

ON DECK FOR TUESDAY, DECEMBER 22

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12/22	08:30	GDP (q/q a.r.)	3Q T	33.1	33.1	33.4
US	12/22	08:30	GDP Deflator (q/q a.r.)	3Q T	--	3.6	3.5
US	12/22	10:00	Consumer Confidence Index	Dec	98.0	97.0	88.6
US	12/22	10:00	Existing Home Sales (mn a.r.)	Nov	6.78	6.7	6.7
US	12/22	10:00	Existing Home Sales (m/m)	Nov	-1.0	-2.2	-2.5
US	12/22	10:00	Richmond Fed Manufacturing Index	Dec	--	11.0	19.0

KEY POINTS:

- Markets calm down
- Brexit talks hit a new level of apparent pettiness
- US stimulus and funding bill awaits Trump's signature
- US consumer confidence hints at nonfarm downside
- US home resales weaken
- US regional surveys are divided over ISM-mfrg risks
- US Q3 GDP left unrevised
- Canada: high health spending, few acute care beds

INTERNATIONAL

Markets are somewhat more stable so far this morning. Sterling is on the run again after the EU rejected the latest offer from the UK on how to manage access to fisheries (see below). The US stimulus and funding bill was passed by both chambers in Congress last night and it's on its way to Trump's desk with White House guidance he'll sign it on a TBD schedule. Mixed in the middle was a medley of US releases that generally disappointed and reaffirm downside risk to the next nonfarm payrolls report.

- Equities are in a generally more stable place so far this morning. The S&P500 is down a touch, while the TSX is up by under ¼%. European exchanges are up by as little as 0.4% in London to generally over 1% elsewhere.
- Sovereign bond yields are mildly lower across major markets. UK and Canadian 10s are outperforming by rallying by about 2bps with US Treasuries and core EGBs rallying a touch less.
- The dollar is rallying again. Sterling is the weakest cross with the A\$/NZ\$ close behind.
- Oil is down another 1½% and gold is flat.

5%. Just when you thought Brexit negotiations couldn't get any pettier. The UK went all the way from insisting that the EU reduce its catch in UK waters by 60% over three years down to 30% over five years with yesterday's proposal. The EU still rejected that offer this morning because it was higher than their demand that no more than a 25% reduction be imposed over seven years (down from 10 previously). Sterling sold off on the headline that dashed optimism that the UK

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Chart 1

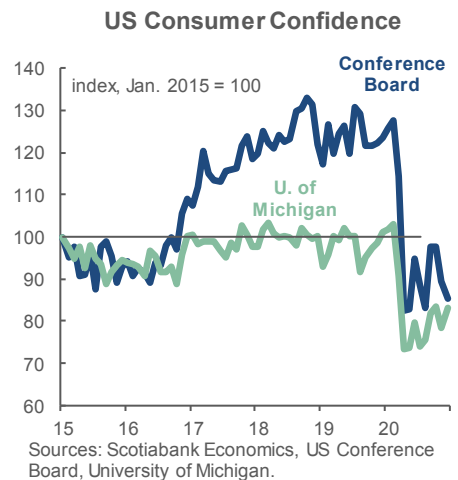
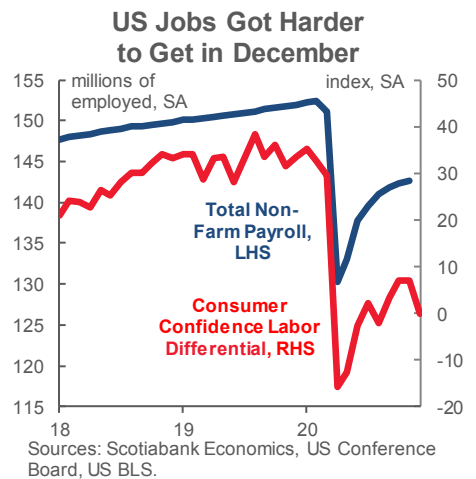


Chart 2



offer could reignite talks. If 5% and a few years winds up in a hard Brexit on January 1st then businesses and households on both sides of the English channel should direct their anger at both London and Brussels for not simply sweeping 5% away and getting on with the business of avoiding a tariff wall in the middle of a pandemic in a little over a week from now. Of course there are other unresolved issues and as argued in the Global Week Ahead ([here](#)) there are legitimate reasons for the UK to defend access to its fishing rights, but getting this one out of the way would remove a major impediment to inking a final deal. An 11amET briefing call to be held by EU negotiator Barnier may further inform negotiations as well as other side negotiations and calls during the day.

UNITED STATES

A series of low impact macro releases were largely pushed aside by markets.

Consumer confidence unexpectedly fell in December according to the Conference Board. Well, unexpectedly at least given that expectations had been driven by the rise in the University of Michigan’s consumer sentiment reading as the second most watch gauge for consumer confidence. Instead, the two measures went in opposite directions during December (chart 1) which may speak to revision risk to the UofM gauge’s final estimate but might also speak to the greater weighting on labour market conditions in the Conference Board’s methodology. One wouldn’t, however, say that a decline in consumer confidence in an environment of rising COVID-19 cases and restrictions is particularly shocking. Each of the headline and present situation components fell, while the expectations component only increased because the prior month was revised down by about five points.

Note that **the jobs plentiful subcomponent to the CB’s confidence measure points to downside risk to nonfarm payrolls** in the December reading on January 8th (chart 2).

Existing home sales during November fell by 2.5% m/m which was in line with expectations given tracking of pending home sales that show up as completed resales when the paperwork settles within 30–90 days after the ink dries. Pending home sales for November arrive on December 30th and will inform expectations for the December resales print.

A positive sign shone through the Richmond Fed’s manufacturing index that unexpectedly climbed to 19 (15 prior) on the strength of a gain in new orders. That goes against the deterioration in other regional manufacturing surveys like the Philly and Empire gauges, but is consistent with the improvement in the KC Fed’s gauge. All four readings advance our understanding of manufacturing conditions on the path to the next ISM-manufacturing national print on January 5th that is set up to face possibly modest downside risk. Next week’s Dallas Fed reading will complete the regional surveys and I’ll firm up an ISM estimate afterward.

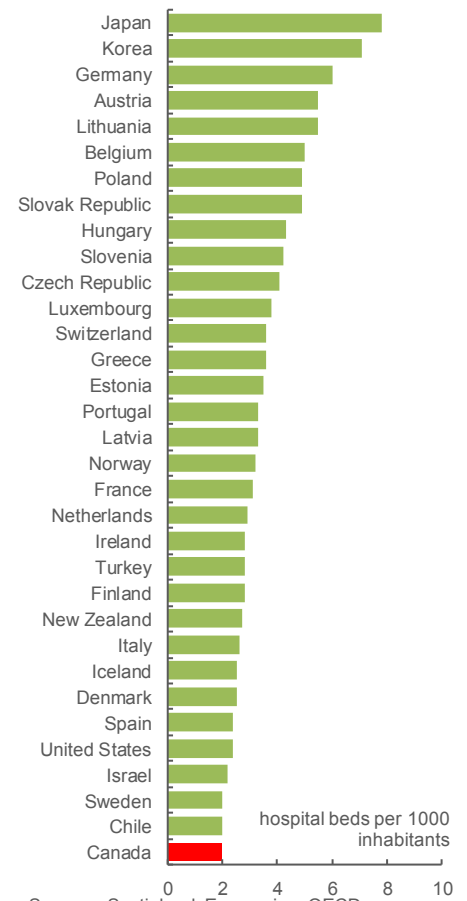
US Q3 GDP growth was essentially left unchanged at 33.4% (33.1% prior estimate). The break down of changes in weighted contributions to growth across the GDP components was uninteresting.

CANADA

As for Canadians facing lockdowns starting this Saturday, I leave you with chart 3. It shows Canada ranked dead last in the OECD for acute care beds per capita. Take Ontario, for instance, with its population of almost 15 million people, yet only just under 2,200 ICU beds throughout the whole province of which 265 are occupied by COVID-19 patients. This isn’t because of a shortage of government funding to the overall health sector — or low taxes! — as Canada ranks above average on government/compulsory spending on health care as a share of GDP according to the OECD ([here](#)).

Chart 3

Acute Care Hospital Beds



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.	0.12	0.12	0.12	0.37	0.38	0.37	0.93	0.94	0.91	1.67	1.67	1.65	Canada - BoC	0.25
CANADA	0.23	0.23	0.25	0.42	0.44	0.44	0.71	0.72	0.73	1.26	1.28	1.29	US - Fed	0.25
GERMANY	-0.73	-0.74	-0.76	-0.75	-0.75	-0.79	-0.59	-0.58	-0.61	-0.19	-0.18	-0.20	England - BoE	0.10
JAPAN	-0.13	-0.13	-0.12	-0.12	-0.12	-0.12	0.01	0.01	0.01	0.63	0.64	0.62		
U.K.	-0.13	-0.11	-0.05	-0.10	-0.08	-0.03	0.19	0.21	0.26	0.74	0.75	0.83		
	Spreads vs. U.S. (bps):													
CANADA	11	11	14	5	6	8	-22	-21	-18	-40	-40	-36	Euro zone - ECB	0.00
GERMANY	-85	-86	-87	-113	-113	-115	-152	-152	-152	-186	-185	-185	Japan - BoJ	-0.10
JAPAN	-24	-25	-24	-49	-50	-48	-92	-92	-90	-103	-104	-103		
U.K.	-25	-23	-17	-48	-46	-39	-74	-73	-65	-93	-92	-83	Mexico - Banxico	4.25
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	17552			50.8			0.3	0.3	3.1			2.5	Australia - RBA	0.10
Dow 30	30099			-117.6			-0.4	-0.3	2.9			5.8	New Zealand - RBNZ	0.25
S&P 500	3690			-4.6			-0.1	-0.1	3.7			14.6		
Nasdaq	12778			35.4			0.3	1.5	7.8			43.2		
DAX	13391			144.8			1.1	0.2	1.9			0.5		
FTSE	6448			31.5			0.5	-1.0	1.5			-15.0		
Nikkei	26436			-278.0			-1.0	-0.9	3.6			11.0	Canada - BoC	Jan 20, 2021
Hang Seng	26119			-187.4			-0.7	-0.3	-1.3			-6.3	US - Fed	Jan 27, 2021
CAC	5458			65.0			1.2	-1.3	-0.7			-9.4		
Commodities	Level						% change:							
WTI Crude	47.24			-0.73			-1.5	-0.8	12.1			-21.8	England - BoE	Feb 04, 2021
Natural Gas	2.79			0.08			3.0	3.9	5.2			19.7	Euro zone - ECB	Jan 21, 2021
Gold	1862.21			-14.68			-0.8	0.5	-0.5			26.0	Japan - BoJ	Jan 21, 2021
Silver	26.16			0.34			1.3	9.6	8.2			53.5		
CRB Index	163.94			-0.89			-0.5	0.6	5.0			-11.4		
Currencies	Level						% change:							
USDCAD	1.2928			0.0071			0.6	1.8	-1.2			-1.7	Mexico - Banxico	Feb 11, 2021
EURUSD	1.2171			-0.0073			-0.6	0.2	2.8			9.8	Australia - RBA	Feb 01, 2021
USDJPY	103.68			0.3600			0.3	0.0	-0.8			-5.2		
AUDUSD	0.7524			-0.0063			-0.8	-0.5	3.3			8.7		
GBPUSD	1.3321			-0.0143			-1.1	-1.0	0.0			3.0	New Zealand - RBNZ	Feb 23, 2021
USDCHF	0.8892			0.0035			0.4	0.4	-2.6			-9.4		

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