

**ON DECK FOR TUESDAY, OCTOBER 29**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10/29	09:00	S&P/Case-Shiller Home Price Index (m/m)	Aug	0.0	-0.1	0.0
US	10/29	09:00	S&P/Case-Shiller Home Price Index (y/y)	Aug	1.9	--	2.0
US	10/29	10:00	Consumer Confidence Index	Oct	127	127.9	125.1
US	10/29	10:00	Pending Home Sales (m/m)	Sep	--	1.0	1.6

**KEY POINTS:**

- Sovereign bonds consolidate yesterday's sell off
- UK headed for a December election...
- ...with polls (again) putting the Conservatives in the lead
- Japan's inflation fell, ex-tax hike
- US consumer confidence may have edged higher
- Fed preview
- BoC preview

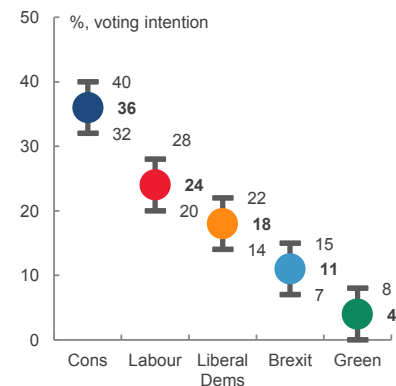
**INTERNATIONAL**

The main focus across global markets remains apprehension ahead of tomorrow's FOMC communications (preview [here](#)). Regional market influences include uncertainty ahead of the BoC meeting tomorrow (preview [here](#)), progress toward a December election in the UK (see below), softer Japanese inflation excluding tax changes (see below) and limited US macro reports that are due out today (see below).

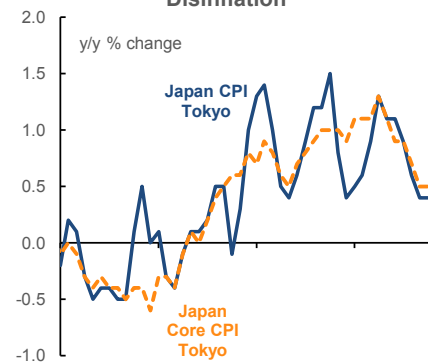
- US equity futures are down by up to 0.2% across the exchanges. TSX futures are down by ½%. European cash markets are mixed. London is down ¾% with the loss accelerating after Labour's support for an election. The Dax and CAC40 are little changed. Asian equities were also mixed with Tokyo closing higher by ½%, Seoul ending flat, Hong Kong closing down 0.4% and mainland China's exchanges dropping by up to 1%.
- Sovereign bonds are consolidating yesterday's sell off with slight downward pressure upon yields. US Treasury yields are down by about 1bp with Canadas performing similarly across the curve after a large corporate issue invoked spillover effects into the sovereign market. Yields on 10s in Europe are generally down by 1–2bps. The poster child for bondholder pain is Argentina where the two year yield is up by a cumulative 391bps since Friday's close in the wake of the election victory for the populist Peronistas.
- The USD is generally little changed as only the won and A\$ are slightly appreciating against the greenback while the Euro is a touch weaker along with a handful of mostly euro-related crosses. CAD is flat ahead of the BoC tomorrow.

**CONTACTS**

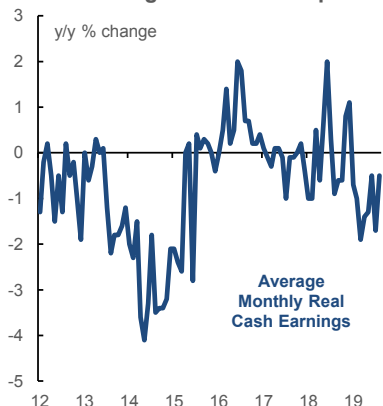
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**Support for UK Political Parties**


Note: Projections as of October 25th.  
Sources: Scotiabank Economics, BBC.

**Japan's Renewed Disinflation**


Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

**Still No Wage Inflation In Japan**


Source: Scotiabank Economics, Bloomberg.

- Oil prices are down by about half a buck in terms of WTI and Brent. US private crude inventories are due out later today ahead of the government's report.

**The UK Johnson administration will launch another attempt at triggering an election today and this time Labour will support it.** The day's agenda ([here](#)) leaves the timing of a vote rather open-ended. The Early Parliamentary General Election Bill will be introduced sometime after 8:30amET, and debate will last up to six hours. That suggests that a vote could be held sometime from mid-afternoon eastern time onward. If it passes the lower threshold of 50% +1 for this one, then an election will be held either on December 9<sup>th</sup> (opposition's preference) or 12<sup>th</sup> (government's proposal). The latest polls are shown in chart 1. If it fails, then options open up to include possibilities like the government setting itself up to fail a no confidence motion and thus triggering an election that way, or efforts to seek a second referendum. Labour leader Jeremy Corbyn said early this morning that his party would support a December election as "our condition of taking no deal off the table has now been met." It's also conceivable that throwing support behind an election call was a face saving move given that the Liberal Democrats and Scottish National Party looked set to probably support the Conservatives and given that the threshold this time was much lower at 50% plus one. It's still unclear whether amendments may be tacked onto an election bill and if they will be tolerable to the government.

**Despite a sales tax hike from 8% to 10% on October 1<sup>st</sup>, Japanese inflation readings unusually went nowhere this month (chart 2).** The CPI reading for Tokyo serves as an advance indicator of nationwide inflation and its overnight update landed at 0.4% y/y (0.4% prior, 0.7% consensus), while the ex-fresh food core measure was also unchanged at 0.5% y/y (0.7% consensus) and the ex-food and energy category only ticked up to 0.7% y/y. **Tokyo core CPI was only up by 0.3% y/y after excluding the effects of the sales tax increase as well as the offer of free childcare starting this month as a way of helping to offset the impact of the tax hike.** A reward points program to those who paid with cashless forms of payment was offered alongside the tax hike and may have helped to mitigate pass through. Further, retailers are thought to have possibly driven softer prices to help compensate for the impact of the tax hike given weak wage growth (chart 3).

## UNITED STATES

~~It's the day before the Fed and nothing else matters.~~ Right. Let's try that again. The two day FOMC meeting commences this morning and expectations ahead of tomorrow's meeting will dominate market attention. A Fed preview is [here](#).

If anything catches attention then the best odds are on the 10amET release of the Conference Board's consumer confidence measure for October. It is expected to improve somewhat after tariffs on Chinese imports were put off.

Pending home sales during September (10amET) and repeat sale home prices (9amET) are also on tap.

Fixed Income	Government Yield Curves (%):												Central Banks	
	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		
U.S.	1.63	1.64	1.60	1.66	1.66	1.59	1.83	1.84	1.76	2.32	2.34	2.25	Canada - BoC	1.75
CANADA	1.71	1.71	1.62	1.63	1.64	1.53	1.61	1.62	1.52	1.75	1.76	1.63	US - Fed	2.00
GERMANY	-0.64	-0.65	-0.66	-0.59	-0.58	-0.61	-0.35	-0.33	-0.37	0.18	0.20	0.16	England - BoE	0.75
JAPAN	-0.20	-0.21	-0.23	-0.23	-0.24	-0.26	-0.10	-0.12	-0.13	0.43	0.41	0.43		
U.K.	0.54	0.54	0.52	0.51	0.51	0.50	0.71	0.72	0.71	1.24	1.23	1.23		
Equities	Spreads vs. U.S. (bps):												Next Meeting Date	
	8	6	2	-2	-2	-6	-22	-22	-24	-58	-58	-63		
CANADA	-227	-229	-225	-224	-225	-219	-218	-217	-213	-214	-213	-209	Euro zone - ECB	0.00
GERMANY	-183	-185	-183	-188	-191	-184	-194	-196	-189	-189	-193	-182	Japan - BoJ	-0.10
JAPAN	-109	-110	-107	-115	-115	-109	-112	-112	-105	-108	-110	-102	Mexico - Banxico	7.75
U.K.													Australia - RBA	0.75
Commodities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	16388			-17.0			-0.1	-0.2	-1.8	11.3			New Zealand - RBNZ	1.00
Dow 30	27091			132.7			0.5	1.0	1.0	10.8				
S&P 500	3039			16.9			0.6	1.1	2.6	15.1				
Nasdaq	8326			82.9			1.0	2.0	4.9	18.1				
DAX	12925			-16.2			-0.1	1.3	4.4	14.0				
FTSE	7284			-47.7			-0.7	1.0	-1.9	3.7				
Nikkei	22974			106.9			0.5	1.9	5.0	8.6				
Hang Seng	26787			-104.5			-0.4	0.0	3.2	8.0				
CAC	5730			-0.8			-0.0	1.3	1.6	14.8				
Currencies	Level						% change:							
USDCAD	1.3056			0.0001			0.0	-0.3	-1.4	-0.6			Canada - BoC	Oct 30, 2019
EURUSD	1.1083			-0.0017			-0.2	-0.4	1.7	-2.5			US - Fed	Oct 30, 2019
USDJPY	108.92			-0.0300			-0.0	0.4	0.8	-3.1			England - BoE	Nov 07, 2019
AUDUSD	0.6851			0.0013			0.2	-0.1	1.5	-2.9			Euro zone - ECB	Dec 12, 2019
GBPUSD	1.2856			-0.0007			-0.1	-0.1	4.6	0.5			Japan - BoJ	Oct 31, 2019
USDCHF	0.9955			0.0009			0.1	0.6	-0.2	-0.6			Mexico - Banxico	Nov 14, 2019
													Australia - RBA	Nov 04, 2019
													New Zealand - RBNZ	Nov 12, 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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