

**ON DECK FOR FRIDAY, DECEMBER 4**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/04	08:30	Employment (000s m/m)	Nov	20.0	20.0	83.6
CA	12/04	08:30	Merchandise Trade Balance (C\$ bn)	Oct	-3.0	-3.1	-3.3
CA	12/04	08:30	Unemployment Rate (%)	Nov	8.9	9.0	8.9
US	12/04	08:30	Average Hourly Earnings (m/m)	Nov	0.2	0.1	0.1
US	12/04	08:30	Average Hourly Earnings (y/y)	Nov	4.3	4.2	4.5
US	12/04	08:30	Average Weekly Hours	Nov	--	34.8	34.8
US	12/04	08:30	Nonfarm Employment Report (000s m/m)	Nov	400	470	638
US	12/04	08:30	Trade Balance (US\$ bn)	Oct	-63.5	-64.8	-63.9
US	12/04	08:30	Unemployment Rate (%)	Nov	6.7	6.7	6.9
US	12/04	09:00	Fed's Evans Speaks in Moderated Q&A				
US	12/04	10:00	Factory Orders (m/m)	Oct	1.0	0.8	1.1
US	12/04	10:00	Fed's Bowman Speaks at Conference				
US	12/04	11:00	Fed's Kashkari Take Part in Online Q&A				

**KEY POINTS:**

- Risk appetite holding into nonfarm
- ECB rumour mill heats up on PEPP guidance
- Another vaccine entry combines with further Brexit cautions
- US nonfarm payroll indicators lean more toward downside risk
- Canadian jobs face more downside in the next report
- Germany's factories have almost fully recovered
- RBI stays on hold as inflation ties its hands

**INTERNATIONAL**

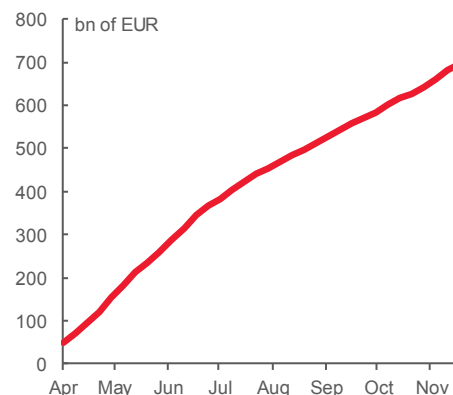
Markets are bracing for US payrolls, considering the ECB rumour mill and digesting vaccine and Brexit headlines. Risk appetite is holding so far. Glaxo announced it is entering into a trial period for its late arrival to the vaccines race. Brexit negotiations are at a "very difficult point" according to a UK spokesperson while German Chancellor Merkel said further compromise is necessary by both the EU and UK.

- US equity futures up by just over ¼% along with Canadian futures. European cash markets are up by as much as just under 1% in London.
- The US Treasury curve is slightly bear steepening along with Canada's curve and the gilts curve. EGB yields are little changed.
- Oil is up another 1% on the back of the smaller than feared tapering of OPEC+ production cuts.
- The USD is mildly and unevenly depreciating.

**Anonymous officials at the rather leaky ECB are reportedly considering a one-year extension of its existing €1.35 trillion Pandemic Emergency Purchase Programme (PEPP)** from "until at least the end of June 2021" to at least one year later. It sounds like garbled guidance to me with some preferring

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**Chart 1**
**ECB Pandemic Emergency Purchase Programme**


Sources: Scotiabank Economics, ECB.

six months and some advocating a conditional withdrawal trigger should things really rip as I think they will. Presumably they might extend reinvestment guidance beyond “at least the end of 2022” if they are buying until mid-2022. Only half of the existing potential size of the PEPP has been utilized thus far and the rate of increase of the assets held within the program has slowed since July compared to prior months. Thus, the ECB might be viewed as saying whatever it wants on the scope of the program but one issue will remain focused upon implementation risk. Underutilized facilities are hardly a rarity across central banks including the Fed and the Bank of Canada as other examples. The euro shrugged at the headline in part because of prior guidance to expect multiple tools to be considered yet the rumour mill didn’t comment on other policy options. I don’t think extending purchases by 6–12 months in the PEPP and leaving everything else unchanged would blow anyone’s socks off.

**German factory orders sailed past expectations but the fact it is October data had few thinking it mattered.** Orders were up 2.9% m/m (consensus 1.5%) and they were revised up to a gain of 1.1% in September (0.5% consensus). The order book now stands only a smidge below the pre-pandemic peak in January.

**The Reserve Bank of India kept its policy repo rate unchanged at 4%** as universally expected in the context of well above-target inflation.

## UNITED STATES

**Most pre-nonfarm readings suggest more downside than upside risk.** Consensus expects a gain of +475k with Scotia at +400k and the range mostly runs from +300k to +600k with the ‘whisper’ number at 505k. To the downside, claims progress between reference periods slowed (-50k or so). ISM-mfrg employment dipped back into contraction. ADP leans toward downside risk since there have only been about a half dozen times since methodological improvements in 2012 when private nonfarm payrolls have overshot by more than 140k compared to the current expected spread of 233k, although all of them have been in 2020 as ADP has performed especially poorly as a pre-nonfarm indicator this year! Government jobs are expected to fall on state/local firings but also the ongoing unwinding of Census employment since it peaked in August, so quickly look to private payrolls for a cleaner guide. The one upside risk comes from yesterday’s ISM-services employment gauge that modestly increased by 1.4 points to 51.5 and signalled quicker hiring. Nonfarm’s 95% CI is +/-110,000.

## CANADA

**Canada’s jobs report is a dicey call.** Consensus sits at +20k which matches my guess that was submitted before knowing consensus. The range runs from -50k to +20k and anything within that range would be the weakest of the recovery to date. Restrictions have tightened across the country, but Ontario waited until the Monday after the reference week to basically shut down Toronto and Peel regions so **bigger downside risk might surface in the next jobs report.** Further to this point, Ontario is expected to announce an additional tightening of restrictions when the Premier holds a press conference at 1:30pmET. This time it would be ahead of the Labour Force Survey reference week which is the week including the 15<sup>th</sup> of the month.

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