

ON DECK FOR MONDAY, SEPTEMBER 23

Country	Date	Time	Event	Period	BNS	Consensus	Latest
CA	09/23	08:30	Wholesale Trade (m/m)	Jul	--	0.0	0.6
US	09/23	09:50	Fed's Williams Speaks at Treasury Market Conference				
US	09/23	13:00	Bullard Discusses U.S. Economy and Monetary Policy				

KEY POINTS:

- A risk-off tone is being driven by Eurozone PMIs
- Eurozone PMIs disappoint...
- ...and indicate growth has not yet bottomed...
- ...with Germany faring worse than France
- Draghi has more data against the house rebellion...
- ...as he testifies to Parliament
- BanRep expected to hold
- US: Fed-speak, second tier PMIs
- Canada faces a quiet week outside of politics
- Global Week Ahead

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

- US-China trade talks
- Brexit ruling
- US funding bill
- CBs: Banxico, BanRep...
- ...RBNZ, BoT, BSP
- Inflation: US, France
- US: durables, Q2 GDP...
- ...confidence, housing, trade
- Eurozone PMIs
- German IFO
- Fed-speak
- Canadian politics
- US auctions
- CDN auction

INTERNATIONAL

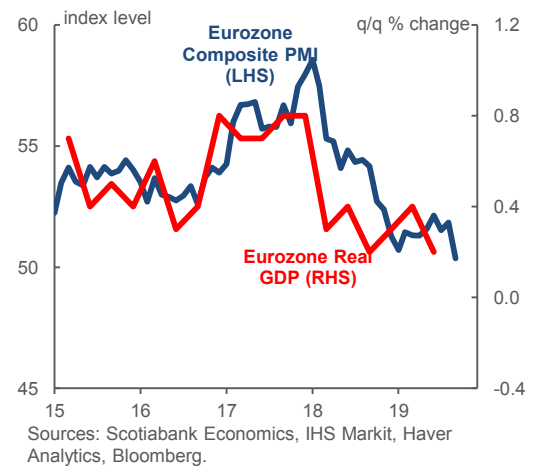
An active week is starting with a big as the global risk trade is set back on its heels following disappointing Eurozone macro data (PMIs, see below). Some of the softness was already in play ahead of the releases. ECB President Draghi will therefore have fresh evidence that he thinks he did the right thing against the house rebellion at the last ECB meeting when he testifies before the European Parliament this morning (9amET). The New York Fed will continue its repo operations this morning and straight through to October 10th (here). Light Fed-speak, second tier US PMIs and a trivial Canadian release are due out. Colombia is expected to hold its policy rate early this afternoon.

- Sovereign bond yields are rallying in the wake of the Eurozone releases. US Treasury yields are down by 2–4bps in a mild bull flattener. Canadian yields

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Chart 1
Eurozone GDP Growth and PMIs



are about 4bps lower across the curve. Gilts are 6–7bps lower. Eurozone 10 year yields are down by 7–8bps across all core and peripheral markets.

- Oil prices are down by about 20 cents in terms of WTI and Brent. Gold is little changed.
- US equity futures are very little changed and so are TSX futures. European cash markets are taking it on the chin with stocks down by around 1% across most exchanges but London is faring a little better.
- Currency safe havens like the USD, yen and Swiss franc are generally among the outperformers in this risk-off session. The euro is not surprisingly among the weakest and so are other European crosses (Sterling and the Scandies).

Eurozone growth has not bottomed yet. That's the takeaway from another round of fresh purchasing managers' indices. The composite PMI fell by 1.5 points to 50.4. Since 50 is the dividing line between expansion and contraction, that means the economy has stalled. Both of the services and manufacturing PMIs deteriorated. The services PMI fell by 1.5 points to 52 and the manufacturing contraction worsened as its PMI fell back to 45.6 (47 prior). As chart 1 depicts, the correlation between the composite sentiment survey and GDP points to weaker reported GDP growth ahead.

Only Germany and France release individual country estimates at this time. **Germany's economy weakened** as its PMI fell by 2.6 points to 49.1. This was driven by a worsened manufacturing contraction (41.4, 43.5 prior) and a weaker services sector (52.5, 54.8 prior). **France is faring somewhat better**, but also saw its composite PMI fall to 51.3 (52.9 prior). France's manufacturing PMI fell to 50.3 (51.1 prior) and its services PMI fell to 51.6 (53.4 prior).

Colombia's central bank delivers a rate decision this afternoon. It is not on a fixed time schedule so watch for a possible statement likely around 2pmET or perhaps a bit earlier. Consensus unanimously expects a hold at an overnight rate of 4.25%. Both headline CPI inflation (3.8% y/y) and core CPI (3.3%) remain comfortably within the upper half of the central bank's 2–4% inflation target range. GDP growth recently held firm at 3% y/y (2.9% consensus) and was revised up three-tenths to 3.1% in Q1. The Colombian peso has slightly depreciated in the wake of the Federal Reserve's communications, but the bigger depreciation was from late July through early August and the central bank does not wish to fan a further move.

UNITED STATES

Fed-speak and second tier purchasing managers' indices are the focal points for today. Friday should be the week's main event when the Fed's preferred inflation gauge is due out. For today, the Markit PMIs for September will be released at 9:45amET. They can shed misleading signals ahead of the more widely followed ISM gauges including the manufacturing reading on October 1st and the services reading two days later.

After last Wednesday's FOMC decisions, more individual members will be sharing perspectives on how and why they voted and communicated the way they did at the meeting. NY Fed President Williams speaks at 9:50amET followed by San Francisco Fed President Daly at 11:30amET and St. Louis Fed President Bullard at 1pmET.

CANADA

Canada faces a very quiet week especially after today. Just wholesale trade is on tap for July (8:30amET) and this small sector will round out monthly GDP estimates. My regression model against higher frequency activity readings points to no growth with downside risk. Campaign promises and a three year auction on Wednesday will be all that's left over the duration of this week for Canada watchers.

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			
	1.66	1.69	1.76	1.58	1.60	1.70	1.69	1.72	1.85	2.13	2.16	2.32	Canada - BoC	1.75	
	1.54	1.57	1.62	1.38	1.42	1.49	1.35	1.38	1.48	1.50	1.54	1.67			
	-0.74	-0.72	-0.73	-0.75	-0.71	-0.72	-0.58	-0.52	-0.48	-0.08	-0.01	0.09	US - Fed	2.00	
	-0.29	-0.29	-0.24	-0.33	-0.33	-0.25	-0.21	-0.21	-0.15	0.36	0.36	0.34			
	0.49	0.52	0.52	0.41	0.46	0.49	0.56	0.63	0.69	0.99	1.05	1.14	England - BoE	0.75	
	Spreads vs. U.S. (bps):														
	-12	-11	-14	-19	-18	-21	-35	-34	-37	-63	-63	-65	Euro zone - ECB	0.00	
	-240	-241	-249	-233	-232	-242	-227	-224	-233	-221	-217	-223			
-196	-198	-200	-190	-193	-195	-190	-193	-200	-177	-180	-198	Japan - BoJ	-0.10		
-118	-116	-124	-116	-114	-121	-113	-110	-115	-114	-111	-118				
Equities	Level					% change:					Mexico - Banxico		8.00		
	Last				Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	16900				41.3	0.2	1.3	5.4	4.2			Australia - RBA	1.00		
Dow 30	26935				-159.7	-0.6	-1.0	5.1	0.7						
S&P 500	2992				-14.7	-0.5	-0.5	5.1	2.1			New Zealand - RBNZ	1.00		
Nasdaq	8118				-65.2	-0.8	-0.7	4.7	1.6						
DAX	12321				-147.3	-1.2	-0.5	6.1	-0.9						
FTSE	7301				-43.7	-0.6	-0.3	2.9	-2.5						
Nikkei	22079				34.6	0.2	1.5	6.6	-7.5			Canada - BoC	Oct 30, 2019		
Hang Seng	26222				-213.3	-0.8	-3.3	0.2	-6.2						
CAC	5634				-56.7	-1.0	0.6	5.8	2.5			US - Fed	Oct 30, 2019		
Commodities	Level					% change:									
					Change	1 Day	1-wk	1-mo	1-yr						
WTI Crude	57.88				-0.21	-0.4	-8.0	6.8	-18.2			England - BoE	Nov 07, 2019		
Natural Gas	2.51				-0.02	-0.8	-6.3	16.8	-15.6						
Gold	1518.91				2.01	0.1	1.4	-0.5	26.7			Euro zone - ECB	Oct 24, 2019		
Silver	17.88				0.12	0.7	-1.5	5.1	25.7						
CRB Index	177.34				-0.43	-0.2	1.5	5.2	-8.6			Japan - BoJ	Oct 31, 2019		
Currencies	Level					% change:									
					Change	1 Day	1-wk	1-mo	1-yr						
USDCAD	1.3293				0.0030	0.2	0.4	0.1	2.6			Mexico - Banxico	Sep 26, 2019		
EURUSD	1.0977				-0.0040	-0.4	-0.2	-1.5	-6.6						
USDJPY	107.47				-0.0900	-0.1	-0.6	2.0	-4.7			Australia - RBA	Oct 01, 2019		
AUDUSD	0.6772				0.0006	0.1	-1.4	0.2	-6.6						
GBPUSD	1.2444				-0.0034	-0.3	0.1	1.5	-5.2			New Zealand - RBNZ	Sep 24, 2019		
USDCHF	0.9917				0.0008	0.1	-0.1	1.8	2.8						

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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