

ON DECK FOR FRIDAY, JANUARY 8

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01/08	08:30	Employment (000s m/m)	Dec	-60	-37.5	62.1
CA	01/08	08:30	Unemployment Rate (%)	Dec	8.7	8.7	8.5
US	01/08	08:30	Average Hourly Earnings (m/m)	Dec	0.3	0.2	0.3
US	01/08	08:30	Average Hourly Earnings (y/y)	Dec	4.6	4.5	4.4
US	01/08	08:30	Average Weekly Hours	Dec	--	34.8	34.8
US	01/08	08:30	Nonfarm Employment Report (000s m/m)	Dec	75	50.0	245.0
US	01/08	08:30	Unemployment Rate (%)	Dec	6.9	6.8	6.7
US	01/08	11:00	Fed's Clarida Discusses Economy & MonPol				
US	01/08	15:00	Consumer Credit (US\$ bn m/m)	Nov	--	9.0	7.2

KEY POINTS:

- Dollar, Treasuries guarded, stocks up
- US nonfarm payrolls likely stalled out in December
- Fed's Clarida to weigh in with updated outlook
- Canadian jobs: downside risk in both December & January reports

There are three main things to watch this morning after largely inconsequential overnight European releases. They are flagged below.

- US equity futures are in the black again with a rise of ¼% to ½% across exchanges. Toronto is mildly higher. European exchanges range from flat in London to up by as much as ¾% in Frankfurt.
- Sovereign bond yields are little changed with mild exceptions including slightly richer Canadian 10s and Italian spread narrowing over bunds.
- The USD is little changed and so is CAD ahead of dual jobs reports.
- Oil is up again by about 1½%.

Overnight European releases were largely inconsequential to markets as they speak to lagging November readings in the face of forward-looking risks. Still, **German data was strong, French not so much.** German exports were up 2.2% m/m (1% consensus) for the seventh consecutive solid gain. German industrial output was up by 0.9% m/m in line with consensus but with a mild upward revision and this also marks the seventh straight monthly gain.

French consumer spending plummeted by about 19% m/m in November on the nationwide lockdown effect. Industrial production also fell by 0.9% m/m that month.

Here are the three main things on tap. The main focus is on US & Canadian jobs reports as restrictions tighten (chart 1).

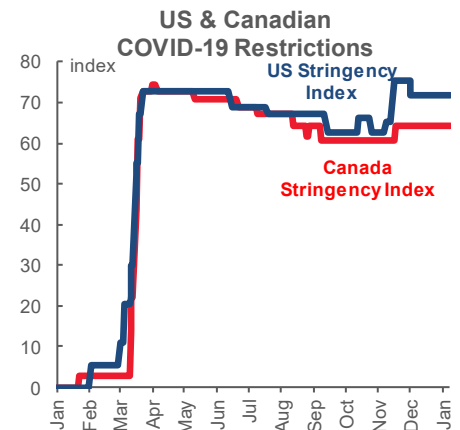
1. Nonfarm payrolls (8:30amET)

Consensus 50k, Scotia 75k, trimmed range is about -100k to +150k, whisper number is 45k. The 90% confidence interval for nonfarm estimates is +/- 110k so noise always figures prominently. That job market momentum stalled out is clear. Chart 2 shows that jobs became harder to get according to the jobs

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Chart 1

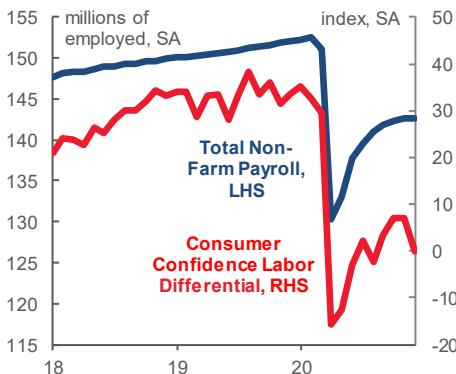


Sources: Scotiabank Economics, University of Oxford.

plentiful gauge in consumer confidence. Chart 3 shows that initial jobless claims backed up between November and December reference periods (but have since fallen back). Chart 4 shows that ISM-services indicated weaker hiring activity. Chart 5 illustrates that job openings have stalled out. Chart 6 is a reminder that it would be statistically improbable for nonfarm to be positive after the magnitude of the ADP decline of 123k last month; the left side of the chart shows the low frequency of observations attached to a spread like -123k for ADP and the nonfarm consensus of +50k since ADP revised its methodology in October 2010. There is a single digit percentage chance that nonfarm comes in as high or higher than consensus thinks; the problem is that all of the data points behind that low probability are concentrated in this year as ADP has generally undershot nonfarm payrolls.

Chart 2

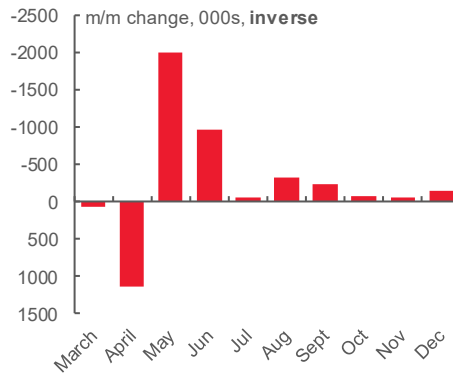
US Jobs Became Harder to Get



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

Chart 3

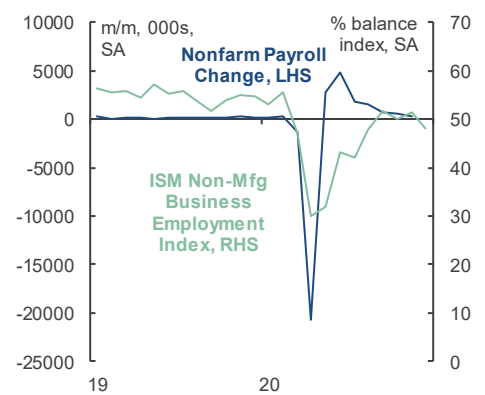
Change in US Initial Jobless Claims Between Non-Farm Reference Periods



Note: Reference week defined as containing the 12th of each month.
Sources: Scotiabank Economics, US BLS.

Chart 4

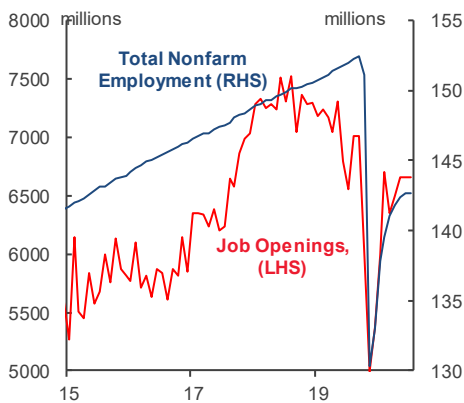
Nonfarm Payrolls Vs. ISM Non-Manufacturing Employment



Sources: Scotiabank Economics, ISM, BLS.

Chart 5

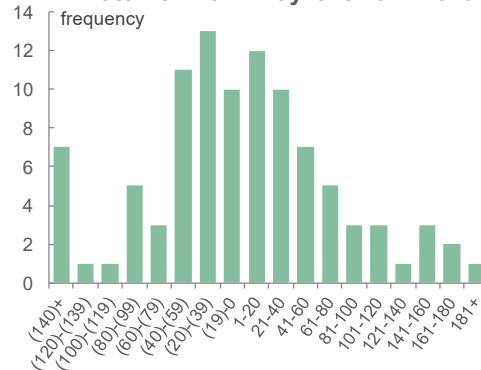
US Job Openings Have Stalled



Sources: Scotiabank Economics, Bloomberg.

Chart 6

Differences Between Initial ADP and Private Non-Farm Payrolls 2012-2020



000s; parentheses indicate negative values; positive values indicate ADP overshoots
Sources: Scotiabank Economics, BLS, ADP.

2. Fed's Clarida (11amET)

The Fed's #2 speaks on the US economy and monetary policy in a conversation at the Council on Foreign Relations. Key may be whether he reinforces recent taper talk from some FOMC speakers (e.g. Kaplan, Bostic) but I suspect he'll lean more toward Bullard's answer that indicated it's too early to address this. A lot has happened since Powell spoke in mid-December and so his remarks on the outlook and risks may be meaningful. Several positive developments have included passing the Brexit deal, getting the US stimulus deal passed, the 'blue wave' and market moves like a further rise in inflation expectations. Confidence in vaccines, however, has been dented until we get the results of trials against the London and South African mutations into a February/March timeline.

3. Canadian jobs (8:30amET)

Consensus -38k, Scotia -60k, highly scattered range from around -125k to +31k. Notwithstanding a 95% confidence interval of +/-58k (90% at +/- 46k), I lean pretty strongly toward a negative. Key is the timing of restrictions that hit just after the prior month's reference week that includes the 15th of each month. January's job report is also likely to face downside risk on further restrictions and because Ontario's extended school closures will go right through the Labour Force Reference week and probably have a particularly negative impact upon working moms as evidenced the first time around.

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.	0.14	0.14	0.12	0.46	0.46	0.36	1.08	1.08	0.92	1.85	1.85	1.65	Canada - BoC	0.25
CANADA	0.19	0.18	0.20	0.44	0.44	0.39	0.79	0.79	0.67	1.40	1.40	1.21	US - Fed	0.25
GERMANY	-0.71	-0.70	-0.70	-0.74	-0.73	-0.74	-0.52	-0.52	-0.57	-0.13	-0.13	-0.16	England - BoE	0.10
JAPAN	-0.12	-0.11	-0.12	-0.11	-0.10	-0.11	0.04	0.04	0.02	0.65	0.66	0.65		
U.K.	-0.13	-0.14	-0.16	-0.04	-0.06	-0.09	0.29	0.28	0.20	0.87	0.87	0.75		
	Spreads vs. U.S. (bps):													
CANADA	5	4	8	-3	-2	3	-30	-29	-24	-46	-45	-44	Euro zone - ECB	0.00
GERMANY	-84	-84	-82	-120	-119	-110	-161	-160	-148	-199	-199	-180	Japan - BoJ	-0.10
JAPAN	-26	-25	-24	-57	-56	-47	-105	-104	-89	-120	-119	-100		
U.K.	-26	-27	-28	-51	-52	-45	-80	-80	-72	-98	-98	-90	Mexico - Banxico	4.25
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	18028			199.5			1.1	3.4	2.2			5.0	Australia - RBA	0.10
Dow 30	31041			211.7			0.7	2.1	2.9			8.0	New Zealand - RBNZ	0.25
S&P 500	3804			55.7			1.5	1.9	2.7			16.9		
Nasdaq	13067			326.7			2.6	1.5	3.9			43.1		
DAX	14078			109.7			0.8	2.6	6.0			5.7		
FTSE	6854			-2.5			-0.0	6.1	4.5			-9.5		
Nikkei	28139			648.9			2.4	2.5	6.3			21.3	Canada - BoC	Jan 20, 2021
Hang Seng	27878			329.7			1.2	2.4	6.0			-0.7	US - Fed	Jan 27, 2021
CAC	5698			27.8			0.5	2.6	2.5			-5.5		
Commodities	Level						% change:							
WTI Crude	51.46			0.63			1.2	6.1	12.9			-13.7	England - BoE	Feb 04, 2021
Natural Gas	2.64			-0.09			-3.2	4.1	10.1			23.4	Euro zone - ECB	Jan 21, 2021
Gold	1887.49			-26.46			-1.4	-0.6	0.9			21.3	Japan - BoJ	Jan 21, 2021
Silver	27.13			-0.40			-1.4	2.4	14.2			49.5		
CRB Index	172.31			0.21			0.1	3.4	8.9			-6.0		
Currencies	Level						% change:							
USDCAD	1.2687			-0.0004			-0.0	-0.3	-1.0			-2.7	Mexico - Banxico	Feb 11, 2021
EURUSD	1.2252			-0.0020			-0.2	0.3	1.2			10.3	Australia - RBA	Feb 01, 2021
USDJPY	103.82			0.0100			0.0	0.6	-0.3			-4.9		
AUDUSD	0.7784			0.0015			0.2	1.2	5.0			13.4		
GBPUSD	1.3599			0.0031			0.2	-0.5	1.8			3.8	New Zealand - RBNZ	Feb 23, 2021
USDCHF	0.8842			-0.0008			-0.1	-0.2	-0.6			-9.2		

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