

**ON DECK FOR TUESDAY, SEPTEMBER 17**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09/17	08:30	Manufacturing Shipments (m/m)	Jul	0.0	-0.1	-1.2
US	09/17	09:15	Capacity Utilization (%)	Aug	--	77.6	77.5
US	09/17	09:15	Industrial Production (m/m)	Aug	0.2	0.2	-0.2
US	09/17	10:00	NAHB Housing Market Index	Sep	--	66.0	66.0
US	09/17	16:00	Total Net TIC Flows (US\$ bn)	Jul	--	--	1.7
US	09/17	16:00	Net Long-term TIC Flows (US\$ bn)	Jul	--	--	99.1

**KEY POINTS:**

- Global markets are playing the waiting game...
- ...as yesterday's market action is being consolidated
- FOMC begins its two day meeting
- US industrial output has posted no growth this year
- Canadian manufacturing sales: flat with downside risk
- German investor confidence sheds mixed signals
- China's property prices continue to rise
- RBA minutes drive the A\$ softer
- ECB-speak to inform disharmony

**INTERNATIONAL**

A waiting and watching game will continue ahead of the Fed's communications tomorrow and in light of uncertainties that will continue to surround the strike on Saudi Arabia. On-calendar risk will be relatively light. On tap will be US and Canadian industrial figures plus ECB-speak that may further inform the degree of disharmony. German investor sentiment offered a soft start to another round of sentiment readings. China's property prices continue to climb. The degree of disharmony on the ECB's Governing Council will also be further informed by speeches this afternoon by its Chief Economist Lane (12:35pmET) and board member Coeure (1:10pmET).

- Oil is off by about a buck in terms of WTI and Brent as yesterday's gains are being consolidated while next steps remain unclear. Private US oil inventories later today and the government report tomorrow will also factor into the picture as a fifth weekly draw down is anticipated. Gold is also consolidating its gains and is flat this morning.
- Sovereign bond yields are 1–3bps lower in the US in a mild bull flattener while Canada's curve is slightly underperforming but generally also in a mild bull flattener. Ditto for gilts. EGBs are little changed except for spread widening in Italy.
- US equity futures are off by about ¼% with TSX futures a tick lower. European cash markets are little changed for the most part with London up a touch, Paris flat, the Dax down by ¼% and each of Spain and Italy selling off by somewhat more. Tokyo came back from holiday and drove a flat Nikkei while stocks in Hong Kong and mainland China fell by 1¼% to 2% and Seoul was flat.

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- Currency markets are mixed. The USD is losing a little ground to the euro and euro-related, flat to the yen, and slightly firmer against most others including the A\$ following dovish RBA minutes.

**German investor confidence was less downbeat toward the future but more down beat about the present.** The ZEW survey's expectations component increased from the weakest level since December 2011. The current conditions component fell to the lowest since May 2010. On balance, this makes for a soft start to another round of monthly sentiment readings. The next one will be next Monday's purchasing managers' indices and then the following day's IFO business confidence. See the accompanying chart that maps all three.

**China's property prices continue to climb.** New home prices were up by another ½% m/m in August. That extends the uninterrupted string of gains dating back to May 2015. Having said this, the year-ago pace of price increases has been decelerating to 9.1% y/y from a peak of 11.3% back in March following a year-long ascent.

## UNITED STATES

As the FOMC begins its two-day meeting at 9amET, only minor data is on tap for today.

**Industrial output (9:15amET)** is expected to register a small rise after a small prior decline. **There has been no quarterly growth in industrial output since the fourth quarter of last year.** Since then, output fell by 1.9% in Q1, another 2.2% in Q2 and is tracking flat so far in Q3 at seasonally adjusted and annualized rates. Within the break down, manufacturing output has followed a similar path (-1.9%, -3% and then flat), mining output was increasing until this quarter, and utilities output was falling until this quarter.

## CANADA

**Canada will advance tracking of Q3 GDP growth with the manufacturing report for July (8:30amET).** After a 1.2% drop in July, a flat reading is expected. Recall that the value of exports fell by 0.9% m/m after a prior 5% drop. The decline in exports during July was driven by declines in five out of eleven major categories including ones that influence manufacturing activity such as energy products (-6.7% m/m), chemicals and plastics (-4.5%), industrial machinery (-2.9%) and aircraft (-9.4%).

In terms of tracking GDP growth in July and Q3, there is little to go by to this point. Hours worked fell by 0.7% m/m in July and then rebounded by the same amount in August which translates into small quarterly annualized growth in hours worked of just 0.5% q/q. Given that GDP is an identity that multiplies hours worked by labour productivity (output per hour worked), this is a soft start to tracking Q3 GDP growth. It will be difficult for manufacturing output to follow through with further growth in Q3 after a 7.3% annualized rise that had transitory drivers behind it.

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		
	1.74	1.76	1.68	1.67	1.70	1.59	1.81	1.85	1.73	2.28	2.32	2.22	Canada - BoC	1.75
	1.61	1.62	1.60	1.47	1.49	1.44	1.45	1.48	1.43	1.65	1.67	1.62		
	-0.72	-0.73	-0.84	-0.73	-0.72	-0.83	-0.49	-0.48	-0.55	0.07	0.09	0.04	US - Fed	2.25
	-0.25	-0.24	-0.29	-0.26	-0.25	-0.31	-0.15	-0.15	-0.22	0.36	0.34	0.29		
	0.51	0.52	0.48	0.47	0.49	0.43	0.68	0.69	0.64	1.10	1.14	1.13	England - BoE	0.75
	Spreads vs. U.S. (bps):													
	-13	-14	-8	-20	-21	-15	-36	-37	-30	-63	-65	-60	Euro zone - ECB	0.00
	-246	-249	-252	-240	-242	-242	-230	-233	-228	-221	-223	-217		
-198	-200	-196	-193	-195	-191	-197	-200	-195	-192	-198	-193	Japan - BoJ	-0.10	
-123	-124	-120	-120	-121	-116	-114	-115	-109	-118	-118	-108			
Equities	Level						% change:						Mexico - Banxico	8.00
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	16751	68.9					0.4	1.6	3.7	4.2	Australia - RBA	1.00		
Dow 30	27077	-142.7					-0.5	0.9	4.6	3.9				
S&P 500	2998	-9.4					-0.3	0.7	3.8	3.8	New Zealand - RBNZ	1.00		
Nasdaq	8154	-23.2					-0.3	0.8	3.3	3.3				
DAX	12349	-31.4					-0.3	0.7	6.8	2.1				
FTSE	7333	11.2					0.2	0.9	3.0	0.4				
Nikkei	22001	13.0					0.1	3.2	7.8	-4.7	Canada - BoC	Oct 30, 2019		
Hang Seng	26790	-334.3					-1.2	0.4	4.1	-0.5				
CAC	5603	0.7					0.0	0.2	5.7	4.7	US - Fed	Sep 18, 2019		
Commodities	Level						% change:							
WTI Crude	61.92	-0.98					-1.6	7.9	12.8	-10.1	England - BoE	Sep 19, 2019		
Natural Gas	2.68	-0.00					-0.1	3.8	21.8	-4.8				
Gold	1500.49	2.10					0.1	1.0	-0.9	24.9	Euro zone - ECB	Oct 24, 2019		
Silver	17.83	-0.31					-1.7	-1.8	3.9	25.5				
CRB Index	183.17	8.37					4.8	5.1	7.5	-3.4	Japan - BoJ	Sep 19, 2019		
Currencies	Level						% change:							
USDCAD	1.3257	0.0017					0.1	0.8	-0.5	1.6	Mexico - Banxico	Sep 26, 2019		
EURUSD	1.1022	0.0021					0.2	-0.2	-0.5	-5.7				
USDJPY	108.16	0.0400					0.0	0.6	1.4	-3.3	Australia - RBA	Oct 01, 2019		
AUDUSD	0.6839	-0.0026					-0.4	-0.3	1.1	-4.8				
GBPUSD	1.2412	-0.0019					-0.2	0.5	2.4	-5.7	New Zealand - RBNZ	Sep 24, 2019		
USDCHF	0.9944	0.0016					0.2	0.2	1.3	3.3				

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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