

ON DECK FOR MONDAY, DECEMBER 2

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	12/02	10:00	Construction Spending (m/m)	Oct	--	0.4	0.5
US	12/02	10:00	ISM Manufacturing Index	Nov	48.8	49.2	48.3

KEY POINTS:

- Global bond curves bear steepening
- Trump's itchy tariff finger strikes Argentina, Brazil...
- ...on deeply flawed currency logic...
- ...proving to markets that tariff risk remains
- China meekly retaliates against US HK bill
- China's state PMIs improved, private PMIs little changed...
- ...as gains were driven by domestic orders and SOEs...
- ...rather than signals that the global economy is improving
- Eurozone manufacturing PMI revised slightly higher
- Japanese cap-ex accelerates
- US ISM, construction on tap
- ECB's Lagarde to testify to European Parliament today
- CDN week ahead: BoC, jobs, trade, bank earnings...
- ...and Parliament returns with focus on Fall fiscal update
- US week ahead: nonfarm and other macro

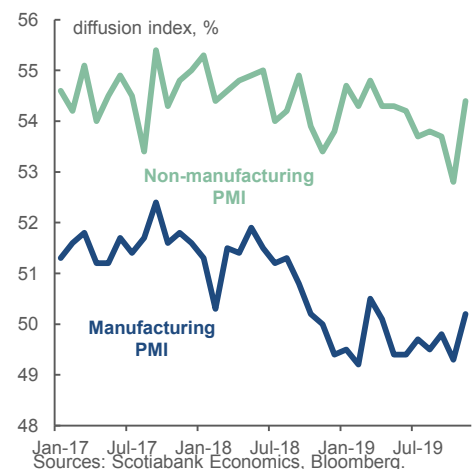
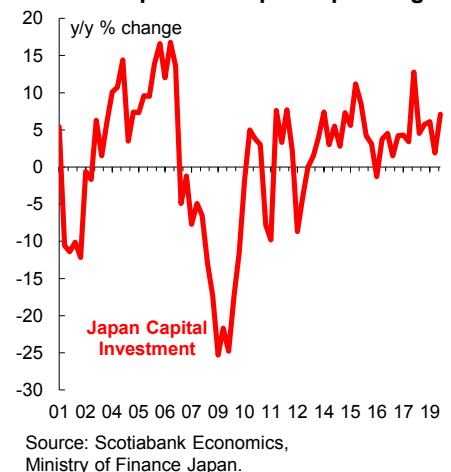
INTERNATIONAL

Regular publishing resumes following a week of marketing to our clients in Singapore, Seoul, Taipei and Tokyo. Generally positive signals are netting out to a mild risk-on sentiment across most global asset classes this morning. China offered meek retaliation against the US Hong Kong bill by only sanctioning human rights organizations and suspending visits by US navy ships to Hong Kong which is positive in that it doesn't do anything material to trade negotiations. China also released PMI readings that registered some gains in both the manufacturing and non-manufacturing sectors but concentrated in domestic orders at SOEs. Nevertheless, it adds to limited evidence of stability across global PMIs with the US on tap for later this morning. A short time ago, President Trump announced the return of steel and aluminum tariffs against Brazil and Argentina on the bogus argument that they are intentionally devaluing their currencies; clearly the two countries have had issues that merit weakening currencies driven by market mechanisms which further highlights how misguided US trade policy is.

- US equity futures remain up by under ¼% on average across the exchanges with TSX futures performing similarly. European cash markets are generally lower on average with London little changed, but Frankfurt, Paris, Milan and Madrid all lower by between ¼% and 1%. Asian equities closed higher with the Nikkei's 1% gain leading the way.
- Sovereign bond yields are under significant upward pressure with most curves bear steepening. The US 10 year yield is up 6bps, Canada's 10 year

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China's November PMI Rebound

Solid Japanese Capital Spending


yield is up by about 7bps, the gilts 10 year note is up 4bps and Italy is leading the cheapening elsewhere with its 10 year bond up 12bps.

- Oil prices are rallying with both Brent and WTI up by over a buck to about US\$62 and US\$56½ respectively. Gold is off \$6 to US\$1458.
- Most currencies are little changed to the USD except for the A\$/NZ\$ and some Scandies that are leading the appreciating crosses.

China's state purchasing managers' indices improved in the Friday evening releases for November. The composite PMI jumped by 1.7 points to 53.7 and this was driven by balanced contributions from manufacturing (50.2, 49.3 prior) and non-manufacturing (54.4, 52.8 prior). The private manufacturing PMI was, however, little changed at 51.8 (51.7 prior). Recall that the state PMIs are more skewed to SOEs whereas the private PMIs are more skewed toward smaller and more export-oriented companies in coastal cities. In fact, the state PMIs registered gains in domestic new orders as the primary source of contribution. Thus, an incorrect conclusion would be that the export sector improved versus domestic measures that buoyed the SOEs.

Also note that the Eurozone manufacturing PMI was revised up slightly to 46.9 from 46.6 for last month. That's still not great and statistically insignificant, but the direction may be taken as positive.

Japanese capital expenditures unexpectedly picked up in Q3. They were up by 7.1% y/y and 7.7% y/y excluding software. Some of that acceleration was due to base effects, but it still points to continued cap-ex by Japanese firms by contrast to weakness elsewhere such that one shouldn't necessarily dismiss this as due to transitory factors.

ECB watchers will keep an eye on President Lagarde's testimony before the European parliament this morning (9amET).

UNITED STATES

US markets will consider the ISM-manufacturing reading for November (10amET) and construction spending for October (10amET) this morning. ISM is expected to post another mild gain but to remain in contraction territory. Recall that housing starts were up by 3.8% m/m in October in a reversal of some of the 7.9% plunge in September and this should assist the construction spending tally.

The rest of the week will include updates on vehicle sales for November (tomorrow), ADP jobs and ISM non-manufacturing for November (Wednesday), the trade balance for October and factory orders for October (Thursday) and then nonfarm payrolls for November as the week's marquee release on Friday followed by UofM sentiment for December later that morning.

CANADA

Canada starts the week on a quiet note and it will take until Wednesday to spice things up a bit. The **Bank of Canada's decision on Wednesday** at 10amET is pretty much unanimously expected to hold the policy rate at 1.75% in a statement-only affair. Please see [this](#) piece that was published on November 21st for a further explanation of expectations for this statement and the forecast. Deputy Governor Tim Lane will be charged with the task of providing an updated Economic Progress Report on Thursday at 8amET as per the custom following non-MPR BoC meetings.

Afterward, Canada updates trade figures for October on Thursday (8:30amET) and job growth during November on Friday (8:30amET).

Parliament reconvenes on Thursday and movement toward a Fall fiscal report and possible stimulus measures will ensue.

Bank earnings season will further advance with readings from BMO tomorrow, RBC, National and Laurentian on Wednesday, and then CIBC, TD and Canadian Western Bank on Thursday. BNS led the season last Tuesday.

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	Canada - BoC	1.75				
	1.63	1.61	1.62	1.67	1.63	1.61	1.83	1.78	1.76	2.27	2.21	2.20						
	1.61	1.58	1.58	1.55	1.49	1.49	1.54	1.46	1.46	1.62	1.55	1.57	US - Fed	1.75				
	-0.61	-0.63	-0.63	-0.54	-0.58	-0.58	-0.30	-0.36	-0.35	0.22	0.15	0.17						
	-0.16	-0.17	-0.18	-0.15	-0.17	-0.19	-0.05	-0.07	-0.08	0.44	0.42	0.45	England - BoE	0.75				
	0.56	0.54	0.52	0.55	0.51	0.49	0.74	0.70	0.70	1.26	1.21	1.26						
	Spreads vs. U.S. (bps):												Euro zone - ECB	0.00				
	-2	-3	-4	-12	-14	-12	-30	-32	-29	-65	-65	-63						
	-225	-224	-224	-220	-221	-219	-213	-214	-210	-206	-206	-203			Japan - BoJ	-0.10		
-179	-178	-180	-182	-180	-180	-188	-185	-183	-184	-179	-176							
-107	-107	-110	-112	-111	-112	-109	-108	-106	-102	-100	-94	Mexico - Banxico	7.50					
Level						% change:								Australia - RBA	0.75			
Last	Change					1 Day	1-wk	1-mo	1-yr	New Zealand - RBNZ	1.00							
S&P/TSX	17040	-74.3					-0.4	0.5	2.7							12.1		
Dow 30	28051	-112.6					-0.4	1.0	2.6							9.8		
S&P 500	3141	-12.7					-0.4	1.2	2.4							13.8		
Nasdaq	8665	-39.7					-0.5	1.9	3.3							18.2		
DAX	13211	-25.3					-0.2	-0.3	1.9							17.4		
FTSE	7342	-4.1					-0.1	-0.7	0.5							5.2		
Nikkei	23530	235.6					1.0	1.0	3.0							5.3		
Hang Seng	26445	98.2					0.4	-2.0	-2.4			-0.2						
CAC	5884	-20.9					-0.4	-0.7	2.1			17.6						
Commodities	Level						% change:						Canada - BoC	Dec 04, 2019				
WTI Crude	56.45	1.28					2.3	-2.3	0.4	10.8	US - Fed	Dec 11, 2019						
Natural Gas	2.33	0.05					2.2	-12.5	-14.1	-49.4								
Gold	1457.89	-6.05					-0.4	0.2	-3.7	19.3					England - BoE	Dec 19, 2019		
Silver	16.97	0.02					0.1	-1.2	-3.9	18.9								
CRB Index	176.66	-3.69					-2.0	-2.3	-2.0	-2.8							Euro zone - ECB	Dec 12, 2019
Currencies	Level						% change:											
USDCAD	1.3303	0.0021					0.2	0.0	1.2	0.8			Mexico - Banxico	Dec 19, 2019				
EURUSD	1.1011	-0.0007					-0.1	-0.0	-1.1	-3.0	Australia - RBA	Dec 02, 2019						
USDJPY	109.54	0.0500					0.0	0.6	0.9	-3.6								
AUDUSD	0.6785	0.0022					0.3	0.1	-1.4	-7.8					New Zealand - RBNZ	Feb 11, 2020		
GBPUSD	1.2921	-0.0004					-0.0	0.2	0.3	1.5								
USDCHF	0.9980	-0.0022					-0.2	0.2	1.0	0.1								

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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