

ON DECK FOR FRIDAY, DECEMBER 6

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/06	08:30	Employment (000s m/m)	Nov	0.0	10.0	-1.8
CA	12/06	08:30	Unemployment Rate (%)	Nov	5.6	5.5	5.5
US	12/06	08:30	Average Hourly Earnings (m/m)	Nov	0.2	0.3	0.2
US	12/06	08:30	Average Hourly Earnings (y/y)	Nov	3.0	3.0	3.0
US	12/06	08:30	Average Weekly Hours	Nov	--	34.4	34.4
US	12/06	08:30	Nonfarm Employment Report (000s m/m)	Nov	200	183.0	128.0
US	12/06	08:30	Unemployment Rate (%)	Nov	3.5	3.6	3.6
US	12/06	10:00	U. of Michigan Consumer Sentiment	Dec P	97.2	97.0	96.8
US	12/06	10:00	Wholesale Inventories (m/m)	Oct F	--	0.2	0.2
US	12/06	15:00	Consumer Credit (US\$ bn m/m)	Oct	--	16.0	9.5

KEY POINTS:

- Global markets await nonfarm
- US nonfarm payrolls: ADP head fake?
- German industrial output craters...
- ...adding to concerns about the global economy
- Oil drops after OPEC's trivial cuts
- Canadian jobs: control for the election effect
- CPI: Colombia, Chile, Brazil, Russia
- US UoM sentiment on tap
- Canada's tax cuts will have a minimal effect on GDP & the BoC

INTERNATIONAL

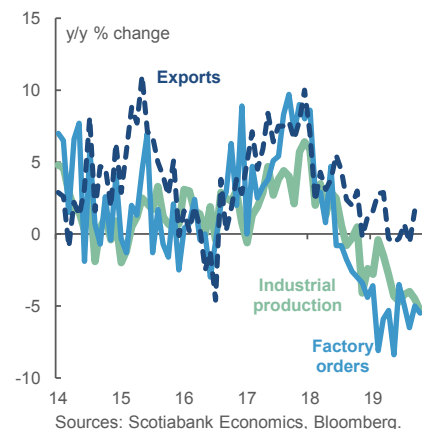
The main focal point across global asset classes will be the US nonfarm payroll and wage growth estimates. Canada's jobs report will be an incremental focus upon local markets. German industrial output sharply disappointed expectations and plays against recovery evidence (see below). Where this notion that the global economy is turning a corner comes from escapes me and data like this further illustrates that the point that the Bank of Canada's tightening of financial conditions with a somewhat hawkish sounding message pointing toward evidence of a global recovery was on a total lark. A round of less significant releases includes four inflation reports mostly out of LatAm markets. Oil is retreating on soft production cuts out of the OPEC meeting (see below). Also see [this](#) piece put out last evening by Scotia's Rebekah Young and Marc Desormeaux that recaps main elements of yesterday's Canadian Speech from the Throne. There were a lot of generalities and platitudes as always in these speeches, but the particularly relevant part may be the remarks on tax cuts and the conclusion that they are likely to carry little to no influence upon GDP growth and the Bank of Canada going forward.

- US equity futures are up by about ¼% and slightly more for the Nasdaq. TSX futures are up by less. European cash markets are rallying by between ¼% and 1% across the bourses with London leading thanks to sterling's gyrations. Asian equities rallied with gains of 1% in Hong Kong and Seoul, ½% to ¾% at mainland China's exchanges and Tokyo was up by about ¼%.

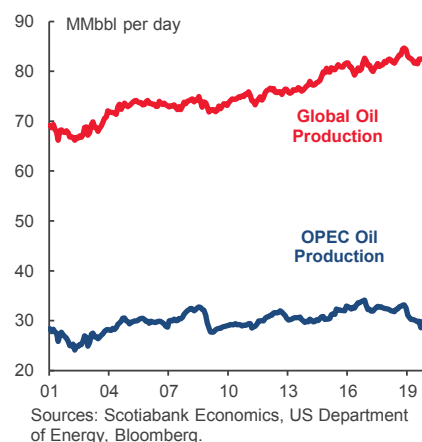
CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Germany's Troubled Economy



Global Oil Production



- Sovereign bonds are generally catching somewhat of a bid ahead of nonfarm. US Treasury yields are down by 1–2bps across the curve. Canada's curve is slightly richer toward the longer end. Gilts are richer by about 2–3bps. EGBs are mixed with bunds outperforming French bonds and Italian spreads slightly narrower.
- Currency markets are divided. Sterling, the Swiss Franc, euro and euro-related crosses are leading the depreciating crosses to the USD. CAD and the Mexican peso are flat. Appreciating currencies are led by the A\$, NZ\$, yen and rand.
- Oil prices are a little lower following the OPEC announcements. WTI is down 30 cents to just over US\$58 and Brent is similarly lower at just over US\$63. Canada Western Select will probably edge a little lower as well from yesterday's US\$38½.

Germany's troubled economy became even more troubled overnight with the latest weak reading. German industrial production cratered. Output fell by 1.7% m/m in October (+0.1% consensus) after a 0.6% prior decline. Output has fallen for six out of ten months this year and is tracking a decline of 5.3% y/y which has not been witnessed since the greying experience of 2009. The entire industrial-export complex has been in freefall with no bottoming in sight as of yet (chart 1). A particularly weak spot has been production of capital goods that fell by 4.4% m/m in October after a 1.6% decline in September. Construction output also fell (-2.8% m/m) and reversed the prior gain. Output of consumer goods including autos has been trending lower with a 0.3% m/m gain in October following declines of nearly a percentage point in each of August and September.

OPEC's announced production cut slightly disappointed oil markets that hadn't expected very much in the first place. The outmoded cartel agreed to reduce output by a half million barrels per day. That's a rounding error and somewhat less than had been hoped. By way of benchmarks, world oil production is over 82 million barrels per day of which OPEC accounts for under 30 million bpd for a little over a one-third market share (chart 2).

Four inflation reports are of local market significance. They include:

- Colombian CPI was unchanged at 3.8% y/y in November with core ticking up to 3.4% y/y. That puts core inflation a touch closer to the upper end of BanRep's 2–4% inflation target range.
- Chilean inflation edged higher to 2.7% y/y (2.5% prior, 2.8% consensus). Core inflation also moved higher to 2.6% y/y. That leaves inflation comfortably below but a little closer to the mid-point of the 2–4% inflation target range.
- Brazilian inflation jumped in line with expectations to 3.3% y/y (2.5% prior, 3.2% consensus).
- Russia will also update inflation for November at 8amET. The readings are expected to show slightly less headline inflation from the 3.8% y/y prior reading and a touch lower core inflation from the 3.7% prior reading.

UNITED STATES

US nonfarm payrolls are due out at 8:30amET. I'll briefly recap what I've previously written including in yesterday morning's note. My guesstimate is +200k (consensus 183k). The 90% confidence interval is +/- 110k so it's a complete and utter waste of time to attempt any modelling or over-analyzing correlations with a variety of other labor market readings. ADP counsels a big downside given historical tracking of the spreads between ADP and private nonfarm payrolls. The employment sub gauge to ISM services counsels upside risk but there is wicked variability to the relationship over time. What I'm assuming is that baseline job growth is in the 120–140k range and we reverse to the upside the prior month's drops due to unwinding Census jobs (-20k) and the GM strike effect (about -50k). There is downside risk to my estimate but I don't believe it stretches down to ADP kind of levels. Wage growth is tracking around 3% given base effects and typical seasonality.

The US also releases the University of Michigan's consumer sentiment reading for December at 10amET. It is expected to be little change from the prior month that held around the elevated range that has been in place over the past three years.

CANADA

Canada updates job growth for November with the Labour Force Survey of households this morning (8:30amET). My guesstimate is no change in total jobs (consensus +10k). That assumes a pick-up in baseline job growth but offset by the loss of the temporary election jobs and so strip out the public administration component to get a cleaner reading on what happened to job growth last month. By the way, here too, there is a big spin the wheel component: the 95% confidence interval surrounding monthly changes in jobs is +/-57,600 for this survey. It's proportionately higher than the US nonfarm confidence interval but more in keeping with the miles wider confidence interval to the US household survey.

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		
	1.58	1.59	1.61	1.61	1.63	1.63	1.79	1.81	1.78	2.23	2.26	2.21				
	1.68	1.68	1.58	1.62	1.63	1.49	1.60	1.61	1.46	1.68	1.69	1.55				
	-0.63	-0.62	-0.63	-0.56	-0.55	-0.58	-0.31	-0.29	-0.36	0.21	0.22	0.15				
	-0.14	-0.15	-0.17	-0.12	-0.14	-0.17	-0.01	-0.03	-0.07	0.45	0.43	0.42				
CANADA GERMANY JAPAN U.K.	0.57			0.54			0.56			0.75			England - BoE	0.75		
	Spreads vs. U.S. (bps):															
	10	8	-3	1	-1	-14	-19	-20	-32	-56	-57	-65				
	-221	-222	-224	-217	-218	-221	-209	-211	-214	-202	-204	-206				
	-172	-175	-178	-173	-177	-180	-179	-184	-185	-178	-183	-179				
	-101	-101	-107	-106	-106	-111	-104	-104	-108	-97	-97	-100				
Equities	Level						% change:						Mexico - Banxico	7.50		
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last	Change					1 Day	1-wk	1-mo	1-yr						
	16855	-42.4					-0.3	-1.5	0.7	12.8						
	27678	28.0					0.1	-1.7	0.7	10.9						
	3117	4.7					0.2	-1.1	1.3	15.6						
	8571	4.0					0.0	-1.5	1.9	19.2						
	13095	39.8					0.3	-1.1	-0.6	21.1						
	7204	66.3					0.9	-1.9	-2.6	7.5						
	23354	54.3					0.2	0.3	0.2	8.6						
	26498	281.3					1.1	0.6	-4.3	1.3						
	5832	30.3					0.5	-1.2	-0.6	22.0						
Commodities	Level						% change:						Canada - BoC	Jan 22, 2020		
WTI Crude Natural Gas Gold Silver CRB Index	58.11	-0.32					-0.5	5.3	3.1	12.9						
	2.42	-0.01					-0.3	6.1	-14.4	-44.1						
	1475.69	-0.36					-0.0	0.8	-1.0	19.2						
	16.87	-0.26					-1.5	-0.4	-6.5	16.5						
	180.07	0.67					0.4	-0.2	-0.2	-0.7						
	Currencies	Level						% change:						US - Fed	Dec 11, 2019	
USDCAD EURUSD USDJPY AUDUSD GBPUSD USDCHF	1.3175	0.0001					0.0	-0.8	-0.0	-1.6						
	1.1094	-0.0010					-0.1	0.7	0.3	-2.5						
	108.57	-0.1900					-0.2	-0.8	-0.4	-3.6						
	0.6852	0.0018					0.3	1.3	-0.5	-5.3						
	1.3134	-0.0023					-0.2	1.6	2.2	2.8						
	0.9886	0.0014					0.1	-1.2	-0.4	-0.4						
Next Meeting Date																
Euro zone - ECB															Japan - BoJ	Dec 19, 2019
Australia - RBA																
New Zealand - RBNZ																

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.