

KEY POINTS:

- **Stocks rally on Trump, data, stimulus talks**
- **Curves steepen as US 10yr yield approaches four-month high**
- **Trump's curious covid-19 message...**
- **...could backfire...**
- **...while the CDC revises distance guidance**
- **Have US fiscal stimulus odds gone up?**
- **So far, ISM-services disproves the slowing hypothesis...**
- **...that alt-data distorts**
- **RBA may tee up future stimulus ahead of budget**
- **Fed's Powell, ECB's Lagarde & Lane on tap**
- **Light overnight releases**

TODAY'S NORTH AMERICAN MARKETS

Well, stocks believe Trump has recovered, but not all of the credit goes to his possible health status. The literature shows that the length of a covid-19 hospital stay is anywhere from four to 21 days outside of China ([here](#)). The President did it in three; two days, if his doctor's remark that he could have gone home yesterday is on the mark. Hallelujah, it's a miracle!!

Or not. You see, not everyone has the President's health care and access to medication that is not yet approved for the rest of us. Or their very own hospital wing at home in the White House. Or a private armed helicopter with escort detail to whisk them away if needed. Maybe the army food sucked at the Walter Reed hospital. Regardless, I'm not sure the message that Trump feels better than he did 20 years ago and for people not to let it "dominate your life" while going about their regular business will resonate in ways that *lessen* the spread of second wave risks. Wear your masks? Trump didn't and he survived. Socially distance yourself? Trump didn't and it was no big deal for him. Limit crowd gatherings especially indoors? Pffft, our pal Trump says 'meh'. This posture might lead forecasters to become more concerned about evolving second and ensuing waves as New York took further rollback steps today. That's especially after the politicized CDC finally fessed up that the literature has been leaning toward a spread radius of over 6 feet in indoor settings for months now ([here](#)).

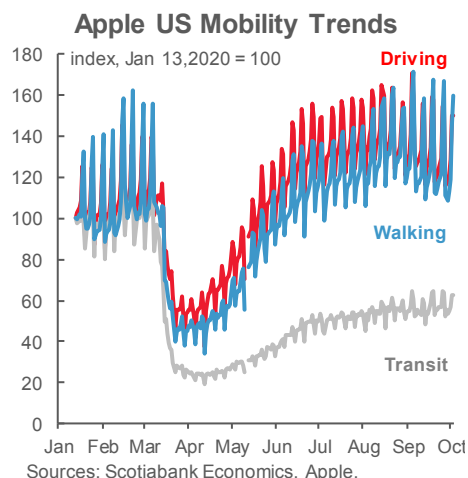
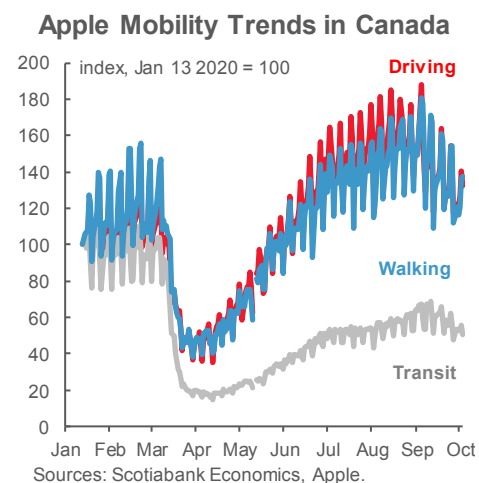
In any event, short-term markets are taking this news and ongoing US fiscal stimulus talks somewhat positively to start the week even as the virus spread through the White House including the press secretary and the housekeeping staff who you know are just loving the folks they're serving right about now. The implications for fiscal stimulus are uncertain but a combination of a) Trump being well down in the polls, and b) his own personal experience with the virus might lend itself to higher odds of a deal with Pelosi and Mnuchin to continue talks this evening into tomorrow. My hunch is that developments are pulling the White House closer toward the Dems' price tag.

This morning's ISM-services reading also helped the market tone (see below) as it was immediately followed by a jump in the S&P500. Maybe last night's positive

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Chart 1

Chart 2


revisions to Eurozone and UK PMIs also got second assists. Cheers to your health Mr. President, but there's a bit more to it all and there will be overnight into tomorrow as well when Powell & Lagarde take the stage.

US equities ended up by 1 3/4% to 2 1/4%. The TSX closed 1 1/4% higher. European markets ended up by 3/4% to 1 1/4% but closed before the Trump-go-home headlines.

Sovereign bonds weren't feeling the love today. Good news was bad news for them as the US 10 year note jumped 8bps and the 30 year yield was up 10bps. That's the highest 10 year US yield since <drum roll....> June 9th. Yippee, our forecast steepeners are back on track, for now. Gilts and Canadas also bear steepened but somewhat underperformed the US. EGBs performed likewise but generally less so.

Oil prices ended about 6% higher in terms of WTI and Brent. Gold was up by under 3/4%.

The USD depreciated against most crosses except for the yen. CAD underperformed other major crosses while some Scandies, the Mexican peso and real led the pack.

So much for the hypothesis that the US service sector must be slowing as reopening gets rolled back in some areas and sectors. We'll see next month. For now, ISM-services beat expectations and came in higher than about 5% of consensus expected. Each of the new orders (61.5, 56.8 prior) and employment subindices (51.8, 47.9 prior) registered improvements.

US ISM-services index, SA, September:

Actual: 57.8
Scotia: 56.0
Consensus: 56.2
Prior: 56.9

Will such evidence prove durable? That's unclear. High frequency alt-data like mobility readings are weakening (charts 1–2 for the US and Canada), but they're not seasonally adjusted which is problematic since, for example, some activities like driving might settle down after summer. Restaurant bookings remain on a mild recovery trend but Canada has been faltering (charts 3–4).

Given that covid-19 and its effects served as the dominant market drivers today, it's a suitable to kick off the week with a full suite of updated global charts. Charts 5–6 start by showing Canada's new cases are still trending higher and so is the rate at which tests are turning up positive. To repeat the caution, we can't compare the positive rate to wave 1 since the earlier sample was much more likely to be biased to people afflicted by the illness. We also can't really tell if the current rise in the positive rate during wave 2 is genuine or if the sample is becoming distorted again toward those who are more likely to think they've got it and who stick it out in line-ups versus the tourists.

Charts 7–18 depict case trends (red) and positive rates (blue) for all Canadian provinces.

Charts 19–26 depict case trends internationally. Let's see, a picture is worth a thousand words, so that's 26,000 I just spared you from having to read.

OVERNIGHT MARKETS

The main focal points overnight will be remarks offered by ECB President Lagarde and Chief Economist Lane early tomorrow morning. Before that, the focus will be 'down under' where the RBA could take further steps to tee up future stimulus measures ahead of the Australian budget that is expected to add fiscal stimulus, as well as German factory orders.

Chart 3

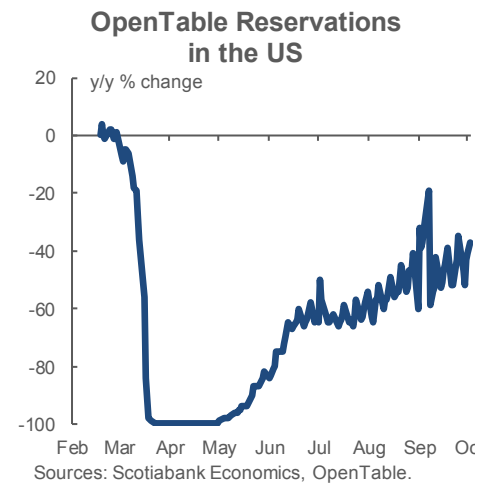
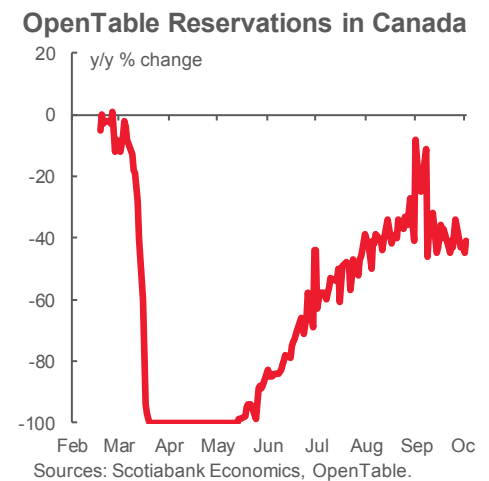


Chart 4



South Korea updates CPI for September (7pmET). Higher food prices may will buoy a continued drag from energy prices on the headline inflation reading.

Colombia also updates CPI (8pmET). Our team in Bogota expects inflation to slow a tenth to 1.8% y/y which is still below the 2–4% target range for inflation. Slack and lower inflation could keep alive further BanRep easing.

The Reserve Bank of Australia delivers another policy decision (11:30pmET): We don't expect any shifts in policy during this announcement — maintaining the Cash Rate Target at 0.25%. The principal point of concern will be the containment measures in place in the state of Victoria and its effect on Australia's recovery momentum. There is potential for further easing at future meetings should the RBA deem the strength of the recovery is at risk. Markets began pricing in a cut to the Cash Rate Target at end of August. Also note that the Australian Federal Budget will be released at 4:30amET tomorrow.

Germany updates factory orders, but for back in August (2amET). They are expected to reflect the general improvement in global demand. Despite the sharp initial recovery from the April low, factory orders remain 8.2% below pre-pandemic levels. Consensus expects an increase of 2.8% m/m, equivalent to the growth seen in July.

ECB President Lagarde speaks twice in the morning. At 4:35amET she will deliver a pre-recorded message at the WSJ's online CEO Council Summit and then at 9amET she will speak on a panel on economic and monetary union. The ECB's Chief Economist Lane also speaks at NABE's annual meeting (11:30amET). That's a lot of time from heavy hitters if they have nothing to say...

TOMORROW'S NORTH AMERICAN MARKETS

Fed-speak could figure prominently in the morning. **Fed Chair Powell will deliver an economic outlook at NABE's annual meeting (10:40amET).** The last top Fed officials to deliver speeches that were focused upon the economic outlook were Governor Quarles (September 23rd) and Governor Brainard (July 14th) so an update may be helpful. Fed-speak will also bring out Philly Fed President Harker (11:45amET), Atlanta Fed President Bostic (2pmET) and Dallas Fed President Kaplan (6pmET).

Data risk should be subdued. Canada and the US update trade figures for August (8:30amET) that are highly unlikely to materially impact markets, given their lagging nature against forward looking risks and given we already know the merchandise part of the US figures. Also keep an eye on US JOLTS job openings, but here too it's an August reading (10amET).

Chart 5

Canadian Trend in New Cases

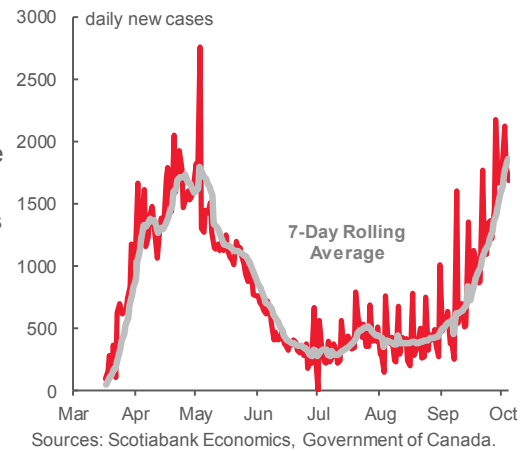


Chart 6

Canada's Positive Test Rate

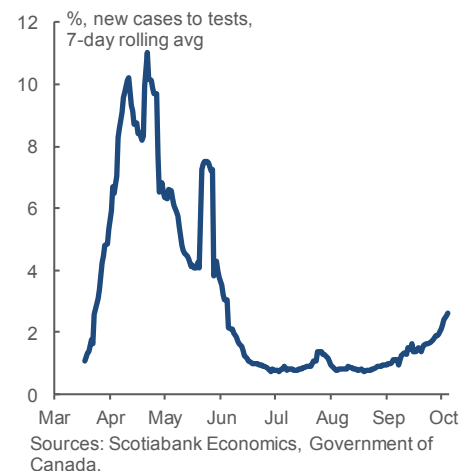


Chart 7 British Columbia Trend in New Cases



Chart 8 Alberta Trend in New Cases

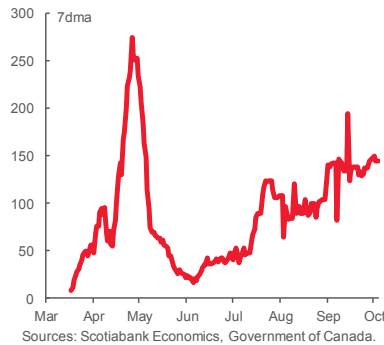


Chart 9 Saskatchewan Trend in New Cases

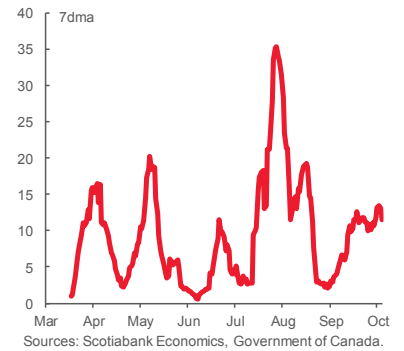


Chart 10 Manitoba Trend in New Cases

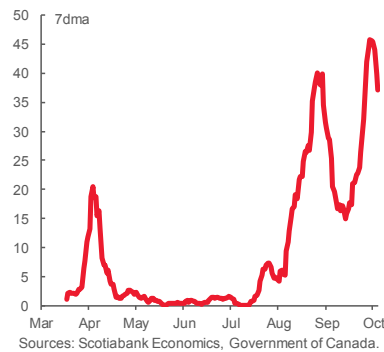


Chart 11 Ontario Trend in New Cases

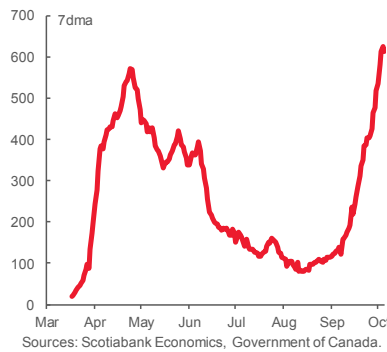


Chart 12 Quebec Trend in New Cases

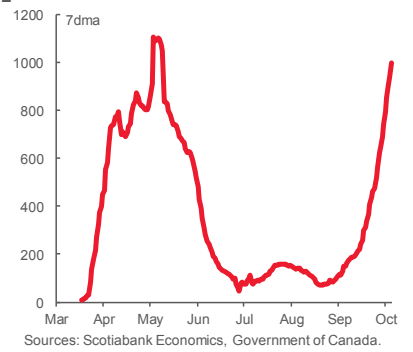


Chart 13

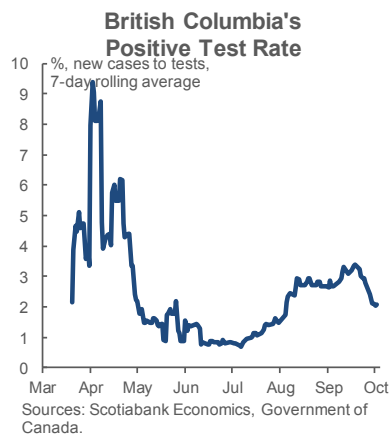


Chart 14

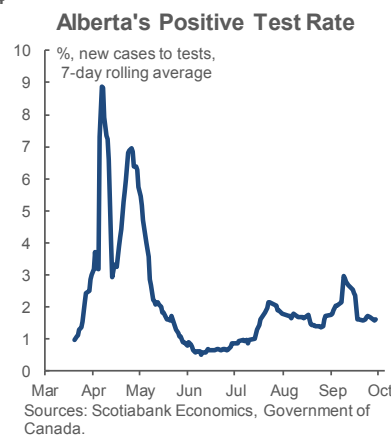


Chart 15

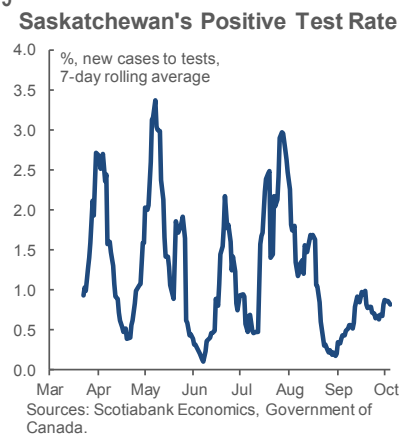


Chart 16

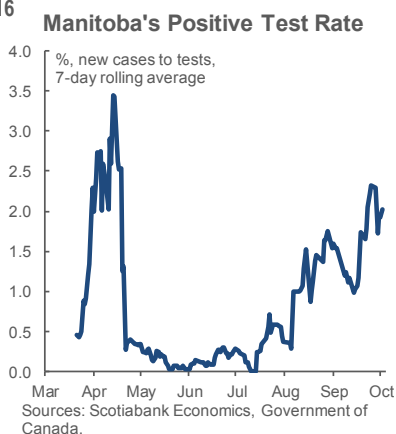


Chart 17

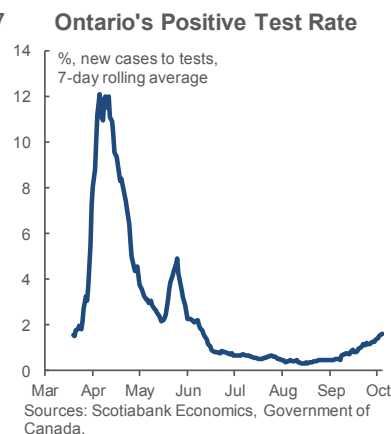


Chart 18

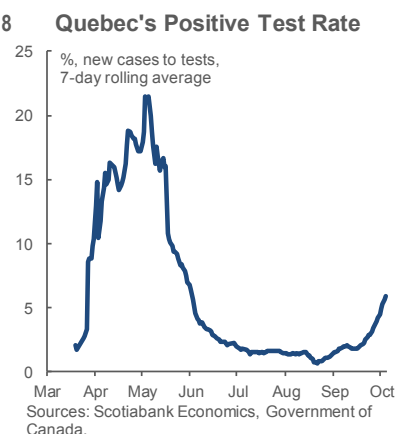


Chart 19

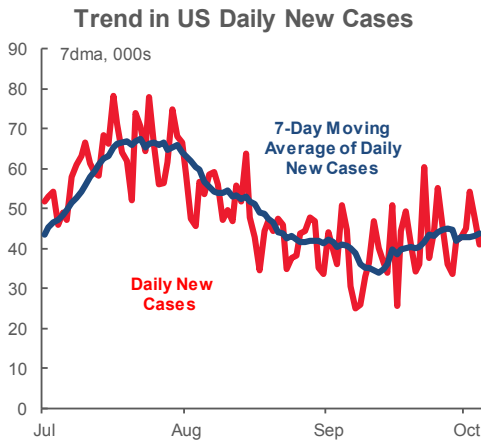


Chart 20

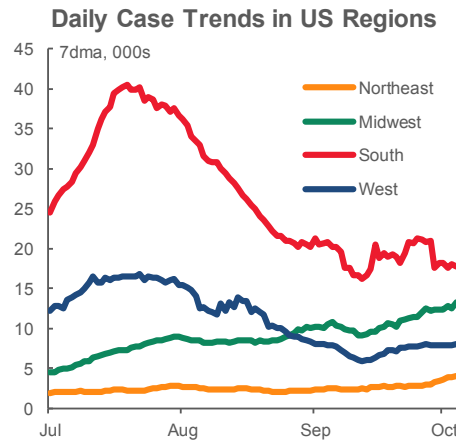


Chart 21

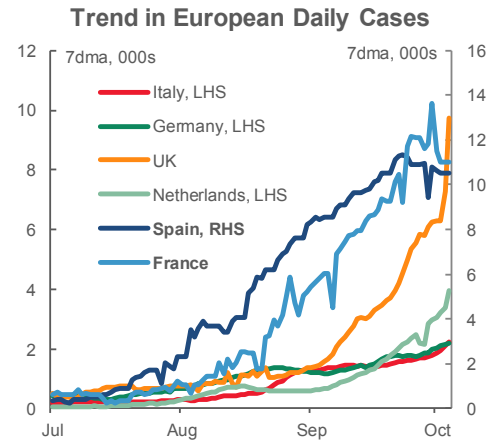


Chart 22

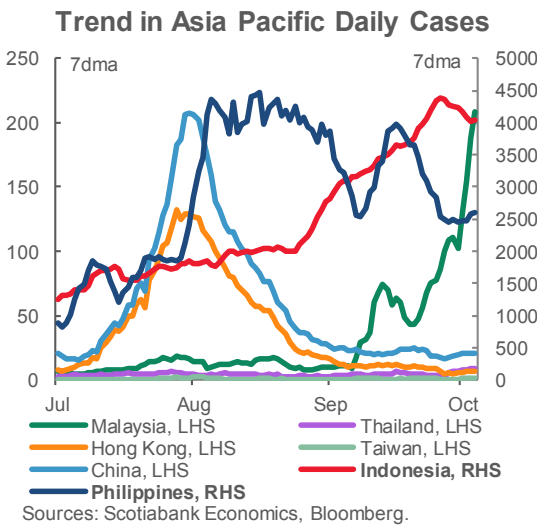


Chart 23

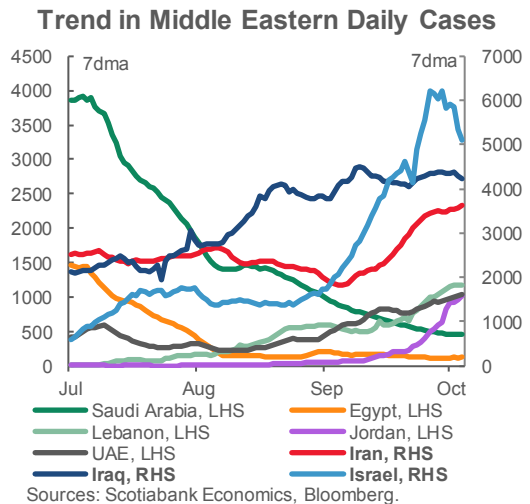


Chart 24

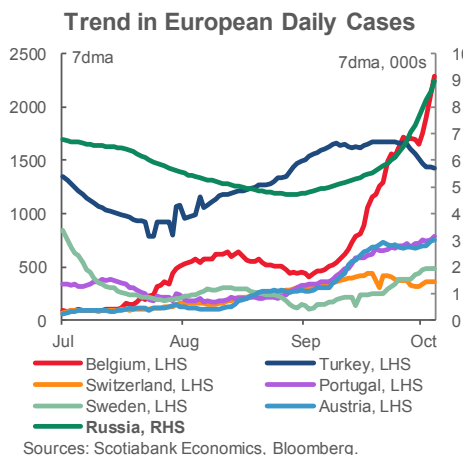


Chart 25

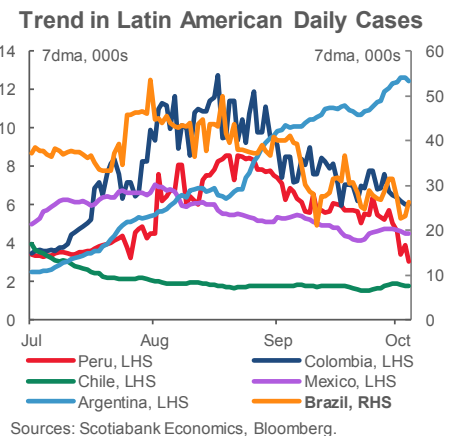
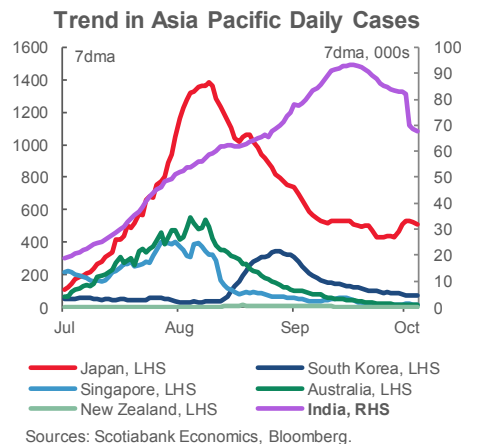


Chart 26



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.	0.14	0.13	0.13	0.34	0.29	0.26	0.78	0.70	0.65	1.59	1.49	1.42	Canada - BoC	0.25
CANADA	0.25	0.24	0.25	0.38	0.35	0.35	0.62	0.56	0.55	1.19	1.12	1.10	US - Fed	0.25
GERMANY	-0.70	-0.71	-0.70	-0.71	-0.73	-0.72	-0.51	-0.54	-0.53	-0.08	-0.10	-0.09	England - BoE	0.10
JAPAN	-0.13	-0.13	-0.14	-0.11	-0.11	-0.11	0.03	0.02	0.02	0.62	0.61	0.62		
U.K.	-0.02	-0.04	-0.06	-0.03	-0.06	-0.08	0.29	0.25	0.20	0.87	0.82	0.74		
	Spreads vs. U.S. (bps):													
	10	11	12	4	7	9	-16	-14	-10	-40	-37	-32		
CANADA	10	11	12	4	7	9	-16	-14	-10	-40	-37	-32	Euro zone - ECB	0.00
GERMANY	-84	-84	-83	-104	-101	-97	-129	-124	-118	-167	-159	-151	Japan - BoJ	-0.10
JAPAN	-27	-26	-26	-44	-40	-37	-75	-68	-63	-97	-88	-80		
U.K.	-17	-17	-18	-37	-35	-34	-49	-46	-45	-72	-67	-67		
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	16410			210.9			1.3	1.0	1.2	-0.2			Australia - RBA	0.25
Dow 30	28149			465.8			1.7	2.0	0.1	5.9			New Zealand - RBNZ	0.25
S&P 500	3409			60.2			1.8	1.7	-0.5	15.5				
Nasdaq	11332			257.5			2.3	1.9	0.2	42.0				
DAX	12828			139.3			1.1	-0.3	-0.1	6.8				
FTSE	5943			40.8			0.7	0.3	2.5	-16.9				
Nikkei	23312			282.2			1.2	-0.8	0.5	8.9			Canada - BoC	Oct 28, 2020
Hang Seng	23768			308.7			1.3	2.0	-3.8	-8.0			US - Fed	Nov 05, 2020
CAC	4872			47.0			1.0	0.6	-1.9	-11.2			England - BoE	Nov 05, 2020
Commodities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
WTI Crude	39.35			2.30			6.2	-3.1	-1.1	-25.5			Euro zone - ECB	Oct 29, 2020
Natural Gas	2.63			0.19			7.9	25.2	1.7	11.9			Japan - BoJ	Oct 29, 2020
Gold	1913.54			0.01			0.0	0.8	-1.1	27.2				
Silver	23.87			0.25			1.0	5.5	-13.9	38.3				
CRB Index	147.37			3.25			2.3	-0.9	-1.5	-15.1				
Currencies	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
USDCAD	1.3262			-0.0001			-0.0	-0.9	1.3	-0.4			Mexico - Banxico	Nov 12, 2020
EURUSD	1.1784			0.0001			0.0	0.3	-0.3	7.4				
USDJPY	105.73			-0.0200			-0.0	0.1	-0.5	-1.4			Australia - RBA	Oct 05, 2020
AUDUSD	0.7181			0.0000			0.0	0.7	-1.3	6.7				
GBPUSD	1.2979			0.0000			0.0	0.9	-1.4	5.6			New Zealand - RBNZ	Nov 10, 2020
USDCHF	0.9154			0.0000			0.0	-0.5	-0.1	-8.0				

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