

ON DECK FOR WEDNESDAY, JULY 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07/15	07:00	MBA Mortgage Applications (w/w)	Jul 10	--	--	5.1
CA	07/15	08:30	Manufacturing Shipments (m/m)	May	15.0	9.8	-28.5
US	07/15	08:30	Empire State Manufacturing Index	Jul	--	10.0	-0.2
US	07/15	08:30	Export Prices (m/m)	Jun	--	0.8	0.5
US	07/15	08:30	Import Prices (m/m)	Jun	--	1.0	1.0
CA	07/15	09:00	Existing Home Sales (m/m)	Jun	--	65.0	56.9
US	07/15	09:15	Capacity Utilization (%)	Jun	67.5	67.8	64.8
US	07/15	09:15	Industrial Production (m/m)	Jun	5.0	4.3	1.4
CA	07/15	10:00	BoC Interest Rate Announcement (%)	Jul 15	0.25	0.25	0.25
CA	07/15	11:00	BoC's Macklem Holds Press Conference				
US	07/15	14:00	Fed Releases Beige Book				

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KEY POINTS:

- Risk-on driven by elixir hopes
- BoC could offer impactful surprises today
- The US move on HK is like shooting the hostage...
- ...but markets may not be treating it too seriously
- BoJ is just passing the time
- Gilts underperform post CPI upside
- CDN manufacturing, home sales should add to recovery vibe
- US releases should advance the recovery tracking

INTERNATIONAL

Another risk-on session is sweeping through global markets. Possible catalysts include various positive vaccine headlines, minus the nasty side effects that have apparently gone with some of them during trial phases. Thrill-seeking early adopters please apply! Another massive US bank earnings beat is also assisting the market bias.

HK stocks were flat but mainland China sold off by about 1–2% across the exchanges after Trump announced the US would end HK's special status. China threatened to retaliate. It's doing a lot of that these days it seems as western powers circle the wagons against its tactics on multiple fronts. One reason that local stocks may not have sold off more is that there is a year-long fuse on the decision, kind of like the US decision to pull out of the WHO in about a year's time. Take a look at Trump's polling and perhaps discount both moves accordingly. Ending HK's status seems to hurt Hong Kong residents more than mainland China as it's kind of like shooting the victim to end a hostage taking.

- US equity futures are up by between ¾% (Nasdaq) and nearly 2% (DJIA) with the S&P in the middle. TSX futures are up by about ¾%. European cash markets are up by between 1¾% and 2½%. Asian markets were mixed overnight as Tokyo was up 1½%, Seoul was up ¾% and India was flat but mainland China sold off as noted.
- The USD is broadly lower as most major and semi-major crosses rally against it. CAD is appreciating but less so than the leading crosses ahead of the BoC.

- Sovereign bond curves are bear steepening in the US, with Canada putting in a milder version of that performance and the UK curve cheapening by 3bps across shorter maturities toward a 7bps sell off in 30s. 10 year EGBs are slightly cheaper on average.
- Oil prices are up by over 1%. Gold is trying to cling onto over US\$1800/oz but is little changed.

The Bank of Japan was a total yawner as it left everything unchanged overnight other than updating forecast guesswork. Overall the results were generally as expected.

UK CPI inflation was low, but a little higher than guesstimated. Headline ran at 0.8% y/y (consensus 0.6%, prior 0.7%) and 0.1% m/m (0% consensus and prior). Core CPI was up 0.6% y/y (0.4% consensus, 0.5% prior) and 0.1% m/m (0% consensus and prior). Gilts are underperforming this morning and sterling is appreciating a touch more than average on a general down day for the USD.

CANADA

The Bank of Canada statement and MPR land at 10amET and the Macklem/Wilkins presser will be at 11amET. See my full preview ([here](#)) and the section in the week ahead for more. Obviously no policy rate change is expected as Governor Macklem defines the effective lower bound at 0.25%, at least for now, but balance sheet guidance could be material and we could see innovative new approaches.

Canada will update manufacturing figures for May (8:30amET) that should rebound smartly after the prior 29% m/m drop. Estimates are all over the map from a 5% to 20% gain and a median call of about 10% (I'm at 15%). We'll see, but I went higher because manufacturing components to export figures were very strong, like a 76% m/m jump in autos and parts and a 15% rise in the petrochemicals category.

Canada also updates existing home sales at 9amET for last month. A very large gain is likely given local real estate board reporting including Toronto's 80%+ m/m jump.

UNITED STATES

Another US bank earnings beat was delivered, but this one was massive. Goldman smashed consensus expectations with a nearly 60% earnings beat. EPS of US\$6.26 compared to the average analyst forecast of US\$3.95. Trading revenues—especially on the FICC side—were the main driver. Notch another bit of evidence that US analysts tend to lowball expectations into each earnings season ever since SOX legislation.

The US updates industrial readings including output in June (9:15amET) and the Empire gauge for July (8:30amET). The Beige Book snoozer will be at 2pmET. Recovery evidence is expected to continue.

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			
	0.16	0.16	0.16	0.30	0.29	0.30	0.65	0.62	0.67	1.34	1.31	1.40	Canada - BoC	0.25	
	0.29	0.28	0.29	0.36	0.35	0.37	0.55	0.53	0.57	1.06	1.04	1.09	US - Fed	0.25	
	-0.66	-0.67	-0.67	-0.64	-0.64	-0.64	-0.43	-0.45	-0.44	-0.01	-0.03	-0.01	US - Fed	0.25	
	-0.13	-0.13	-0.13	-0.10	-0.09	-0.10	0.04	0.03	0.03	0.61	0.60	0.57			
	-0.07	-0.10	-0.07	-0.04	-0.07	-0.04	0.19	0.15	0.18	0.71	0.64	0.64	England - BoE	0.10	
	Spreads vs. U.S. (bps):														
	13	12	13	6	6	7	-10	-9	-9	-29	-27	-31	Euro zone - ECB	0.00	
	-82	-82	-83	-94	-93	-94	-108	-107	-111	-135	-134	-141			
-29	-29	-29	-40	-38	-40	-61	-59	-63	-73	-71	-83	Japan - BoJ	-0.10		
-23	-26	-23	-33	-36	-34	-46	-47	-48	-64	-68	-76				
Equities	Level						% change:						Mexico - Banxico		5.00
	Last			Change			1 Day	1-wk	1-mo	1-yr					
S&P/TSX	15908			269.0			1.7	2.0	3.6	-3.6			Australia - RBA	0.25	
Dow 30	26643			556.8			2.1	2.9	3.4	-2.6					
S&P 500	3198			42.3			1.3	1.7	4.3	6.1			New Zealand - RBNZ	0.25	
Nasdaq	10489			97.7			0.9	1.4	7.8	27.0					
DAX	12921			223.9			1.8	3.4	8.5	4.3					
FTSE	6301			121.5			2.0	2.4	3.9	-16.3					
Nikkei	22946			358.5			1.6	2.3	6.6	5.8			Canada - BoC	Jul 15, 2020	
Hang Seng	25482			3.7			0.0	-2.5	7.2	-10.8					
CAC	5126			118.5			2.4	2.9	6.4	-8.1			US - Fed	Jul 29, 2020	
Commodities	Level						% change:								
WTI Crude	40.89				0.60		1.5	-0.0	10.2		-31.4		England - BoE	Aug 06, 2020	
Natural Gas	1.74				-0.00		-0.2	-4.4	4.4		-27.6				
Gold	1806.26				-3.11		-0.2	-0.1	4.7		27.7		Euro zone - ECB	Jul 16, 2020	
Silver	18.90				-0.20		-1.0	4.9	7.2		24.8				
CRB Index	140.87				0.88		0.6	-0.8	4.5		-23.1		Japan - BoJ	Jul 14, 2020	
Currencies	Level						% change:								
USDCAD	1.3564				-0.0051		-0.4	0.4	-0.1		3.9		Mexico - Banxico	Aug 13, 2020	
EURUSD	1.1442				0.0042		0.4	1.0	1.1		1.6				
USDJPY	106.83				-0.4100		-0.4	-0.4	-0.5		-1.0		Australia - RBA	Aug 04, 2020	
AUDUSD	0.7025				0.0050		0.7	0.6	1.5		-0.2				
GBPUSD	1.2640				0.0087		0.7	0.2	0.3		1.0		New Zealand - RBNZ	Aug 11, 2020	
USDCHF	0.9419				0.0019		0.2	0.4	-0.8		-4.3				

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