**ON DECK FOR FRIDAY, NOVEMBER 8**

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| CA | 11/08 | 08:15 | Housing Starts (000s a.r.) | Oct | 215 | 220.0 | 221.1 |
| CA | 11/08 | 08:30 | Building Permits (m/m) | Sep | -- | -2.0 | 6.1 |
| CA | 11/08 | 08:30 | Employment (000s m/m) | Oct | 15 | 15.0 | 53.7 |
| CA | 11/08 | 08:30 | Unemployment Rate (%) | Oct | 5.5 | 5.5 | 5.5 |
| US | 11/08 | 10:00 | U. of Michigan Consumer Sentiment | Nov P | 96.0 | 95.5 | 95.5 |
| US | 11/08 | 10:00 | Wholesale Inventories (m/m) | Sep F | -- | -0.3 | -0.3 |
| CA | 11/08 | 13:30 | Bank of Canada's Paul Beaudry Speaks | | | | |

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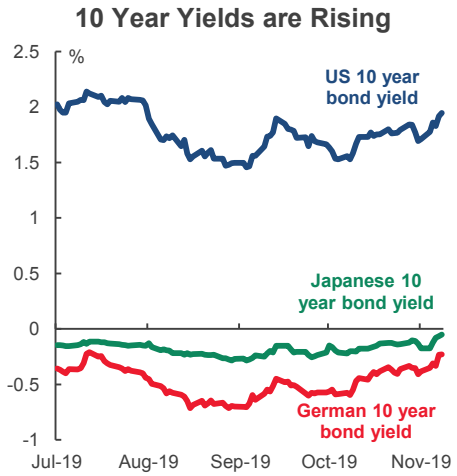
## KEY POINTS:

- **Markets playing it more cautiously given tariff uncertainty**
- **The US administration is divided on tariff reductions…**
- **…while Trump is silent on the matter**
- **Canadian jobs: a more muted election effect this time?**
- **China's trade figures deteriorated again…**
- **…with headlines that are focused upon year-ago percent changes…**
- **…missing the more important signals in m/m SA figures**
- **German exports pick up**
- **Chile's CB may not be too impressed by higher inflation**
- **Peru's CB cuts with a neutral bias**
- **US UofM sentiment may face upside risk**
- **Quebec's Fall statement recap**



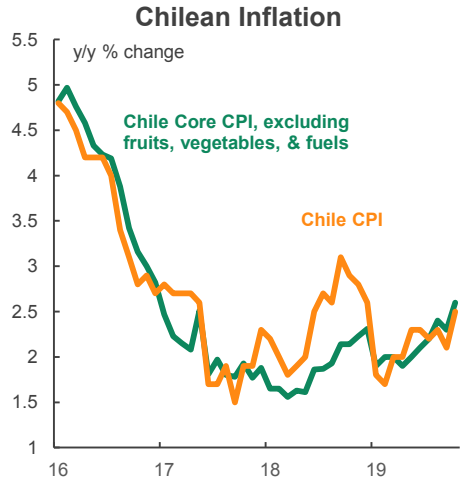
Sources: Scotiabank Economics, Bloomberg.

## INTERNATIONAL

Markets are more cautious this morning given mixed signals from within the US administration toward prospects for tariff relief. Apparently it depends upon which official from the administration is speaking and Trump is too focused on other things to weigh in. China trade did not improve as media headlines suggest (see below) but German exports did. Peru's central bank cut with a neutral bias and Chilean inflation picked up toward target but for reasons the central bank might fade (see below). The US calendar should be fairly light while Canada is focused upon jobs. Canadian markets will shut early at 1pmET today ahead of the Remembrance Day market holiday on Monday. US markets will not shut early ahead of Monday's Veterans Day.

- Stocks are playing it a little safer. US and Canadian equity futures are little changed. European cash markets are little changed with a slightly negative bias. Asian equities sold off outside of a small gain in Tokyo.

- Sovereign bond yields continue to cheapen up across most major markets. US yields are up by about 3bps from 2s through 30s. Canada's curve and gilts are slightly cheaper but outperforming the US. The main move in EGBs is spread widening in Italian yields over bunds. Japan's 10 year moved higher again and now sits at just -7bps. See the chart for the moves in 10s benchmarks over recent times.



Sources: Scotiabank Economics, Bloomberg.

- Oil prices are down by just under a buck in terms of Brent and WTI. Gold is down another US$10 to US$1460.
- The USD is stronger against almost all comers.

**China's trade figures did not improve as media headlines suggest.** Those headlines look just at the year-ago percentage changes and not month-ago seasonally adjusted changes. Year-ago percentage changes in exports and imports can swing around as year-ago base effects change and if there were any prior revisions. Month-ago seasonally adjusted figures provide a better gauge of direction at the margin and in this case they provide a totally different picture to that provided by the year-ago percentage swings. Let's looks at the two measurements by drawing upon the original source tables (here) including the footnotes to the table that quote the seasonally adjusted month-ago swings.

**Using China's reported year-ago percentage growth figures, it looks as if China's trade position improved on both sides of the ledger and in both yuan and USD denominated figures.** Export growth was 2.1% y/y in yuan terms (-1.4% consensus, -0.7% prior) and down 0.9% y/y in USD terms (-3.9% consensus, -3.2% prior). Imports are still tumbling, but slightly less so than previously as they were down 3.5% y/y in yuan terms (-5.4% consensus, -6.2% prior) and down 6.4% y/y in US terms (-7.8% consensus, -8.5% prior). The trade surplus widened to 301.3 billion yuan (275B prior) and US$42.8B (US$39.65 prior).

**In month-ago seasonally adjusted terms, however, China's exports were down 0.8% m/m in October in yuan terms and down 1.6% m/m in USD terms.** Imports were up 4.4% m/m in yuan terms and up 3.7% m/m in USD terms. That points to a second narrative correction in that headlines suggest the domestic economy was weak and pulled in fewer imports; the month-ago seasonally adjusted figures suggest otherwise.

The caveat around all of these Chinese trade numbers concerns the remarkable speed with which October figures are provided just a week after month-end for such a large economy! The US, for example, will take until November 26th to do likewise and only for the merchandise component; the broader trade figures including services arrive on December 5th.

**German trade registered a mild improvement.** Seasonally adjusted exports were up 1.5% m/m and the prior month's drop was positively revised to a drop of 0.9% m/m which is half of the initially reported decline. German imports increased by 1.3% m/m but the prior month was revised slightly lower to a gain of 0.1% from an initial estimate of 0.5%.

**Chilean inflation moved higher in this morning's October update (see chart).** Core inflation edged jumped to 2.6% y/y (2.3% prior) and is at its highest since December 2016. That puts inflation closer to the mid-point of the 2–4% inflation target band. Headline inflation increased to 2.5% y/y (2.1% prior, 2.3% consensus). It's unclear to what extent Chile's central bank will be comforted by this. At least some of the rise was driven by transitory factors including price effects in the wake of the protests that sparked stockpiling activity. Chile's central bank has slashed its policy rate by 125bps since June including last month's cut.

**Peru's central bank cut its reference rate by 25bps to 2¼% last evening.** Only six out of 16 within the Bloomberg consensus nailed it. The statement (here) explained the decision by observing that inflation was close to the target with downside future risk, while the mixed drivers of the economy "point to a more gradual closure of the output gap." On the bias, the central bank stated "This decision does not necessarily imply additional reductions in the policy rate" while also observing that "global growth risks decreased as trade tensions moderated."

## UNITED STATES

Will the real voice for US trade policy please speak up! President Trump has been tweeting about impeachment proceedings, rulings against him and slagging his political opponents, but markets are uneasy because the commander-in-chief has said absolutely nothing to inform the view that tariff reductions by the US and China will be a part of any phase one trade agreement. There may be good reasons for being reserved toward the negotiations, but that hasn't stopped his twitter account in the past. What we have to go by is **conflicting guidance from an administration that remains divided on almost everything**. Larry Kudlow is trying to talk up stocks with talk of tariff relief. So is China. Peter Navarro is trash talking the concept and said **"there is no agreement at this time to remove any of the existing tariffs as a condition of the phase one deal. The only person who can make that decision is President Donald J. Trump. It's as simple as that."** Lighthizer and Mnuchin are both silent. All the while, the target date for any meeting to announce some sort of agreement keeps getting pushed out.

The only release of note today will be the **University of Michigan's consumer sentiment** reading for November (10amET). Consensus expects an unchanged reading after the rise over the past couple of months.

## CANADA

**Canada updates job growth for the month of October (8:30amET). Spin the wheel! But with a twist this time.** The key is likely to be that election related hiring will have to be removed from the headline sticker shock. There is such a large amount of statistical noise around the household survey that anything goes. One thing, however, is that I think there is a case for going to the low end of election hiring effects. That's because the election date of Monday October 21st was just after the reference week for the Labour Force Survey. Election oriented hiring would be primarily derived from the two out of the four days of advance polls that included Sunday and Monday at the start of the reference week. That is likely to make for a softer election hiring effect in LFS than some of the peaks in past elections. See the Global Week Ahead for further elaboration.

For a recap of yesterday's Quebec Fall statement, go here.

| 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. | 1.69 | 1.67 | 1.55 | 1.76 | 1.73 | 1.54 | 1.94 | 1.92 | 1.71 | 2.41 | 2.40 | 2.19 |
| CANADA | 1.64 | 1.62 | 1.55 | 1.62 | 1.60 | 1.46 | 1.63 | 1.61 | 1.44 | 1.76 | 1.74 | 1.60 |
| GERMANY | -0.61 | -0.61 | -0.66 | -0.51 | -0.51 | -0.61 | -0.23 | -0.23 | -0.38 | 0.30 | 0.31 | 0.15 |
| JAPAN | -0.17 | -0.17 | -0.26 | -0.18 | -0.18 | -0.30 | -0.05 | -0.06 | -0.18 | 0.46 | 0.43 | 0.35 |
| U.K. | 0.56 | 0.54 | 0.52 | 0.55 | 0.53 | 0.46 | 0.81 | 0.79 | 0.66 | 1.32 | 1.32 | 1.17 |
| | Spreads vs. U.S. (bps): | | | | | | | | | | | |
| CANADA | -5 | -5 | -0 | -14 | -14 | -8 | -31 | -30 | -27 | -66 | -66 | -59 |
| GERMANY | -230 | -228 | -221 | -226 | -224 | -216 | -217 | -215 | -209 | -211 | -209 | -204 |
| JAPAN | -185 | -184 | -182 | -193 | -191 | -184 | -199 | -198 | -189 | -196 | -197 | -184 |
| U.K. | -113 | -113 | -103 | -121 | -120 | -108 | -114 | -113 | -105 | -109 | -108 | -103 |

| Equities | Level | | % change: | | |
|---|---|---|---|---|---|
| | Last | Change | 1 Day | 1-wk | 1-mo | 1-yr |
| S&P/TSX | 16806 | 60.1 | 0.4 | 2.0 | 3.1 | 9.4 |
| Dow 30 | 27675 | 182.2 | 0.7 | 2.3 | 5.8 | 5.7 |
| S&P 500 | 3085 | 8.4 | 0.3 | 1.6 | 6.6 | 9.9 |
| Nasdaq | 8435 | 23.9 | 0.3 | 1.7 | 7.8 | 12.0 |
| DAX | 13266 | -23.3 | -0.2 | 2.4 | 10.8 | 15.1 |
| FTSE | 7384 | -22.6 | -0.3 | 1.1 | 3.4 | 3.4 |
| Nikkei | 23392 | 61.5 | 0.3 | 2.0 | 8.4 | 4.0 |
| Hang Seng | 27651 | -196.1 | -0.7 | 2.0 | 6.8 | 5.4 |
| CAC | 5882 | -9.2 | -0.2 | 2.1 | 7.8 | 14.6 |
| **Commodities** | Level | | % change: | | | |
| WTI Crude | 56.25 | -0.90 | -1.6 | 0.1 | 6.9 | -7.3 |
| Natural Gas | 2.81 | 0.04 | 1.3 | 3.5 | 22.7 | -20.7 |
| Gold | 1459.71 | -8.79 | -0.6 | -3.6 | -3.0 | 19.3 |
| Silver | 17.53 | -0.01 | -0.1 | -2.9 | 0.6 | 19.5 |
| CRB Index | 180.00 | -0.98 | -0.5 | -0.2 | 3.9 | -5.1 |
| **Currencies** | Level | | % change: | | | |
| USDCAD | 1.3195 | 0.0021 | 0.2 | 0.4 | -1.0 | 0.3 |
| EURUSD | 1.1031 | -0.0019 | -0.2 | -1.2 | 0.7 | -2.9 |
| USDJPY | 109.40 | 0.1200 | 0.1 | 1.1 | 2.2 | -4.1 |
| AUDUSD | 0.6868 | -0.0030 | -0.4 | -0.5 | 2.1 | -5.3 |
| GBPUSD | 1.2804 | -0.0013 | -0.1 | -1.1 | 4.8 | -2.0 |
| USDCHF | 0.9965 | 0.0014 | 0.1 | 1.1 | 0.4 | -0.9 |

| Central Banks | Current Rate |
|---|---|
| Canada - BoC | 1.75 |
| US - Fed | 1.75 |
| England - BoE | 0.75 |
| Euro zone - ECB | 0.00 |
| Japan - BoJ | -0.10 |
| Mexico - Banxico | 7.75 |
| Australia - RBA | 0.75 |
| New Zealand - RBNZ | 1.00 |

| Next Meeting Date | |
|---|---|
| Canada - BoC | Dec 04, 2019 |
| US - Fed | Dec 11, 2019 |
| England - BoE | Dec 19, 2019 |
| Euro zone - ECB | Dec 12, 2019 |
| Japan - BoJ | Dec 19, 2019 |
| Mexico - Banxico | Nov 14, 2019 |
| Australia - RBA | Dec 02, 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.*