

### ON DECK FOR TUESDAY, OCTOBER 22

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	10/22	08:30	Retail Sales (m/m)	Aug	-0.2	0.4	0.4
CA	10/22	08:30	Retail Sales ex. Autos (m/m)	Aug	0.1	0.0	-0.1
US	10/22	10:00	Existing Home Sales (mn a.r.)	Sep	5.5	5.5	5.5
US	10/22	10:00	Existing Home Sales (m/m)	Sep	0.2	-0.7	1.3
US	10/22	10:00	Richmond Fed Manufacturing Index	Oct	--	-7.0	-9.0
CA	10/22	10:30	BoC Senior Loan Officer Survey	3Q	--	--	-5.8
CA	10/22	10:30	Business Outlook Future Sales	3Q	--	--	23.0

### KEY POINTS:

- Global markets yawn at Canada's election results...
- ...even with the advantage of nothing much else to focus upon
- CDN retail sales to provide the first post-election reality check
- BoC's Business Outlook Survey: over-rated and stale?
- US home resales and Richmond Fed on tap
- Brexit bill due for a pair of key votes tonight

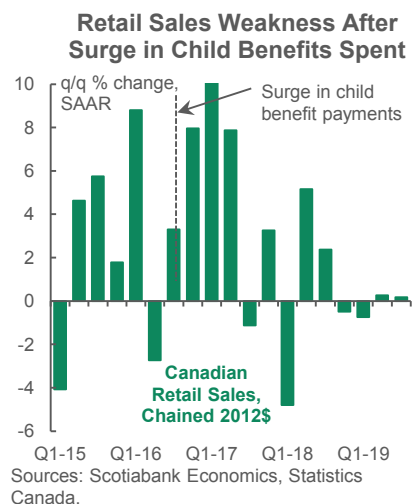
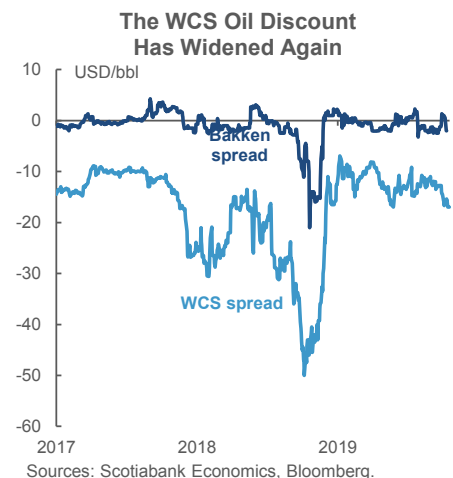
### INTERNATIONAL

It's Canada Day in October! Except nobody in the markets really cares. In terms of ink and virtual ink being splashed in countless headlines from the local press to global outlets such as the FT and WSJ, the amount of attention that Canada is attracting is in some respects highly disproportionate to the significance of the market perhaps partly due to a lack of much else to focus upon elsewhere. Brexit 4.0 faces potentially significant procedural votes later this afternoon (see below), US-China talks are running in the background and the global macro calendar is all but empty. Canada therefore gets most of the attention almost by default. Even with this advantage, however, markets are shrugging their shoulders with no discernible movements in Canadian asset classes after election results have been digested but ahead of twin macro reports that could alter this picture. Canadian preachiness and righteousness have been tossed aside by dispassionate markets that just couldn't care less.

- CAD is very little changed so far as positioning ahead of macro data takes over. USDCAD is stuck around the 1.31 (or 76.3 cents US) range that it was floating around before election results became apparent. Most major currencies are little changed to the USD with mild exceptions including slight depreciation in the Swiss franc, pound sterling and A\$ while the rand, Mexican peso and won lead appreciating crosses. The euro and yen are largely flat.
- Canada's sovereign debt curve is also little changed and generally performing similarly to US Treasuries but slightly underperforming at the front-end. US Treasuries are rallying by about 2bps across the curve. Gilts are performing similarly. 10 year sovereign yields are down by between 2–6bps across EGBs with Italy leading decliners.

### CONTACTS

Derek Holt, VP & Head of Capital Markets Economics  
416.863.7707  
Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)



- Oil prices are very slightly firmer in terms of WTI and Brent. Pending today's figures, Canada Western Select's discount to WTI is running around the widest level of the year at about US\$17 below WTI and with the price proxy for the oilsands sitting at US\$36.70 (see chart). Depressed prices and an election outcome that raises risks explain much of the sentiment in Alberta.
- TSX futures are only very slightly higher (+0.2%) in keeping with US equity futures. European cash markets range from no change in Paris, Madrid and Milan to up ½% in London. Asian equities

**The Withdrawal Agreement Bill will be put to a procedural Second Reading vote later this afternoon on this side of the pond (2pmET).** If it passes then that would keep the Brexit bill alive for a second vote shortly thereafter on a fast-tracked schedule in order to hit the October 31<sup>st</sup> deadline. Rejection would make it nearly impossible to hit the end of the month deadline and probably force postponement.

## CANADA

Readers are encouraged to read Rebekah Young's post-election piece ([here](#)) that recaps the election results but in the context of what a Liberal minority may mean for fiscal policy and the broader economy. In essence, **the impact upon most things that matter to markets is very small, ranging from projected deficits and debt as a share of the economy to influences upon economic growth.**

[This](#) map of vote results compared to [this](#) map of the previous election results in 2015 offers perhaps the best visual depiction of how divided the country has become. No one single party can claim that they represent voters across the land as the map is carved up by four parties. The Liberals lost their majority and are in a minority governing position while capturing less of the popular vote (33.1%) than the Conservatives (34.4%) due to Canada's first-past-the-post system. Maybe keeping Ford in the closet and releasing the platform late on a Friday before the long weekend didn't help. Donald Trump has more support at 42% (and falling mind you) according to Real Clear Politics' job approval rating than any Canadian party leader, but obviously that's at least partly because there are only two choices in the US party duopoly! A bi-party coalition majority of the center-left will govern the country on most fiscal and economic policy matters as the Liberals' 157 seats get paired with the NDP's 24 to override any opposition from the Conservatives (121) and with the Bloc Québécois (32) dabbling with support or opposition here and there after having trounced the NDP (24) in Quebec.

With the election over, Canada's developments will focus upon the August retail sales print and the Bank of Canada's twin surveys including the Business Outlook Survey.

### 1. Bank of Canada's BOS survey

On the BOS survey (10:30amET), there is the risk that the survey of about 100 c-suite folks comes in stale given more recent developments compared to the survey reference period. The survey was conducted over about a 3½ week period to just past mid-September. Watch for inflation expectations (still a majority below 2%?), future sales, cap-ex intentions and hiring intentions. See the week ahead for a chart depicting the recent quarterly patterns across these components. There is no consensus for this. If markets are positioning ahead of the survey, then it's a random bet since no one who knows the survey hazards a firm guess. My guess is we see a softer future sales component driven by a deteriorating global economy and trade environment after the prior two surveys posted improvements.

### 2. CDN retail sales

On retail sales (8:30amET), I'm a bit surprised I'm the only negative print as consensus is ignoring the one reasonably reliable gauge's influences in favour of casual optimism toward what are largely unobservable other components. Gas prices alone would shave at least ½% off of headline retail sales in weighted terms and headline seasonally adjusted CPI fell 0.1% m/m in August so prices overall won't help given that the headline figure is the change in the value of retail sales. Beyond that, we're flying blind. What we think we know about auto sales almost never lines up with how StatsCan measures them and I've been burned too many times trying to try again. Among the possible reasons are that industry tallies are self-reported by dealers whereas StatsCan uses harder data. Plus there are different methodologies in terms of what's counted (eg. Fleet sales) and different seasonal adjustments. Beyond gas and autos, there are no advance readings for core sales. With Q2 and July data, we're tracking no

growth in retail sales volumes for Q3 pending tomorrow's figures which continues the disappearance of the Canadian consumer that is not saving (1.7% of disp income) and with debt payments rising as a share of incomes. As the second chart shows, it has been quite a while since we last saw meaningful growth in retail sales volumes.

## UNITED STATES

US markets face a pair of releases with existing home sales (10amET) and the Richmond Fed's manufacturing index (10amET) that serves as additional input to an ISM-manufacturing estimate.

Fixed Income	Government Yield Curves (%):												Central Banks			
U.S. 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	Canada - BoC	1.75		
	1.60	1.62	1.62	1.59	1.61	1.60	1.77	1.80	1.77	2.27	2.29	2.24				
	1.65	1.65	1.66	1.56	1.57	1.58	1.55	1.56	1.56	1.65	1.67	1.67			US - Fed	2.00
	-0.66	-0.66	-0.69	-0.62	-0.61	-0.66	-0.37	-0.34	-0.42	0.16	0.20	0.12				
	-0.23	-0.23	-0.28	-0.26	-0.26	-0.30	-0.13	-0.13	-0.17	0.43	0.43	0.40				
0.54	0.55	0.53	0.52	0.54	0.48	0.73	0.75	0.69	1.24	1.25	1.16					
Spreads vs. U.S. (bps):																
CANADA	5	3	4	-3	-4	-2	-23	-24	-21	-61	-63	-57 <th>Euro zone - ECB</th> <th>0.00</th>	Euro zone - ECB	0.00		
GERMANY	-226	-229	-231	-221	-222	-225	-215	-215	-219	-210	-209	-212 <th>Japan - BoJ</th> <th>-0.10</th>	Japan - BoJ	-0.10		
JAPAN	-183	-186	-190	-185	-187	-189	-190	-193	-194	-183	-186	-184				
U.K.	-106	-107	-109	-107	-107	-111	-105	-105	-108	-103	-104	-108				
Equities	Level						% change:						Mexico - Banxico	7.75		
	Last	Change					1 Day	1-wk	1-mo	1-yr						
S&P/TSX	16418	41.3					0.3	0.0	-2.8	6.5	Australia - RBA	0.75				
Dow 30	26828	57.4					0.2	0.2	-0.4	6.0	New Zealand - RBNZ	1.00				
S&P 500	3007	20.5					0.7	1.4	0.5	9.1						
Nasdaq	8163	73.4					0.9	1.4	0.6	9.3						
DAX	12762	13.9					0.1	1.0	2.4	10.7						
FTSE	7191	27.6					0.4	-0.3	-2.1	2.1						
Nikkei	22549	56.2					0.2	3.4	2.1	-0.3	Canada - BoC	Oct 30, 2019				
Hang Seng	26786	60.5					0.2	1.1	1.3	2.4	US - Fed	Oct 30, 2019				
CAC	5647	-0.9					-0.0	-1.0	-0.8	11.8	England - BoE	Nov 07, 2019				
Commodities	Level						% change:						Euro zone - ECB	Oct 24, 2019		
WTI Crude	53.59	0.28					0.5	1.5	-7.7	-22.5	Japan - BoJ	Oct 31, 2019				
Natural Gas	2.24	0.00					0.1	-4.2	-11.6	-28.6						
Gold	1487.42	2.82					0.2	0.4	-1.9	21.7						
Silver	17.73	0.29					1.7	0.7	-0.9	21.3						
CRB Index	175.28	0.54					0.3	0.3	-1.2	-11.1						
Currencies	Level						% change:						Mexico - Banxico	Nov 14, 2019		
USDCAD	1.3100	0.0011					0.1	-0.8	-1.2	-0.0	Australia - RBA	Nov 04, 2019				
EURUSD	1.1140	-0.0010					-0.1	1.0	1.3	-2.8	New Zealand - RBNZ	Nov 12, 2019				
USDJPY	108.60	-0.0200					-0.0	-0.2	1.0	-3.7						
AUDUSD	0.6856	-0.0012					-0.2	1.5	1.2	-3.2						
GBPUSD	1.2946	-0.0014					-0.1	1.2	4.2	-0.1						
USDCHF	0.9887	0.0028					0.3	-1.0	-0.1	-0.7						

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.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.