

**ON DECK FOR THURSDAY, JULY 29**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07-29	08:30	GDP (q/q a.r.)	2Q A	7.7	8.5	6.4
US	07-29	08:30	GDP Deflator (q/q a.r.)	2Q A	--	5.4	4.3
US	07-29	08:30	Initial Jobless Claims (000s)	Jul 24	400	385	419
US	07-29	08:30	Continuing Claims (000s)	Jul 17	3,200	3,183	3,236
US	07-29	10:00	Pending Home Sales (m/m)	Jun	--	0.1	8.0

**KEY POINTS:**

- **Risk-on sentiment driven by China, US stimulus**
- **Chinese regulators walk back fears of a regulatory clampdown**
- **US infrastructure and budget negotiations advance**
- **Germany's economy is getting hotter...**
- **...and so is inflation**
- **US Q2 GDP a footnote amid forward risks**

**INTERNATIONAL**

Global markets are in classic risk-on mode across asset classes this morning. The main catalysts include efforts to calm Chinese financial markets and progress toward advancing infrastructure and a bigger budget resolution in the US Congress. The German economy provided an assist to the risk-on tone. There is little to no follow-through on the Fed's communications (recap [here](#)) as record earnings beats this season matter more (chart 1).

Stocks are higher across the board including strong gains in HK and mainland China after attempts by Chinese regulators to assuage concerns about a broader clampdown even though that's basically what China is doing. Sovereign curves are steepening with 10 year yields up by 1–3 bps with Canadas and Treasuries leading the rise. The dollar is broadly softer with all major crosses and pretenders pushing higher.

**Some hot German numbers aren't hurting. German unemployment claims fell by more than guessed (-91k) in July.** That's the fastest monthly improvement since May 2006 (chart 2). The unemployment rate fell two-tenths to 5.7% and is inching toward the 5% pre-pandemic level. Job vacancies are rising to 725k which is the highest since November 2019 (chart 3). It all coincided with Germany just crossing the 50% mark on the share of the population that is fully vaccinated (61% with at least one dose), although the rate of vaccination has slowed which has prompted increased vaccination efforts and more debate on targeted restrictions against the unvaccinated as elsewhere. Other signs of healing include restaurant reservations (chart 4).

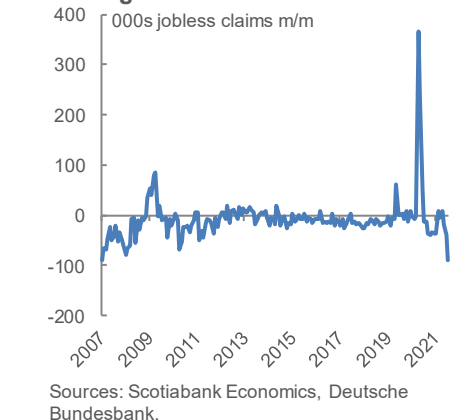
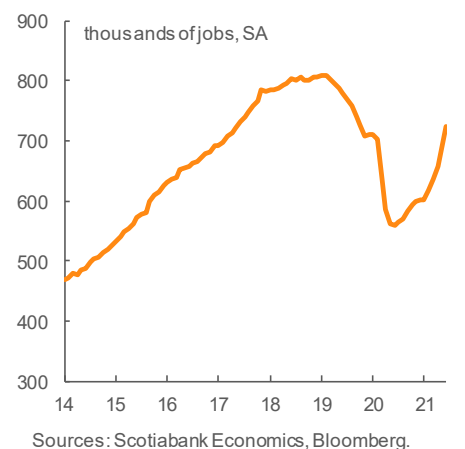
**German states have reported some hot inflation readings that point to upside risk to the national estimate due at 8amET.** Consensus had expected 0.4% m/m and 2.9% y/y in the EU-harmonized reading but all of the states reporting so far have landed higher.

**Preliminary Spanish CPI landed on expectations with the EU-harmonized measures at 2.9% y/y (2.5% prior) and down 1.2% m/m.** Higher

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**Chart 1 Record US Earnings Beats**

**Chart 2 German Unemployment Claims Plunge at Fastest Pace since 2006**

**Chart 3 Germany: Job Vacancies**


accommodation services (hotels) and gas drove the year-over-year rate higher along with food and electricity price effects.

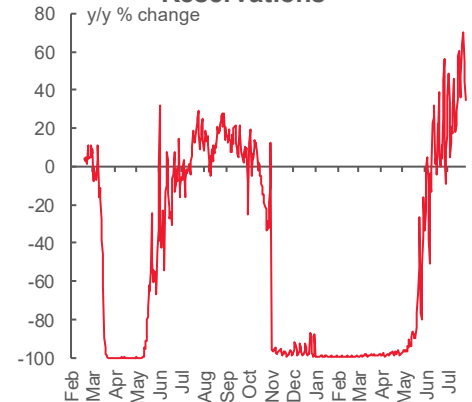
## UNITED STATES

**US Q2 GDP (8:30amET) will be the main release this morning but it's likely to be treated as a footnote in the face of forward uncertainties.** Consensus estimates 8.5% q/q SAAR growth with most estimates between about 7–10% (Scotia 7.7%). Earnings risk is skewed to Amazon in the N.A. after-market.

Weekly claims (8:30amET) and pending home sales (10amET) will likely play second fiddle to GDP. Amazon is the main earnings risk in the after-market (EPS consensus US\$12.28).

Chart 4

### German Restaurant Reservations



Sources: Scotiabank Economics, OpenTable.

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.	0.21	0.20	0.20	0.73	0.71	0.72	1.26	1.23	1.28	1.90	1.88	1.92	Canada - BoC	0.25
CANADA	0.46	0.45	0.46	0.81	0.78	0.79	1.20	1.17	1.20	1.76	1.73	1.77	US - Fed	0.25
GERMANY	-0.75	-0.76	-0.72	-0.73	-0.74	-0.70	-0.44	-0.45	-0.43	0.05	0.04	0.05	England - BoE	0.10
JAPAN	-0.13	-0.13	-0.13	-0.12	-0.12	-0.13	0.02	0.02	0.02	0.64	0.65	0.66	Euro zone - ECB	0.00
U.K.	0.09	0.09	0.07	0.29	0.28	0.27	0.59	0.58	0.57	1.01	1.00	1.00	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
	25	25	26	8	7	7	-6	-7	-8	-15	-15	-15		
CANADA	-96	-96	-92	-146	-145	-142	-169	-168	-171	-185	-184	-187	Mexico - Banxico	4.25
GERMANY	-33	-33	-33	-85	-83	-85	-123	-121	-126	-126	-123	-126	Australia - RBA	0.10
JAPAN	-12	-12	-13	-44	-43	-45	-67	-66	-71	-89	-89	-92	New Zealand - RBNZ	0.25
U.K.														
Equities	Level			% change:										
	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr							
S&P/TSX	20230			57.1	0.3	0.7	0.3	24.2						
Dow 30	34931			-127.6	-0.4	0.4	1.9	31.6						
S&P 500	4401			-0.8	-0.0	1.0	2.5	35.1						
Nasdaq	14763			102.0	0.7	0.9	1.6	40.0						
DAX	15631			60.4	0.4	0.7	-0.4	21.9						
FTSE	7078			61.3	0.9	1.6	-0.1	15.4						
Nikkei	27782			200.8	0.7	1.4	-3.5	24.4						
Hang Seng	26315			841.4	3.3	-5.1	-8.7	6.5						
CAC	6657			47.9	0.7	2.7	1.4	34.3						
Commodities	Level			% change:										
	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr							
WTI Crude	72.69			0.30	0.4	1.1	-0.4	76.1						
Natural Gas	3.97			0.00	0.1	-0.8	9.3	114.1						
Gold	1827.51			20.40	1.1	1.1	3.8	-7.3						
Silver	24.80			-0.32	-1.3	-1.2	-5.0	5.3						
CRB Index	219.08			0.97	0.4	2.9	3.7	51.8						
Currencies	Level			% change:										
	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr							
USDCAD	1.2474			-0.0054	-0.4	-0.7	0.6	-6.5						
EURUSD	1.1873			0.0028	0.2	0.9	-0.2	0.7						
USDJPY	109.81			-0.1000	-0.1	-0.3	-0.7	4.7						
AUDUSD	0.7392			0.0016	0.2	0.2	-1.6	2.8						
GBPUSD	1.3960			0.0058	0.4	1.4	0.9	7.4						
USDCHF	0.9088			-0.0013	-0.1	-1.1	-1.3	-0.4						
Next Meeting Date														
Canada - BoC	Sep 08, 2021													
US - Fed	Sep 22, 2021													
England - BoE	Aug 05, 2021													
Euro zone - ECB	Sep 09, 2021													
Japan - BoJ	Sep 22, 2021													
Mexico - Banxico	Aug 12, 2021													
Australia - RBA	Aug 03, 2021													
New Zealand - RBNZ	Aug 17, 2021													

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