan - BoJ	Sep 19, 2019
Mexico - Banxico	Sep 26, 2019
Australia - RBA	Oct 01, 2019
New Zealand - RBNZ	Sep 24, 2019

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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