

ON DECK FOR TUESDAY, SEPTEMBER 29

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09/29	08:25	Fed's Held Speaks on the Phasing Out of LIBOR				
CA	09/29	08:30	IPPI (m/m)	Aug	--	0.1	0.3
CA	09/29	08:30	Raw Materials Price Index (m/m)	Aug	--	--	3.2
US	09/29	08:30	Wholesale Inventories (m/m)	Aug P	--	-0.1	0.5
US	09/29	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jul	--	0.1	0.5
US	09/29	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jul	--	3.6	3.9
US	09/29	09:15	Fed's Williams Speaks at Treasury Market Conference				
US	09/29	09:30	Fed's Haker Discusses Machine Learning				
US	09/29	10:00	Consumer Confidence Index	Sep	88.0	90.0	101.8
US	09/29	11:40	Fed's Clarida Takes Part in Panel Discussion				
US	09/29	13:00	Fed's Quarles Speaks on Financial Regulation				
US	09/29	13:00	Fed's Williams Takes Part in Fireside Chat				
US	09/29	15:00	Fed's Quarles to Speak on Financial Stability				

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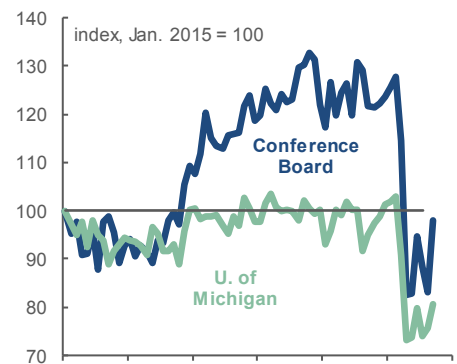
KEY POINTS:

- Risk-off sentiment driven by second wave, Presidential debate
- US consumer confidence rips higher...
- ...with jobs plentiful supportive of nonfarm payrolls...
- ...and most Americans saying they expect higher incomes
- Downside risk to Eurozone inflation buoyed by German figures
- Canada's incidence of positive covid test results is rising...
- ...but whether it is higher or lower than during wave 1 is unanswerable
- Wear your masks! The scientific evidence is overwhelming

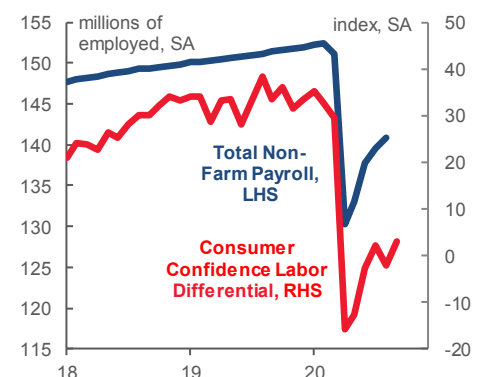
INTERNATIONAL

A mild risk-off tone is taking back some of yesterday's equity rally. There are few incremental catalysts. Calendar-based developments should be positive if anything, given strong US consumer confidence and slightly softer than expected German inflation that may buoy ECB easing bets. Markets may be more focused upon covid-19 risks and tonight's first US Presidential debate. Ontario reported another 554 cases today and Quebec registered 799 cases. German Chancellor Merkel advised that the situation in Berlin is 'serious' and the UK registered a 40% rise in covid-19 deaths in England and Wales last week. CAD is getting caught up in the risk-off covid-19 and debate sentiment more than most along with the Mexican peso.

- Stocks are giving back a portion of yesterday's rally. The US S&P500 is down by about ½% with the DJIA down ¾% and the Nasdaq is off by ¼%. The TSX is off by ½%. European cash markets are slipping by between ¼% and 1%.
- Sovereign bond curves are mildly bull flattening with 10 year benchmark yields down by 1–4bps across N.A. and Europe led by spread narrowing in Italy. The US and Canadian longer ends are dearer by 1–2bps.

Chart 1
US Consumer Confidence


Sources: Scotiabank Economics, US Conference Board, University of Michigan.

Chart 2
US Jobs Became Easier to Get


Sources: Scotiabank Economics, US Conference Board, US BLS.

- Oil prices are off by about a buck and a half in terms of both WTI and Brent. Gold is up US\$11 to US\$1892/oz.
- The USD is depreciating this morning, but unevenly so against the crosses. CAD and the Mexican peso are losing ground along with the yen as most other crosses appreciate.

German CPI inflation landed a touch weaker than expected at -0.4% y/y on an EU-harmonized basis (-0.1% prior, -0.1% consensus). This follows warning signs that emerged in state level data a few hours before this morning's nationwide reading. Spanish CPI was unchanged at -0.6% y/y on an EU-harmonized basis. France and Italy release tomorrow ahead of Friday's Eurozone add-up that may incrementally inform ECB risks.

UNITED STATES

US consumer confidence came in considerably stronger than expected across headline results and details (chart 1). Markets ignored it, however, perhaps as they consider it to be further evidence of good news that downplays a sense of urgency within the GOP to negotiate further stimulus.

The Conference Board's metric climbed to 101.8 from an upwardly revised 86.3 (previously 84.8) reading that smashed consensus expectations for a 90 print. The improvement was spread across the present situation (98.5, previous 85.8 revised up from 84.2) and expectations (104, from 86.6 revised up from 85.2) reading.

Two details are worth flagging. One is that Americans say jobs are more plentiful which is a positive signal ahead of Friday's nonfarm payrolls given the rough correlation between the two readings (chart 2). Jobs plentiful minus jobs hard to get improved to +2.9 from -2.2 the prior month.

Second, the income components are supportive of the consumer sector. Not only did more people say incomes had increased in September than decreased, they also said they expect this to continue to be the case over the next six months while bumping up intentions to buy autos and appliances.

There are plenty of folks at risk with waning stimulus benefits, but the overall results indicate that there is enough of a cross-section in the economy that is experiencing the opposite dynamic to net out to an improvement in the overall income dynamics within the consumer sector.

CANADA

On the back of last evening's note ([here](#)) I'll offer two follow up points this morning.

One concerns whether we're getting more positive covid-19 test results in Canada now simply because of higher frequency testing. Charts 3–13 help to address this issue. The answer is that the incidence of positive test results as a share of overall testing volumes is rising at the national level, but the question of how this compares to the incidence rate during the first wave is unanswerable. The reason for this is how sample bias has likely changed over time.

How so? Back in the Spring there were more conditions attached to who could get a test. To get a test you had to either be a health professional or someone who could demonstrate a probable risk of potential exposure, such as living with someone who was showing symptoms. As testing broadened, this sample bias became more relaxed. In plain English, it's likely that a higher share of people tested positive back in the first wave because the testing sample was biased toward a population that was more likely to be infected than today. Now, if due to testing delays and line-ups Canada is bringing back conditions attached to testing availability, then perhaps the positive incidence rate will creep higher again over coming weeks and months due to renewed sample bias. This should merit caution attached to attempts to interpreting the data in future.

The second—and frankly more distressing—issue is that apparently some folks still don't believe that there is evidence to support wearing masks as a means by which the spread of covid-19 can be contained. I've lost all patience for such people. They are simply choosing not to listen or read anything. [Here's](#) one piece of evidence. Check [this](#) one out. And [this](#) one. [Here's](#) another. And [another](#). Oh and there's [this](#) one. Want more? Sure, [this](#) one. [This](#) one. And [this](#) one. Oh and [this](#) one. There are even more such studies in an increasingly well-established literature, but most folks would have gotten the point by now. Maybe it's up to the

health authorities to launch an advertising blitz during prime-time hours on conventional outlets and social media that neatly and graphically showcases the evidence. Or stiffen the penalties for noncompliance on the reasonable expectation that by now everyone should know better.

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.	0.13	0.13	0.14	0.25	0.26	0.27	0.64	0.65	0.67	1.40	1.42	1.42	Canada - BoC	0.25
CANADA	0.25	0.25	0.26	0.34	0.35	0.36	0.53	0.55	0.55	1.08	1.10	1.08	US - Fed	0.25
GERMANY	-0.71	-0.70	-0.71	-0.73	-0.72	-0.71	-0.55	-0.53	-0.51	-0.12	-0.09	-0.06	England - BoE	0.10
JAPAN	-0.13	-0.14	-0.14	-0.11	-0.11	-0.11	0.02	0.02	0.02	0.61	0.62	0.59		
U.K.	-0.05	-0.06	-0.05	-0.09	-0.08	-0.08	0.18	0.20	0.20	0.72	0.74	0.75		
Spreads vs. U.S. (bps):														
	12	12	12	9	9	9	-11	-10	-12	-32	-32	-35		
CANADA	-84	-83	-85	-98	-97	-98	-119	-118	-118	-152	-151	-148	Euro zone - ECB	0.00
GERMANY	-26	-26	-27	-36	-37	-38	-62	-63	-66	-79	-80	-83	Japan - BoJ	-0.10
JAPAN	-18	-18	-19	-34	-34	-34	-46	-45	-47	-68	-67	-67	Mexico - Banxico	4.25
U.K.														
Equities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	16185	-58.3			-0.4	0.3	-3.1	-3.1						
Dow 30	27382	-201.9			-0.7	0.3	-4.4	2.1						
S&P 500	3334	-17.3			-0.5	0.6	-5.0	12.6						
Nasdaq	11089	-28.1			-0.3	1.1	-5.2	39.7						
DAX	12826	-45.1			-0.4	1.8	-1.6	3.6						
FTSE	5898	-30.4			-0.5	1.2	-1.1	-20.6						
Nikkei	23539	27.5			0.1	0.8	2.9	7.6						
Hang Seng	23276	-200.5			-0.9	-1.9	-8.4	-10.3						
CAC	4832	-11.2			-0.2	1.2	-3.4	-14.3						
Commodities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
WTI Crude	38.74	-1.86			-4.6	-2.2	-9.8	-30.7						
Natural Gas	2.54	-0.25			-9.0	38.7	-4.3	5.8						
Gold	1890.28	8.81			0.5	-0.5	-3.8	26.3						
Silver	22.89	0.26			1.1	-13.2	-16.3	30.7						
CRB Index	145.90	-2.83			-1.9	-1.1	-4.9	-17.0						
Currencies	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
USDCAD	1.3415	0.0045			0.3	0.8	2.8	1.3						
EURUSD	1.1716	0.0050			0.4	0.1	-1.8	7.5						
USDJPY	105.69	0.1900			0.2	0.7	-0.2	-2.2						
AUDUSD	0.7107	0.0036			0.5	-0.9	-3.6	5.3						
GBPUSD	1.2844	0.0010			0.1	0.9	-3.9	4.5						
USDCHF	0.9216	-0.0035			-0.4	0.2	2.0	-7.6						
Next Meeting Date														
													Canada - BoC	Oct 28, 2020
													US - Fed	Nov 05, 2020
													England - BoE	Nov 05, 2020
													Euro zone - ECB	Oct 29, 2020
													Japan - BoJ	Oct 29, 2020
													Mexico - Banxico	Nov 12, 2020
													Australia - RBA	Oct 05, 2020
													New Zealand - RBNZ	Nov 10, 2020

Chart 3

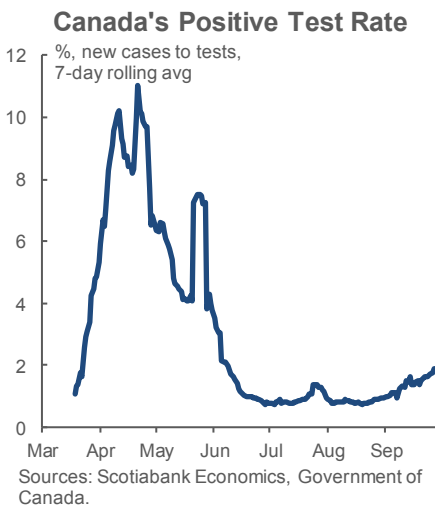


Chart 4

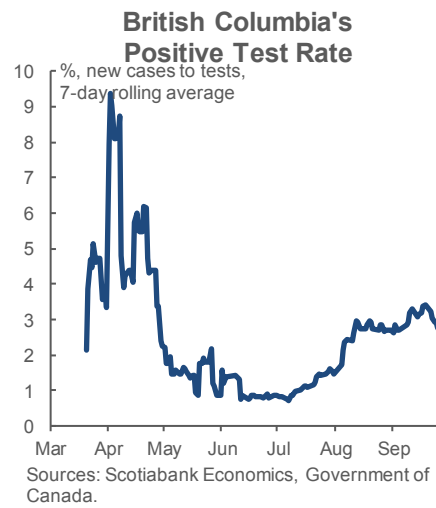


Chart 5

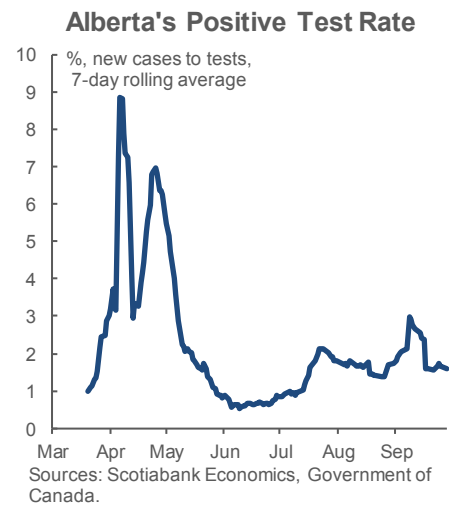


Chart 6

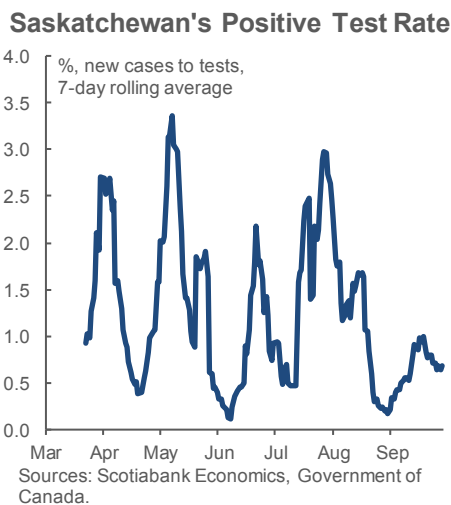


Chart 7

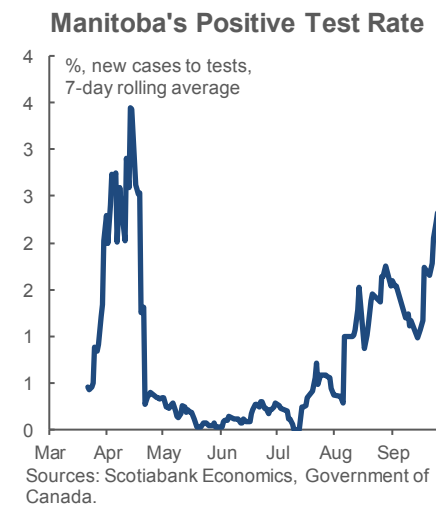


Chart 8

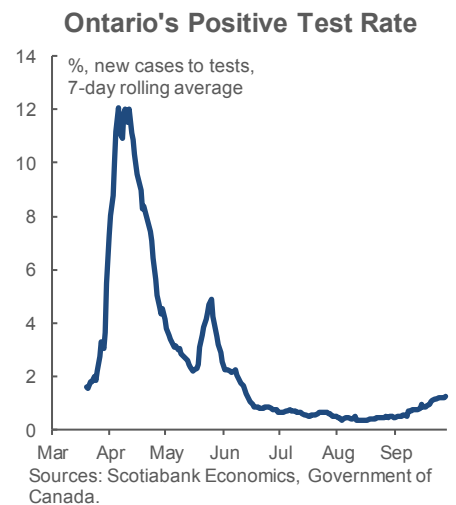


Chart 9

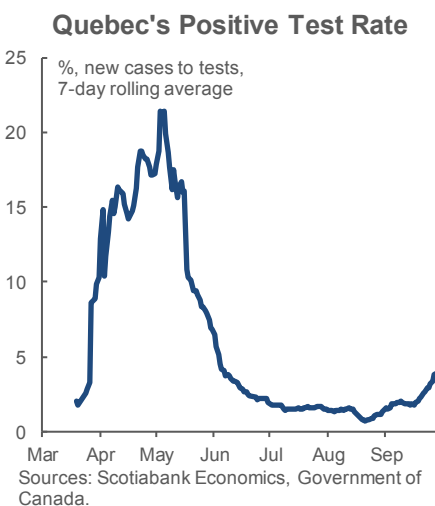


Chart 10

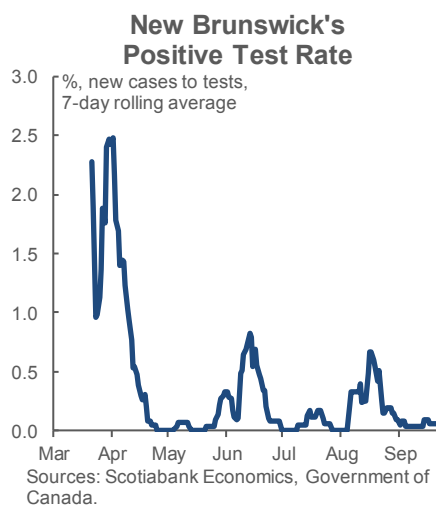


Chart 11

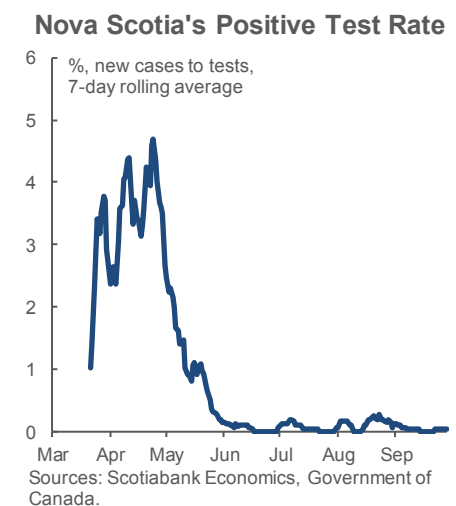
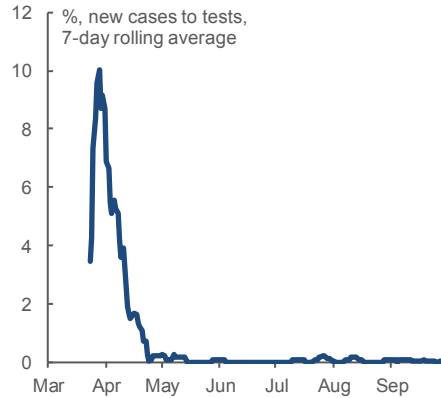


Chart 12

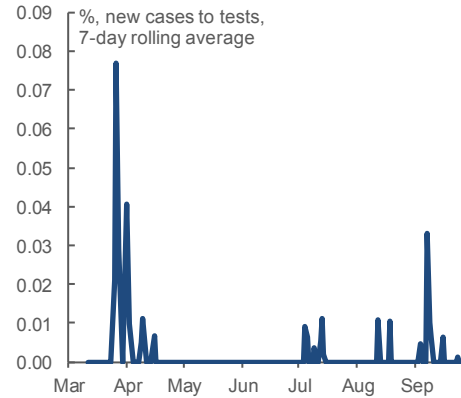
Newfoundland & Labrador's Positive Test Rate



Sources: Scotiabank Economics, Government of Canada.

Chart 13

Prince Edward Island's Positive Test Rate



Sources: Scotiabank Economics, Government of Canada.

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