

DAILY POINTS

December 23, 2021 @ 7:55 EST

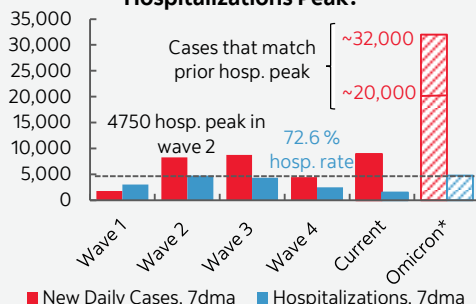
Contributors

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Chart 1

How Many New Cases Before Hospitalizations Peak?



■ New Daily Cases, 7dma ■ Hospitalizations, 7dma

*Based on recent studies showing Omicron hospitalizations account for 20% to one-third of hospitalization rates from prior waves inclusive of all variants.

Sources: Scotiabank Economics, Gov. of Canada.

On Deck for Thursday, December 23

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12-23	08:30	Real GDP (m/m)	Oct	1.0	0.8	0.1
US	12-23	08:30	Durable Goods Orders (m/m)	Nov P	1.5	1.8	-0.4
US	12-23	08:30	Durable Goods Orders ex. Trans. (m/m)	Nov P	0.7	0.6	0.5
US	12-23	08:30	Initial Jobless Claims (000s)	Dec 18	205	205	206
US	12-23	08:30	Continuing Claims (000s)	Dec 11	1,810	1,835	1,845
US	12-23	08:30	PCE Deflator (m/m)	Nov	0.6	0.6	0.6
US	12-23	08:30	PCE Deflator (y/y)	Nov	5.7	5.7	5.0
US	12-23	08:30	PCE ex. Food & Energy (m/m)	Nov	0.4	0.4	0.4
US	12-23	08:30	PCE ex. Food & Energy (y/y)	Nov	4.5	4.5	4.1
US	12-23	08:30	Personal Spending (m/m)	Nov	0.5	0.6	1.3
US	12-23	08:30	Personal Income (m/m)	Nov	0.5	0.4	0.5
US	12-23	10:00	New Home Sales (000s a.r.)	Nov	770	769.5	745.0
US	12-23	10:00	U. of Michigan Consumer Sentiment	Dec F	--	70.4	70.4

KEY POINTS:

- **Omicron optimism fueling light risk-on sentiment**
- **What number of Canadian omicron cases will yield prior hospitalization peaks?**
- **Stale Canadian GDP: strong October, November flash**
- **The last notable batch of US releases for 2021**

Omicron optimism in the context of light holiday trading is driving a mild risk-on bias so far. There was no overnight calendar-based risk ahead of backward looking N.A. readings that will pretty much wrap up calendar-based risk for the year.

N.A. equity futures and European cash markets are up by ¼% – ½% for the most part. Sovereign bond yields are up again with 10s climbing by 2–9bps across major benchmarks. The USD is little changed with outsized movers including gains in sterling and the A\$/NZ\$. Oil is a couple of dimes higher.

Omicron developments are mixed. On the positive side are the three UK and South African studies that indicate the omicron variant is only 20% to one-third as likely to result in hospitalization compared to prior variants, plus evidence that AstraZeneca's third booster shot raised antibodies against omicron. On the negative side is a study showing that a third dose of Sinovac's CoronaVac vaccine does not raise antibodies to protect against omicron and that matters as it's among the most widely used vaccines primarily in relatively poorer countries. Also, some point to Israel's remarks that a fourth booster would soon be needed over coming months after the omicron wave as 3rd dose efficacy rapidly wanes; that's a challenge to countries that are frankly doing a poor job at administering third shots (and offering testing) like Canada.

WHAT CASE NUMBERS MAY STRAIN CANADIAN HOSPITALS?

Given that the prime rationale for tightening restrictions is to help to avoid hospitals being overrun with cases, an important advance metric is the number of daily cases that may start to risk such an outcome. Chart 1 attempts to provide the answer: between about 20,000 and 32,000 cases per day. Once cases cross that number, hospitalizations *could* reach the prior record number of hospitalizations during the pandemic that was pressuring capacity at Canadian hospitals; above that new daily case number is uncharted territory for hospitals. Note that yesterday's new cases tallied just shy of 15k which is getting close to this range and cases are rapidly rising such that we could be within this range very shortly and faced with record hospitalizations in the ensuing days with important caveats I'll come back to.

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This estimated range of new cases that would trigger new possible peaks for hospitalized cases is arrived at by considering that about 73% of all COVID-19 cases to date have wound up in the hospital, but studies out of the UK and South Africa (eg. [here](#)) indicate that Omicron is only tending to result in hospitalization rates equal to between 20% and one-third of the hospitalization rates of prior variants.

A big caveat is how significant the hospitalized cases may be. The UK study tended to indicate that once admitted to hospital, the outcomes for Omicron cases are similar to other variants. Real world evidence from South Africa tends to suggest mild hospitalization and treatment outcomes. Also note the point made earlier this week in this morning note about how usage of mechanical vents as a share of hospitalized cases in London has been sharply falling through much of the year for several reasons including a sense that vents might worsen outcomes for some patients by causing greater damage to lungs. Further, we have more effective treatments now and—in Canada—relatively high vaccination rates whereas the most vulnerable part of the population is still going to be the unvaccinated especially those who haven't had a prior variant. The point is to provide a rough numerical range of daily cases that triggers greater concern and that reflects current research on Omicron hospitalization rates. The next key will be to monitor the severity of those admissions ranging from quick assessments before being sent home for self-isolation toward more severe outcomes. This key uncertainty should be much further informed by early in the new year.

US AND CANADIAN RELEASES

On tap is a wave of US and Canadian macro data this morning. Comments are kept brief given the stale nature of the reports in the context of forward-looking uncertainties. Yesterday's US releases were also stale in that the modest on-line consumer confidence sample was significantly skewed toward just before the large run-up in COVID-19 cases, while nothing is more stale than existing home sales that reflect homebuying decisions at the point of contract signing 30–90 days prior to November's figures.

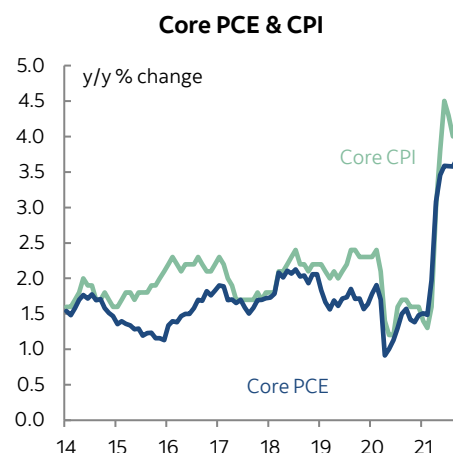
1. Canada updates both the final estimate for October GDP and the flash estimate for November GDP (8:30amET). StatsCan had guided 0.8% m/m for October and then we got a strong number for hours worked which may suggest upside risk. November guidance will be more important; readings we can observe were strong, like retail flash guidance, hours worked and housing starts, but BC flooding effects will be among the downsides. The key is obviously how December holds up into Q1 amid what are so far light restrictions primarily applied to bars and restaurants plus how behaviour may adjust.

2. US personal income and spending both probably climbed by ~½% m/m in November (8:30amET). Spending will need a strong service sector performance to offset soft retail sales. Going forward, retail may overstate consumer strengths given a likely rotation of demand back toward goods and online shopping.

3. The Fed's preferred inflation gauges (8:30amET) are likely to follow CPI higher at a somewhat gentler pace given methodological differences and the general pattern (chart 2).

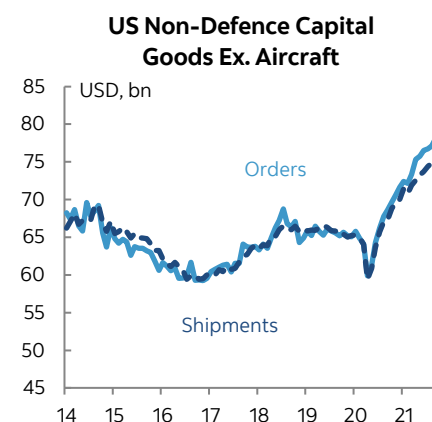
4. Watch US core durable goods orders (8:30amET) for continued momentum in demand for capital goods as shown in chart 3, and November's new home sales (8:30amET) that are likely to follow measures like model home foot traffic higher (chart 4).

Chart 2



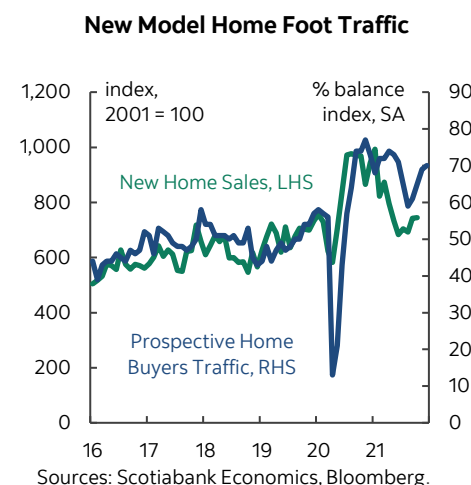
Sources: Scotiabank Economics, BLS, BEA.

Chart 3



Sources: Scotiabank Economics, US Census Bureau.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

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.	0.68	0.66	0.62	1.23	1.22	1.17	1.48	1.45	1.41	1.87	1.85	1.85	Canada - BoC	0.25
CANADA	0.98	0.96	0.89	1.28	1.25	1.18	1.45	1.42	1.34	1.75	1.72	1.69	US - Fed	0.25
GERMANY	-0.67	-0.69	-0.69	-0.51	-0.54	-0.58	-0.25	-0.29	-0.35	0.11	0.06	-0.01	England - BoE	0.25
JAPAN	-0.09	-0.09	-0.11	-0.09	-0.09	-0.09	0.07	0.06	0.05	0.69	0.67	0.66		
U.K.	0.69	0.64	0.51	0.79	0.75	0.61	0.94	0.89	0.76	1.11	1.07	0.92		
	Spreads vs. U.S. (bps):													
CANADA	30	30	27	5	3	2	-3	-4	-7	-12	-13	-16	Euro zone - ECB	0.00
GERMANY	-135	-136	-131	-175	-176	-175	-173	-175	-176	-176	-179	-186	Japan - BoJ	-0.10
JAPAN	-77	-75	-72	-132	-131	-126	-141	-139	-137	-118	-118	-119		
U.K.	1	-2	-11	-44	-47	-56	-54	-57	-66	-76	-78	-94		
Equities	Level						% change:						Mexico - Banxico	5.50
	Last			Change			1 Day		1-wk		1-mo		1-yr	
S&P/TSX	21070			145.2			0.7		1.6		-1.8		19.8	
Dow 30	35754			261.2			0.7		-0.5		-0.2		18.7	
S&P 500	4697			47.3			1.0		-0.3		0.1		27.3	
Nasdaq	15522			180.8			1.2		-0.3		-1.6		21.5	
DAX	15690			96.1			0.6		0.3		-1.6		15.5	
FTSE	7355			13.2			0.2		1.3		1.2		13.2	
Nikkei	28798			236.2			0.8		-0.9		-1.7		8.0	
Hang Seng	23194			91.3			0.4		-1.2		-6.0		-12.1	
CAC	7077			25.3			0.4		1.0		0.5		28.0	
Commodities	Level						% change:						US - Fed	Jan 26, 2022
WTI Crude	72.94			0.18			0.2		0.8		-7.1		51.6	
Natural Gas	3.79			-0.18			-4.6		0.7		-23.7		45.4	
Gold	1804.95			1.28			0.1		0.3		0.9		-3.6	
Silver	22.66			-0.09			-0.4		3.9		-8.2		-12.1	
CRB Index	230.17			3.81			1.7		2.8		-3.3		39.3	
Currencies	Level						% change:						England - BoE	Feb 03, 2022
USDCAD	1.2820			-0.0016			-0.1		0.4		1.2		-0.2	
EURUSD	1.1305			-0.0021			-0.2		-0.2		0.5		-7.2	
USDJPY	114.37			0.2700			0.2		0.6		-0.7		10.4	
AUDUSD	0.7239			0.0025			0.3		0.8		0.2		-4.4	
GBPUSD	1.3432			0.0080			0.6		0.8		0.4		-0.5	
USDCHF	0.9210			0.0011			0.1		0.2		-1.3		3.7	
													Mexico - Banxico	Feb 10, 2022
													Australia - RBA	Jan 31, 2022
													New Zealand - RBNZ	Feb 22, 2022

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