

**ON DECK FOR WEDNESDAY, NOVEMBER 24**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11-24	07:00	MBA Mortgage Applications (w/w)	Nov 19	--	--	-2.8
US	11-24	08:30	Durable Goods Orders (m/m)	Oct P	0.2	0.2	-0.3
US	11-24	08:30	Durable Goods Orders ex. Trans. (m/m)	Oct P	0.4	0.5	0.5
US	11-24	08:30	GDP (q/q a.r.)	3Q S	2.1	2.2	2.0
US	11-24	08:30	GDP Deflator (q/q a.r.)	3Q S	--	5.7	5.7
US	11-24	08:30	Wholesale Inventories (m/m)	Oct P	--	1.0	1.4
US	11-24	10:00	New Home Sales (000s a.r.)	Oct	808	800	800
US	11-24	10:00	PCE Deflator (m/m)	Oct	0.7	0.7	0.3
US	11-24	10:00	PCE Deflator (y/y)	Oct	5.1	5.1	4.4
US	11-24	10:00	PCE ex. Food & Energy (m/m)	Oct	0.4	0.4	0.2
US	11-24	10:00	PCE ex. Food & Energy (y/y)	Oct	4.1	4.1	3.6
US	11-24	10:00	Personal Spending (m/m)	Oct	1.3	1.0	0.6
US	11-24	10:00	Personal Income (m/m)	Oct	0.4	0.2	-1.0
US	11-24	10:00	U. of Michigan Consumer Sentiment	Nov F	--	67.0	66.8
US	11-24	14:00	FOMC Meeting Minutes				

**KEY POINTS:**

- **Markets playing defence ahead of the US holiday...**
- **...and ahead of a wave of releases and FOMC minutes...**
- **...and because of European COVID-19 headlines**
- **Kiwi dollar sinks and NZ rates curve bull steepens...**
- **...as the RBNZ hiked but was more cautious in the near-term...**
- **...while forward guidance for a terminal rate overshoot was a touch less than market expectations**

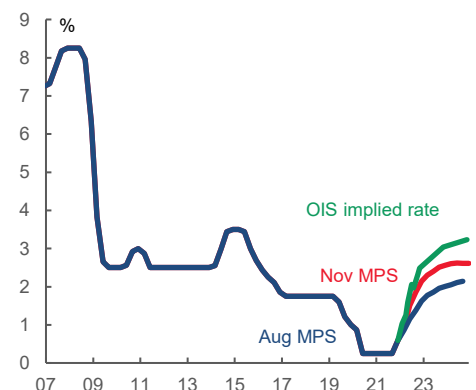
Global markets are playing defence across asset classes. That might be a sensible thing to do just ahead of when US PMs will be headed for the exits for the remainder of the week. That Italy is reportedly considering additional COVID-19 restrictions on unvaccinated people (but not lockdowns), France's health minister is indicating that guidance on potential measures will be provided tomorrow and Germany's Merkel held an emergency meeting overnight to discuss potential measures may also be influencing the tone. Sovereign curves are mixed with generally little movement. US & Canadian equity futures are off by under ½% with European cash markets ranging from flat in London and -¾% in Germany. Oil is little changed and the USD is broadly stronger along with the yen and won.

The main focus will be the wave of US macro reports this morning and then the FOMC minutes this afternoon before US liquidity dries up into the T-giving holiday and for the rest of the week. Brief highlights are in the US section below and in the Global Week Ahead. Canada goes dead quiet for the remainder of the week after yesterday's uneventful BoC speech and Speech from the Throne.

The RBNZ hiked by 25bps as almost everyone expected but offered mixed guidance that caught most by surprise. A slower pace of initial lift off than what had been priced and the fact that its hawkish rate path over time was largely priced—and then some—in advance both combined to drive a dovish market reaction. The kiwi dollar sank to being the worst performer to the USD overnight and the NZ yield curve bull steepened with 2s down 14bps. Markets placed greater emphasis upon the facts that the RBNZ hiked only 25bps when part of

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**Chart 1**
**RBNZ Official Cash Rate**


Sources: Scotiabank Economics, Reserve Bank of New Zealand, Bloomberg.

another 25bps move had been priced, upon the reference to how a 50bps move was discussed but rejected and upon the signal that the central bank will move carefully in the nearer term with the next policy decision not until three months from now. Still, the RBNZ raised its forward rate guidance compared to the last time it was published in August and expects to begin to overshoot its 2% estimate of neutral by the end of next year with the terminal rate forecast at 2.6% by the end of 2023. Chart 1 compares the shift in guidance to current market pricing.

## UNITED STATES

A time-tested observation regarding innate forms of human behaviour is that when you give folks a stretch deadline and incentives to meet it, the initial griping can often be followed by the achievement of miracles more often than the plight faced by Sisyphus.

That's my positive spin on the upcoming US economist's nightmare that is about to be unleashed. If statisticians employed at US data agencies want Thanksgiving and would like to take Friday off to boot, then they must get all their work done beforehand. And so we have today's line-up of multiple US reports in a much more compressed schedule than normal and to be followed by minutes to the last Fed meeting. If you stand by the door of US trading floors a short time after 2pmET then you might just get burned by the breeze created by all those folks rushing to get out the door to a well-deserved break on Thursday and with at most half-a-day of work on Friday, or a four-day weekend. Enjoy. Be safe. Happy Thanksgiving in advance to our American friends. Global market liquidity faces about another solid half day before it erodes over the duration of the week.

And what a travel season it's shaping up to be. The US TSA has said last Friday was the busiest single day for air travel in the pandemic to date with 2¼ million travelers. The TSA expects 20 million air passengers through the Thanksgiving period which would be approaching the 26 million mark set in the same time frame during 2019. The American Automobile Association forecasts 48.3 million folks will travel by car, up from 47.1 million last year and getting closer to 2019's 49.9 million. Only this isn't 2019. Long line-ups, tempers, patience and additional airport screening measures will be strong tests of character with eyes on weather forecasts to boot.

The broad takeaway from the readings should be somewhat less inflationary than the previously released CPI figures given methodological differences, but still hot, while activity readings should be generally constructive.

Consumer spending should follow retail sales higher with the key uncertainty being whether services magnified or lessened the percentage rise in retail sales. I figured that the shift to goods may have come at the partial expense of growth in services while still leaving a strong overall gain in total consumption. Q3 GDP could be revised up a touch given consumption upsidings. Incomes probably stabilized as wages and salaries are rising in offsetting fashion to falling unemployment benefit payments which is a positive rotation indicating that the labour market is capable of absorbing the reduction in benefits. Foot traffic might put mild upside risk to consensus expectations for new home sales, while core durable goods orders—using ex-air and ex-defence as a proxy for equipment investment—will shoot for an 8<sup>th</sup> straight gain and the 18<sup>th</sup> gain in the past 19 months as evidence that the supply side is responding to pressures. The expansion of planned investment in semiconductor capacity and possibly nascent evidence of a top in semiconductor prices may be additional encouraging supply side indications and I wouldn't be the least surprised to see a classic overshoot of capacity in 2023—onward. A slightly narrower US merchandise trade deficit and stable weekly initial jobless claims round out the field.

As for the FOMC minutes, they've probably been eclipsed by the Fed appointments and markets are likely spending more time looking ahead to what the FOMC might do on December 15<sup>th</sup>. See the Global Week Ahead's section on FOMC Minutes for more of a preview of the minutes.

Here's the line-up:

- US claims (8:30amET)
- US Advance goods trade balance Oct (8:30amET)
- US Q3 GDP-r, 2.2% from 2% (8:30amET)
- US durable goods orders Oct, 0.2% m/m, core up 0.5% (8:30amET)
- US PCE inflation October, 0.7% m/m // 5.1% y/y (10amET)
- US core PCE inflation October, 0.4% m/m // 4.1% y/y (10amET)
- US personal income October, 0.2% m/m (10amET)
- US personal spending October, 1.0% m/m (10amET)
- US new home sales October, flat (10amET)
- FOMC minutes to Nov 2<sup>nd</sup>–3<sup>rd</sup> meeting (2pmET)

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.				0.61	0.62	0.50	1.33	1.34	1.23	1.66	1.67	1.59	2.02	2.02	1.98	Canada - BoC	0.25
CANADA				1.04	1.04	0.99	1.57	1.58	1.48	1.79	1.81	1.69	2.13	2.14	2.04	US - Fed	0.25
GERMANY				-0.76	-0.73	-0.73	-0.57	-0.55	-0.56	-0.23	-0.22	-0.25	0.11	0.11	0.09	England - BoE	0.10
JAPAN				-0.12	-0.13	-0.12	-0.08	-0.08	-0.08	0.08	0.08	0.08	0.69	0.68	0.69		
U.K.				0.61	0.60	0.57	0.77	0.75	0.71	1.02	1.00	0.96	1.09	1.08	1.13		
				Spreads vs. U.S. (bps):													
CANADA				43	42	49	24	24	25	13	14	10	11	12	6	Euro zone - ECB	0.00
GERMANY				-136	-135	-123	-190	-188	-179	-190	-189	-184	-191	-192	-189	Japan - BoJ	-0.10
JAPAN				-73	-75	-62	-141	-142	-131	-158	-159	-151	-132	-134	-129		
U.K.				0	-2	7	-57	-59	-52	-65	-67	-63	-92	-94	-85	Mexico - Banxico	5.00
Equities				Level						% change:							
				Last	Change			1 Day		1-wk		1-mo		1-yr			
S&P/TSX				21454	33.0			0.2		-0.9		1.1		24.2		Australia - RBA	0.10
Dow 30				35814	194.6			0.5		-0.9		0.4		19.2		New Zealand - RBNZ	0.75
S&P 500				4691	7.8			0.2		-0.2		3.2		29.0			
Nasdaq				15775	-79.6			-0.5		-1.2		4.5		31.1			
DAX				15842	-94.6			-0.6		-2.5		1.9		19.2			
FTSE				7275	8.3			0.1		-0.2		1.0		13.1			
Nikkei				29303	-471.5			-1.6		-1.7		2.5		11.4			
Hang Seng				24686	33.9			0.1		-3.8		-5.5		-7.4			
CAC				7035	-9.8			-0.1		-1.7		4.5		26.6			
Commodities				Level						% change:							
WTI Crude				78.56	0.06			0.1		0.3		-6.2		74.9		Canada - BoC	Dec 08, 2021
Natural Gas				4.95	-0.01			-0.3		2.9		-6.2		78.5		US - Fed	Dec 15, 2021
Gold				1785.30	-3.86			-0.2		-4.4		-0.4		-1.2		England - BoE	Dec 16, 2021
Silver				23.82	-0.88			-3.5		-5.8		-2.0		-0.4		Euro zone - ECB	Dec 16, 2021
CRB Index				238.14	2.88			1.2		0.3		0.2		49.0		Japan - BoJ	Dec 17, 2021
Currencies				Level						% change:							
USDCAD				1.2698	0.0028			0.2		0.7		2.6		-2.3		Mexico - Banxico	Dec 16, 2021
EURUSD				1.1212	-0.0036			-0.3		-0.9		-3.4		-5.7		Australia - RBA	Dec 06, 2021
USDJPY				115.08	-0.0600			-0.1		0.9		1.2		10.2		New Zealand - RBNZ	Feb 22, 2022
AUDUSD				0.7205	-0.0023			-0.3		-0.9		-3.8		-2.1			
GBPUSD				1.3364	-0.0014			-0.1		-0.9		-2.9		0.1			
USDCHF				0.9363	0.0034			0.4		0.8		1.8		2.7			

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