

ON DECK FOR THURSDAY, NOVEMBER 25

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	11-25	08:30	SEPH payrolls m/m 000s	Sept	n/a	n/a	91

KEY POINTS:

- Dull markets due to US Thanksgiving, quiet global calendars
- US airport volumes are back to 2019 levels
- Europe's lockdown resistance is a moral hazard blessing
- Quebec to update finances today
- Canada's finmin noncommittal on Fall update, BoC review
- Canada's lagging payrolls survey versus LFS
- Riksbank motivates dovish reaction in rates
- Bank of Korea hikes, but rates rally on milquetoast guidance

Equities are mildly in the black across NA futures and European cash markets, with a slight bid to longer dated EGBs. Unless the Riksbank and Bank of Korea turn your crank then I'm afraid there is little else of interest in this morning's markets. The US is shut, while the rest of the world's calendars are dead quiet. France rejected a nationwide lockdown in its update on potential measures this morning. In my opinion that's the right way to go given vaccine options, since the moral hazard risk of shutting down everything to protect the unvaccinated is just too high a price to ask everyone else to have to pay when almost all of them have an alternative choice.

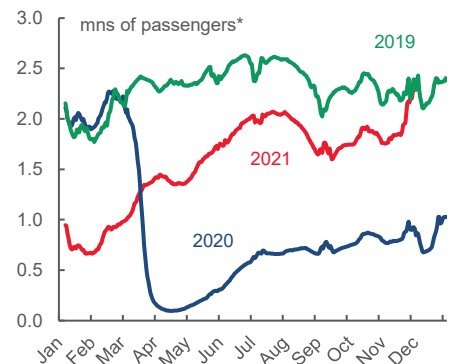
When chart 1 was provided last Friday in the Global Week Ahead it was looking like US airport travel volumes were still tracking well shy of pre-pandemic 2019 volumes even though they were much higher than last year. That has changed in a very short period with airport volumes now within spitting distance of 2019 levels. Some rise was likely, but volumes have very suddenly gone vertical. Americans are clearly eager to return toward a greater sense of normalcy and to restore lost connections with family members and friends. While we'll monitor COVID-19 case trends in coming weeks, the implications for consumer spending and overall economic activity into the holiday season are shaping up to be rather positive.

Quebec will provide its mid-year fiscal and economic update today. Scotia's Marc Desormeaux will be covering. In general, like elsewhere, the strong gains in nominal GDP via a combination of higher volumes of economic activity and higher inflation should drive better than expected fiscal performance.

Canada's Finance Minister Chrystia Freeland offered no enhanced guidance in last evening's remarks on when to expect a Fall fiscal update and the conclusions of the Bank of Canada's strategic review. She said last evening that they are still targeting Fall for the fiscal update, which still means any time before Parliament breaks for the holidays on December 17th. On the BoC's review, Freeland indicated she is still mulling it over with no guidance on when to expect the conclusions which means it may not arrive before year-end in keeping with what I've been hearing about no particularly big rush to do it soon versus early in 2022. My Christmas wish list, however, includes the strong wish that the BoC leads the decisions and that it avoids any politicized push toward a material shift

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Chart 1
US Air Travel


*Represents total number of passengers screened at US airports.

Sources: Scotiabank Economics, TSA.

in its framework. The BoC has all the flexibility it needs in its 1–3% flexible inflation targeting framework. Its issues, in my view, are more around how it implements that flexibility. Persistent undershooting of its 2% mid-point since the GFC had the BoC behaving more like 2% was a threshold rather than a symmetrical mid-point and so it went through a protracted period of undershooting and weak inflation forecasts. Today, the BoC seems to have swung too far in the other direction with a sanguine attitude toward inflation that is likely to end the year over 5% y/y and hence the widest margin above 2% in the central bank’s history of inflation targeting. It’s a ruse to argue that the BoC needs greater policy flexibility in order to achieve its goals; it just has to improve implementation. Perhaps Mervyn King’s Bloomberg op-ed on central banks ([here](#)) from the other day should be required reading in Ottawa circles.

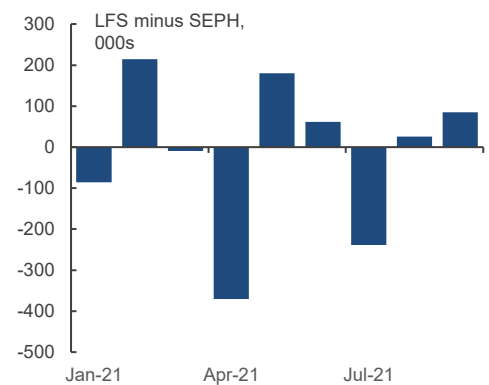
StatCan just released its rather untimely payrolls survey. For September.... We get the more widely followed Labour Force Survey for November next Friday. Anyway, the SEPH indicated a 91k rise in payroll jobs in September which is lower than the LFS payroll estimate of 176k for that month (total jobs were up 157k in LFS because self-employed fell as an offset to the LFS measure of payroll jobs). There have been persistently wide variations in what the two surveys are indicating for payroll employment (chart 2). August LFS registered a 107k rise, versus SEPH’s 81k. July had SEPH’s gain of 331k far outstripping the LFS measure of 92k. The US manages to get both its household and payroll (nonfarm) numbers out all at once, but StatCan still takes months to turn around its payroll estimates which usually means they are ignored by markets.

Sweden’s Riksbank delivered a dovish assessment overnight. They held the policy repo rate unchanged at 0% as universally expected, but they brought forward rate hike guidance to later than markets had already priced. The prior guidance had been for no rate hike through the 2021–24 forecast horizon and they now say they will hike in the latter part of 2024. They also indicated that they will reinvest through 2022. OIS markets tamped down rate hike pricing but retained a bias toward hiking well ahead of Riksbank guidance.

The Bank of Korea met universal expectations for a 25bps hike to a 1% 7-day repo rate but its forward guidance was not as hawkish as priced going in. Openness toward a rate hike in Q1 was not particularly firm and when combined with one dissenter generally drove the won lower and Korean yields to rally relative to expectations that Governor Lee might have provided a clearer path forward.

Chart 2

Spread between Change in LFS and SEPH Monthly Payroll Employment



Sources: Scotiabank Economics, LFS, SEPH.

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	0.64	0.50	1.34	1.34	1.22	1.63	1.64	1.59	1.96	1.96	1.97	Canada - BoC	0.25
CANADA	1.06	1.06	0.98	1.56	1.57	1.48	1.76	1.78	1.69	2.07	2.08	2.05	US - Fed	0.25
GERMANY	-0.73	-0.74	-0.75	-0.56	-0.56	-0.58	-0.24	-0.23	-0.28	0.09	0.12	0.04	England - BoE	0.10
JAPAN	-0.12	-0.12	-0.12	-0.07	-0.08	-0.08	0.09	0.08	0.08	0.69	0.69	0.68	Euro zone - ECB	0.00
U.K.	0.58	0.59	0.54	0.74	0.75	0.69	0.97	1.00	0.93	1.04	1.08	1.08	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
	Level			Change			1 Day			% change:				
	Last	1-day	1-wk	Last	1-day	1-wk	13	14	11	11	12	8		
CANADA	42	41	48	22	23	25	13	14	11	11	12	8	Mexico - Banxico	5.00
GERMANY	-137	-139	-125	-190	-190	-180	-188	-186	-186	-187	-185	-194	Australia - RBA	0.10
JAPAN	-76	-76	-62	-141	-142	-130	-155	-155	-151	-127	-127	-129	New Zealand - RBNZ	0.75
U.K.	-6	-6	3	-60	-60	-53	-66	-64	-66	-92	-88	-89	Next Meeting Date	
Equities	Level			Change			1 Day			% change:				
	Last	1-day	1-wk	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr				
S&P/TSX	21548			94.7			0.4	-0.4	1.2	24.5	Canada - BoC	Dec 08, 2021		
Dow 30	35804			-9.4			-0.0	-0.4	0.2	19.9	US - Fed	Dec 15, 2021		
S&P 500	4701			10.8			0.2	0.3	3.0	29.5	England - BoE	Dec 16, 2021		
Nasdaq	15845			70.1			0.4	-0.5	4.1	31.0	Euro zone - ECB	Dec 16, 2021		
DAX	15890			11.9			0.1	-2.0	1.9	19.6	Japan - BoJ	Dec 17, 2021		
FTSE	7296			10.0			0.1	0.6	1.0	14.2	Mexico - Banxico	Dec 16, 2021		
Nikkei	29499			196.6			0.7	-0.6	1.4	11.2	Australia - RBA	Dec 06, 2021		
Hang Seng	24740			54.7			0.2	-2.3	-5.0	-7.8	New Zealand - RBNZ	Feb 22, 2022		
CAC	7056			13.3			0.2	-1.2	5.1	26.6				
Commodities	Level			Change			1 Day			% change:				
	Last	1-day	1-wk	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr				
WTI Crude	78.05			-0.34			-0.4	-1.2	-6.8	70.8	England - BoE	Dec 16, 2021		
Natural Gas	5.01			-0.06			-1.2	2.1	-15.1	72.9	Euro zone - ECB	Dec 16, 2021		
Gold	1791.34			2.73			0.2	-3.6	-0.9	-0.9	Japan - BoJ	Dec 17, 2021		
Silver	23.50			-0.32			-1.3	-6.2	-3.4	1.5	Mexico - Banxico	Dec 16, 2021		
CRB Index	238.37			0.24			0.1	0.9	-0.9	48.6	Australia - RBA	Dec 06, 2021		
Currencies	Level			Change			1 Day			% change:				
	Last	1-day	1-wk	Last	1-day	1-wk	1 Day	1-wk	1-mo	1-yr				
USDCAD	1.2669			0.0001			0.0	0.5	2.3	-2.6	New Zealand - RBNZ	Feb 22, 2022		
EURUSD	1.1219			0.0020			0.2	-1.3	-3.4	-5.9				
USDJPY	115.33			-0.1000			-0.1	0.9	1.4	10.4				
AUDUSD	0.7183			-0.0013			-0.2	-1.3	-4.1	-2.5				
GBPUSD	1.3314			-0.0014			-0.1	-1.3	-3.3	-0.5				
USDCHF	0.9337			-0.0008			-0.1	0.8	1.5	2.8				

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