

ON DECK FOR TUESDAY, NOVEMBER 23

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	11-23	09:45	Markit Manufacturing PMI	Nov P	--	59.1	58.4
US	11-23	09:45	Markit Services PMI	Nov P	--	59.0	58.7
US	11-23	09:45	Markit Composite PMI	Nov P	--	--	57.6
US	11-23	10:00	Richmond Fed Manufacturing Index	Nov	--	11.0	12.0
CA	11-23	13:00	Speech From the Throne				
CA	11-23	13:00	Bank of Canada's Beaudry Gives Speech				

KEY POINTS:

- European fixed income hit by inflation signals, carry drags N.A. yields higher
- PMIs showcase record Eurozone price pressures
- EZ and Australian PMIs beat, UK PMIs held steady...
- ...but fade near-term growth signals on the renewed COVID-19 waves in Europe
- Plenty of drama in Ottawa today...
- ...as a BoC speech and the SFT land at about the same time
- Turks are paying mightily for Erdogan's policies
- The pointless globally coordinated release of oil reserves
- Are markets too confident that the FOMC is now more hawkish?

There is a broad but generally mild risk-off tone in equities and generally in FX as European fixed income digests another round of inflationary signals while driving higher N.A. yields through carry influences. Global PMIs from the Eurozone, UK and Australia are the main focal points ahead of US PMIs and a pair of Canadian speeches. The globally coordinated release of strategic oil reserves by the US, China, Japan, India and South Korea is a farcical attempt at wrestling control of the oil market away from OPEC+. Such moves are typically transitory in their significance.

Sovereign yield curves are cheaper and mostly steeper again this morning and particularly across the Eurozone. Powell/Brainard headlines from 9amET yesterday are old news by now, so instead I'd point to another round of inflationary signals. There were more constructive signals from global PMIs than disappointing ones, but the fact that they slanted toward intensifying European price pressures with no let up in sight probably didn't help fixed income. I would treat readings on growth in new orders and employment as stale because of COVID-19 surges in Europe.

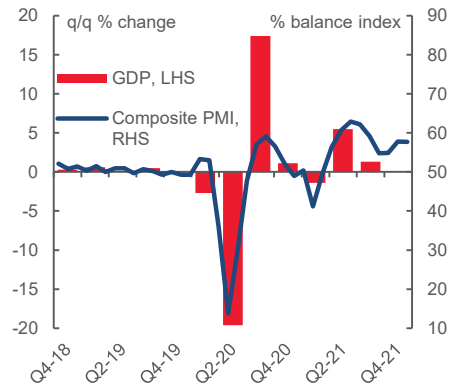
Equities are broadly in the red, but not alarmingly so thus far. US futures are flat to down by up to ¼% with European cash markets ranging from flat (London) to off by about ¾%. Safe havens like the dollar, yen and Swissie are outperforming, but the Euro is up there with them as well. Oil was off by ~1% but is already shaking off the release of reserves by several countries.

UK PMIs ([here](#)) held steady and were shaken off by gilts and sterling. The composite was unchanged at 57.7 (57.8 prior) as a statistically tiny rise in the manufacturing PMI to 58.2 (57.8 prior) was offset by a comparable drop in the services PMI to 58.6. Markit indicated that prices paid for inputs across both

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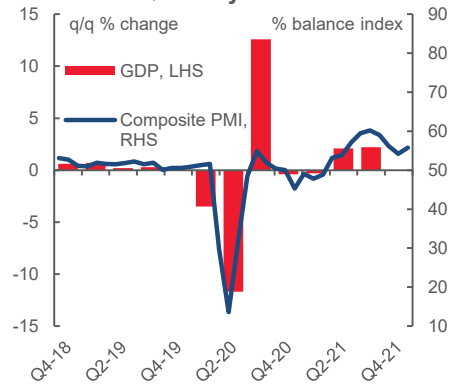
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Chart 1 UK Composite PMI & Quarterly Real GDP



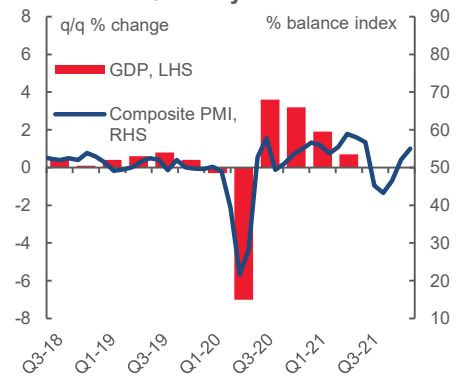
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 2 Euro Area Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 3 Australia Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

sectors combined rose at the fastest pace since the measure began in January 1998 with higher wages and materials prices driving the gain. Growth in new orders across both sectors picked up to a five-month high.

The Eurozone composite PMI ([here](#)) increased by 1.6 points to 55.8 which halted a three-month skid. That's likely a stale assessment, however, given the sudden rise in COVID-19 cases this month. Most of the gain was led by services. Markit indicated a record gain in the price subindex, the second highest pace of job creation in over 21 years but also a 10 month low in the forward-looking outlook component due to COVID-19 and supply constraints.

Australia's composite PMI climbed the most of all to 55 from 52.1 and was entirely driven by an acceleration in services as reopening efforts continue to carry benefits after Australia's prior COVID wavelet that while it was a big deal to Australian authorities paled in comparison to elsewhere.

Poor Turks. President Erdogan is destroying their currency and with it their standard of living while he rules out an election before mid-2023. The lira is in freefall in what amounts to a politically induced collapse. It is plunging by 13% this morning and has depreciated by about 55% against the USD since early September. Erdogan gave a speech last night in which he repeated calls for lower rates despite soaring inflation. Erdogan tends to get what he wants from the country's central bank and when he doesn't he replaces anyone in his way.

UNITED STATES

The US Markit PMI readings (9:45amET) are expected to hold their own or face upside risk partly given that we've seen pretty robust regional surveys thus far (eg. Philly, Empire, with the Richmond gauge due at 10amET). Recall that they cover domestic and international operations of US firms and hence why the Fed prefers the domestic-oriented ISM gauges that arrive next week.

For my two cents on the market reaction to the Fed appointments, I fail to see how taking Vice Chair Clarida out of the mix in favour of Brainard makes this a more hawkish central bank and yet that's what at least the initial reaction in the dollar and Treasuries suggested. Reappointing Powell was the consensus expectation and Brainard offers little substantive policy difference to Powell's view in my view (some others thought she would be more dovish...). The surprise was that Brainard took Clarida's job instead of slipping into the Vice Chair of regs spot vacated by Quarles. Clarida had recently been positioning for a debate at the December FOMC over expedited tapering ahead of the current plan to shut down purchases by mid-2022 and that might have cost him with the Biden administration. Clarida's candidacy for a second term might have also been torpedoed by the revelation that he traded out of a bond fund into stock funds a day before Chair Powell issued a statement that indicated a call to action against the pandemic last year, although most in the markets expected a Fed policy response by then. Clarida's defence was that it was a "pre-planned rebalancing to his accounts" but the timing was indeed unfortunate either way and might have made for a bumpy ride in the Senate. In the end, the Dems got their choice: If Brainard couldn't be #1, make her #2 instead of #3.

CANADA

Two Canadian speeches land at about the same time today. Unless one is a cover for the other, the simultaneous timing is fairly odd since these are the only two things going on in Canada this week and particularly Ottawa.

The BoC speech will come first at 1pmET sharp followed by roughly 1pmET or thereafter for the Speech from the Throne to be read in the Senate by Canada's new Governor General Mary Simon.

The BoC speech by Deputy Governor Beaudry on risks to financial stability may, well, risk being interpreted as dovish by anyone who follows it less closely if they are surprised by the singular focus upon things that could go bump in the night.

The Throne Speech is mostly a political document, but the appeal to center-left Liberal-NDP tendencies is likely to include reference to implementation of the added tax on banks in addition to policy aims on immigration, social spending etc. We may get the date for the Fall fiscal update (or mini-Budget) on the back of the speech amid widespread expectations that it is likely to land in early December. Rebekah Young will have a recap of the SFT later tonight.

For more on the speeches please see the Global Week Ahead.

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.	0.64	0.59	0.52	1.36	1.32	1.27	1.67	1.63	1.64	2.01	1.96	2.03	Canada - BoC	0.25
CANADA	1.06	1.04	1.05	1.60	1.57	1.56	1.80	1.76	1.78	2.13	2.09	2.12	US - Fed	0.25
GERMANY	-0.73	-0.74	-0.73	-0.55	-0.60	-0.56	-0.23	-0.30	-0.24	0.08	0.03	0.09	England - BoE	0.10
JAPAN	-0.13	-0.13	-0.11	-0.08	-0.08	-0.08	0.08	0.08	0.08	0.68	0.68	0.68	Euro zone - ECB	0.00
U.K.	0.59	0.53	0.61	0.74	0.68	0.76	0.99	0.93	0.99	1.10	1.07	1.13	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
	42	46	53	24	25	30	14	14	15	12	13	9		
CANADA	42	46	53	24	25	30	14	14	15	12	13	9	Mexico - Banxico	5.00
GERMANY	-137	-133	-125	-191	-192	-182	-190	-193	-188	-193	-194	-194	Australia - RBA	0.10
JAPAN	-77	-72	-62	-144	-140	-135	-159	-155	-156	-133	-128	-135	New Zealand - RBNZ	0.50
U.K.	-5	-5	9	-62	-63	-51	-67	-69	-64	-91	-89	-90	Next Meeting Date	
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	21421			-134.3	-0.6	-1.4	1.0	25.3					Canada - BoC	Dec 08, 2021
Dow 30	35619			17.3	0.0	-1.3	-0.2	20.4					US - Fed	Dec 15, 2021
S&P 500	4683			-15.0	-0.3	0.0	3.0	30.9					England - BoE	Dec 16, 2021
Nasdaq	15855			-202.7	-1.3	0.0	5.1	33.5					Euro zone - ECB	Dec 16, 2021
DAX	16018			-97.3	-0.6	-1.4	3.1	22.0					Japan - BoJ	Dec 17, 2021
FTSE	7260			4.2	0.1	-0.9	0.8	14.6					Mexico - Banxico	Dec 16, 2021
Nikkei	29774			28.2	0.1	-0.0	3.4	16.6					Australia - RBA	Dec 06, 2021
Hang Seng	24652			-299.8	-1.2	-4.1	-5.6	-7.3					New Zealand - RBNZ	Nov 23, 2021
CAC	7087			-17.6	-0.2	-0.9	5.3	29.0						
Commodities	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
WTI Crude	76.36		-0.39	-0.5	-5.4	-8.8	77.3					England - BoE	Dec 16, 2021	
Natural Gas	4.99		0.20	4.2	-3.6	-5.5	84.1					Euro zone - ECB	Dec 16, 2021	
Gold	1790.43		-14.22	-0.8	-3.3	-0.1	-2.6					Japan - BoJ	Dec 17, 2021	
Silver	24.69		-0.10	-0.4	-2.1	1.6	2.2					Mexico - Banxico	Dec 16, 2021	
CRB Index	235.26		0.24	0.1	-0.9	-1.0	49.5					Australia - RBA	Dec 06, 2021	
Currencies	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
USDCAD	1.2728		0.0028	0.2	1.4	2.8	-2.7					New Zealand - RBNZ	Nov 23, 2021	
EURUSD	1.1243		0.0006	0.1	-0.7	-3.1	-5.1							
USDJPY	115.00		0.1200	0.1	0.2	1.1	10.0							
AUDUSD	0.7216		-0.0009	-0.1	-1.2	-3.7	-1.0							
GBPUSD	1.3351		-0.0046	-0.3	-0.6	-3.0	0.2							
USDCHF	0.9329		0.0002	0.0	0.3	1.4	2.2							

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