

**ON DECK FOR FRIDAY, SEPTEMBER 24**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09-24	08:45	Fed's Mester Discusses Economic Outlook				
US	09-24	10:00	New Home Sales (000s a.r.)	Aug	700	715	708
US	09-24	10:00	Powell, Clarida and Bowman Host Fed Listens Event				
US	09-24	10:05	Fed's George Discusses Economic Outlook				

**KEY POINTS:**

- **China drives mild risk-off sentiment**
- **Evergrande default watch continues...**
- **...while the PBOC continues to inject liquidity...**
- **...and outlaws cybercurrencies**
- **US: New home sales, more Fed-speak**

The week looks to end with a mild risk-off bias across global asset classes. US and Canadian equity futures are off by about ½% with European cash markets down by up to 1% and following declines of up to 1¼% in HK and mainland China's exchanges. The US Ts curve is a touch flatter and the main moves in EGBs include wider Italian spreads over bunds while Australia's and NZ's curves sharply steepened as follow-through on yesterday's large cheapening of Treasuries. The USD is slightly firmer.

China seems to be the main culprit and not least of which because of a lack of other notable developments. China headlines included three developments.

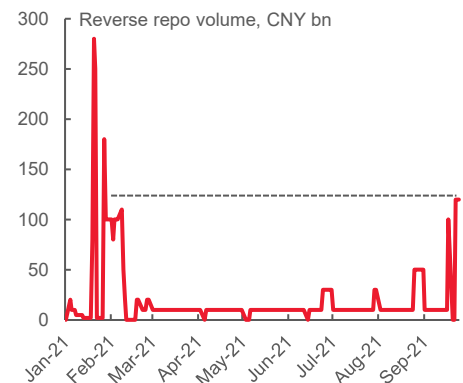
One was that Evergrande still has to make a US\$83.5 million coupon payment on an 8.25% 2022 dollar bond that was due yesterday. Default risk is in the air, but there is a 30-day grace period. Regulators are increasing oversight of the uses of cash.

Second is that the PBOC continued to add more liquidity by pumping in 120 billion yuan through reverse repo transactions that netted out to 70 billion after subtracting maturities. Chart 1. There will be more next week and likely much more, given 220 billion of maturing 7-day reverse repos and ahead of the start of National Day/Golden Week that starts on Friday and with markets shut through the following Thursday.

Third is that the PBOC declared all crypto-related transactions and services to be illegal. They argue it cannot be treated as fiat currency and that cracking down on crypto mining is necessary to meet carbon goals. Bitcoin fell 6% after the headlines hit which is a flesh wound in the world of volatile crypto currencies. Still, it hasn't been a great month for crypto currencies; bitcoin is down about 18% since September 6<sup>th</sup>. The other day's announcement by Powell that a Fed discussion paper that will weigh the pros and cons of introducing its own cyber currency probably didn't help. This is perhaps the continued thin edge of the wedge by way of the long-anticipated clampdown by central banks. The main motives are to preserve monopoly issuance of currencies in order to control money supply and the efficacy of monetary policy transmission mechanisms. CBs have always been willing to allow cybercurrencies to play at the margins, but not to the point at which they risk control over monetary policy and safety and soundness issues.

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**Chart 1**
**PBoC Ups Liquidity Injections to Support the Economy**


Sources: Scotiabank Economics, Bloomberg.

Nothing else mattered much overnight. German IFO business confidence slipped a touch in September's reading. The Japanese Jibun composite PMI for September signalled a slowing pace of contraction led by slower shrinkage in services while manufacturing growth cooler a touch. Japanese CPI inflation is, whoa, hold on here (are you sitting?), well, it's weak. Shocking. Didn't see that coming... -0.4% y/y and 0% on core. Mexican retail sales fell again (-0.4% m/m, +0.2% consensus) which makes for the third decline in the past four months.

Canada will be quiet today and through most of next week ahead of next Thursday's market holiday and then Friday's July GDP with August guidance.

The US releases new home sales today (10amET) while Fed-speak should be low risk after Wednesday's communications. Chair Powell, Vice Chair Clarida and Governor Bowman speak at a Fed Listens outreach event at 10amET while Cleveland President Mester (8:45amET), KC President George (10:05amET) and Atlanta President Bostic (12pmET) are also on the docket. I'll publish the Global Week Ahead later today as usual.

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.	0.26	0.26	0.22	0.93	0.95	0.86	1.42	1.43	1.36	1.93	1.94	1.90	Canada - BoC	0.25
CANADA	0.48	0.48	0.46	1.00	1.02	0.96	1.33	1.34	1.28	1.84	1.85	1.81		
GERMANY	-0.68	-0.69	-0.70	-0.57	-0.58	-0.61	-0.23	-0.26	-0.28	0.25	0.22	0.22	US - Fed	0.25
JAPAN	-0.10	-0.12	-0.12	-0.08	-0.10	-0.09	0.06	0.04	0.05	0.68	0.65	0.66		
U.K.	0.37	0.39	0.29	0.58	0.59	0.51	0.91	0.91	0.85	1.22	1.20	1.15	England - BoE	0.10
	Spreads vs. U.S. (bps):													
CANADA	23	22	23	7	7	10	-9	-9	-8	-9	-9	-9	Euro zone - ECB	0.00
GERMANY	-94	-95	-92	-150	-153	-147	-165	-169	-164	-168	-172	-168		
JAPAN	-36	-38	-35	-102	-105	-95	-136	-139	-131	-125	-129	-124	Japan - BoJ	-0.10
U.K.	12	12	7	-36	-36	-36	-51	-52	-52	-71	-74	-75		
Equities	Level						% change:						Mexico - Banxico	4.50
	Last	Change					1 Day	1-wk	1-mo		1-yr			
S&P/TSX	20462	60.4					0.3	-0.1	-0.4		28.6		Australia - RBA	0.10
Dow 30	34765	506.5					1.5	0.0	-1.7		29.6			
S&P 500	4449	53.3					1.2	-0.6	-0.8		37.0		New Zealand - RBNZ	0.25
Nasdaq	15052	155.4					1.0	-0.9	0.2		41.0			
DAX	15530	-114.1					-0.7	0.3	-2.4		23.2			
FTSE	7065	-13.8					-0.2	1.4	-0.9		21.3			
Nikkei	30249	609.4					2.1	-0.9	9.4		30.4		Canada - BoC	Oct 27, 2021
Hang Seng	24192	-318.8					-1.3	-1.9	-4.8		4.1			
CAC	6641	-61.3					-0.9	1.1	-0.4		39.4		US - Fed	Nov 03, 2021
Commodities	Level						% change:							
WTI Crude	73.16	-0.14					-0.2	1.7	8.3		81.5		England - BoE	Nov 04, 2021
Natural Gas	5.10	0.12					2.5	-0.1	30.9		126.8			
Gold	1752.74	9.98					0.6	-0.1	-2.8		-6.2		Euro zone - ECB	Oct 28, 2021
Silver	22.74	0.01					0.0	-3.1	-2.9		-3.6			
CRB Index	223.99	2.20					1.0	0.0	4.1		51.0		Japan - BoJ	Oct 28, 2021
Currencies	Level						% change:							
USDCAD	1.2691	0.0036					0.3	-0.6	0.8		-5.0		Mexico - Banxico	Sep 30, 2021
EURUSD	1.1721	-0.0018					-0.2	-0.0	-0.3		0.4			
USDJPY	110.52	0.1900					0.2	0.5	0.8		4.8		Australia - RBA	Oct 04, 2021
AUDUSD	0.7254	-0.0041					-0.6	-0.2	-0.1		2.9			
GBPUSD	1.3680	-0.0040					-0.3	-0.4	-0.4		7.3		New Zealand - RBNZ	Oct 05, 2021
USDCHF	0.9237	-0.0004					-0.0	-0.9	1.2		-0.3			

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