

DAILY POINTS

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On Deck for Monday, December 12

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12-12	14:00	Treasury Budget (US\$ bn)	Nov	--	-248.0	-87.8
CA	12-12	15:25	BoC's Tiff Macklem Delivers Annual Holiday Speech				

KEY POINTS:

- **Mixed risk appetite ahead of a packed week**
- **China covid risk shifts to anecdotes**
- **BoC's Macklem is likely to repeat forward guidance**
- **Yellen downplays inflation concerns. Again.**
- **UK releases faded**
- **Global Week Ahead reminder**

As a reminder please see the Global Week Ahead—The Alternatives Would be Worse. The publication link is [here](#) and the slide deck is [here](#).

Key topics:

- Monepalooza week!
- The 3 worse alternatives to fighting inflation
- FOMC tail risks to a pre-set script
- US CPI expectations
- The ECB's QT challenge
- BoE likely to downshift
- PBoC unlikely to deliver cuts
- BoC's Macklem to keep door the open
- SNB to follow the ECB
- Norges Bank to sound more cautious
- BanRep to deliver mega-hike
- Banxico expected to follow the Fed and inflation
- BSP likely to hike again
- CBCT has a little more wiggle room
- Is Russia done cutting?
- PMIs: EZ, UK, US (S&P), Japan, Australia
- Other macro

Monepalooza week is starting off with somewhat mixed evidence on risk appetite and light calendars. The week's action will be packed into Wednesday through Friday.

For now, stocks are mixed with N.A. futures in slightly positive territory and Europe little changed to slightly negative after Asian equities fell by up to 2.2% in HK. Oil prices are off by just under 1%. US Ts are richer by 2-5bps across the curve in a mild 2s10s flattener. Gilts are outperforming Treasuries and EGB curves are flattening. The USD is slightly softer and entirely due to mildly firmer European crosses.

There aren't any great explanations for such mild moves. One theory may be that China's relaxation of Covid Zero constraints is driving a more difficult to track surge in cases. Abandoning testing requirements has made that data unreliable. Anecdotal evidence is all

we have to go by now and it includes remarks by health officials about pressures on the availability of medicines and services, hospital line-ups, reported hospital staff shortages, interruptions to other types of medical services etc.

Of course, another theory is just that there is such elevated risk into the back half of this week that sticking one's neck out on risk appetite now risks a rude awakening in a few days.

Treasury Secretary Yellen said this weekend that there will be "much lower inflation" even in the absence of a recession by a year from now. Uh oh. In one sense that's not really offering much since even just base effects and average monthly seasonal price changes would get inflation down to +/-3% y/y. What will matter in terms of tracking will be two more important factors. One is the m/m SAAR rates including breadth. Two will be not just the end of 2023 but over the full cycle ahead. In any event, recall that Yellen spent 2021 completely dismissing inflation as "small" and "manageable."

A wave of UK releases generally exceeded expectations, but the data is stale, should be faded ahead of further downside risks, may have been distorted by the prior month's holiday and period of mourning for QE II and is unlikely to matter to this Thursday's BoE meeting. So there! Services expanded by 0.6% m/m (consensus 0.5%) in October. Industrial output was flat as expected. Construction output expanded by 0.8% m/m (consensus 0.1%). The trade deficit narrowed by more than expected. GDP was up 0.5% m/m (consensus 0.4%) as it rebound from the 0.6% prior contraction.

There is nothing terribly material on tap into the N.A. session. The US monthly budget update, India's

BoC Governor Macklem delivers his annual holiday speech today. Headlines hit at 3:25pmET and there will be a press conference at 5pmET. I expect him to repeat much of last week's messaging especially on two counts. One is guidance that keeps the door to further hikes partially open on heightened data dependency which was made clear in the statement, the next day's comments by DepGov Kozicki and also by former Governor Dodge. Second is to reinforce that there is a high bar that is set against acting in "forceful" manner again unless there is a material inflation shock (ie: returning to bigger hikes).

India will update CPI shortly after publishing (7amET) and Mexico will report industrial output for back in October at the same time.

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.	4.33	4.35	4.39	3.73	3.77	3.78	3.53	3.58	3.58	3.50	3.56	3.59	Canada - BoC	4.25
CANADA	3.82	3.85	3.81	3.03	3.07	3.06	2.81	2.88	2.81	2.78	2.83	2.81	US - Fed	4.00
GERMANY	2.14	2.16	2.12	1.92	1.94	1.89	1.89	1.93	1.88	1.68	1.75	1.68	England - BoE	3.00
JAPAN	-0.01	-0.01	-0.02	0.13	0.12	0.12	0.25	0.26	0.26	1.43	1.41	1.50		
U.K.	3.47	3.43	3.33	3.22	3.25	3.25	3.13	3.18	3.10	3.52	3.57	3.45		
	Spreads vs. U.S. (bps):													
CANADA	-51	-50	-58	-70	-70	-72	-71	-70	-76	-72	-73	-78	Euro zone - ECB	2.00
GERMANY	-219	-219	-227	-181	-183	-189	-164	-165	-170	-181	-182	-191	Japan - BoJ	-0.10
JAPAN	-434	-436	-441	-360	-365	-366	-327	-333	-332	-207	-215	-209		
U.K.	-86	-92	-106	-51	-52	-53	-40	-40	-47	2	1	-14	Mexico - Banxico	10.00
Equities	Level						% change:							
	Last	Change		1 Day		1-wk		1-mo		1-yr				
S&P/TSX	19947	-22.1		-0.1		-1.5		-0.8		-4.5		Australia - RBA	3.10	
Dow 30	33476	-305.0		-0.9		-2.8		-0.8		-6.9		New Zealand - RBNZ	4.25	
S&P 500	3934	-29.1		-0.7		-3.4		-1.5		-16.5				
Nasdaq	11005	-77.4		-0.7		-4.0		-2.8		-29.6				
DAX	14322	-48.4		-0.3		-0.9		0.7		-8.3				
FTSE	7448	-29.0		-0.4		-1.6		1.8		2.1				
Nikkei	27842	-58.7		-0.2		0.1		-1.5		-2.8		Canada - BoC	Jan 25, 2023	
Hang Seng	19464	-437.2		-2.2		-0.3		12.3		-18.7		US - Fed	Dec 14, 2022	
CAC	6654	-24.1		-0.4		-0.6		0.9		-4.8				
Commodities	Level						% change:							
WTI Crude	71.24	0.22		0.3		-7.4		-19.9		-0.6		England - BoE	Dec 15, 2022	
Natural Gas	6.88	0.64		10.2		23.4		17.1		75.4		Euro zone - ECB	Dec 15, 2022	
Gold	1787.57	-9.76		-0.5		1.1		0.9		0.3		Japan - BoJ	Dec 20, 2022	
Silver	23.11	0.42		1.8		2.2		8.4		3.9				
CRB Index	266.28	-0.12		-0.0		-1.5		-5.6		17.9				
Currencies	Level						% change:							
USDCAD	1.3673	0.0028		0.2		0.6		2.7		6.8		Mexico - Banxico	Dec 15, 2022	
EURUSD	1.0567	0.0027		0.3		0.7		2.3		-6.4		Australia - RBA	Feb 06, 2023	
USDJPY	137.02	0.4600		0.3		0.2		-2.1		20.7				
AUDUSD	0.6760	-0.0035		-0.5		0.9		0.9		-5.2				
GBPUSD	1.2290	0.0031		0.3		0.8		4.5		-7.0		New Zealand - RBNZ	Feb 21, 2023	
USDCHF	0.9331	-0.0011		-0.1		-1.0		-1.1		1.1				

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