

KEY POINTS:

- **Stocks drop on escalating virus risks...**
- **...but selling was curtailed into the close**
- **Germany likely to be added to the growing list of virus restrictions**
- **US consumer confidence, durable goods orders and Richmond on tap**
- **Ontario sets budget date**
- **South Korean GDP the lone overnight release**

TODAY'S NORTH AMERICAN MARKETS

Well that was decidedly uncivil! A significant risk-off tone swept across global asset classes. Nuts to Mondays anyway. Headlines that Germany is also planning lockdowns applied to restaurants and bars but not schools, daycare centers or retail stores didn't help.

Restaurants and bars are the focus because these high contact venues are thought to be responsible for a considerable portion of cases; [this](#) US study, for instance, estimated that contact with people who have gone to them makes one about twice as likely to contract the virus. At times, other jurisdictions, like Toronto, have stated just under half of community transmission can be traced to restaurants and bars. Who needs a study for this; tried scotch through an n95 lately?

If there is a silver lining then it lies in the fact that the final half hour of the North American session brought buyers back into the picture which could be a more encouraging hand-off to tomorrow.

Against this backdrop **the Ontario government bravely committed to delivering a three-year budget plan on Fed day (November 5th)** after cancelling the March budget. The province's spreads over Canadas have retained improvement of late but remain slightly wider than pre-crisis (chart 1).

Nothing resulted from the 52-minute stimulus call between Mnuchin and Pelosi, but nothing much was expected at this point in any event.

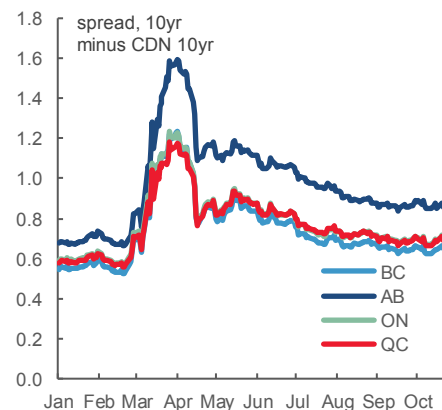
- Stocks fell by 1.9% in the case of the S&P500 and about 1.4% in Toronto. The S&P was down by as much as 2.8% until a half hour before the close but bounced off bottom into the close. Europe closed down by between 1½% and 3¼% with the Dax leading decliners. Good luck Asia!
- Sovereign curves bull flattened with US 10s at 80bps (-4bps) and outperforming everyone else as a safe haven bid.
- Ditto for the greenback as the USD rallied against almost everyone. The C\$ wound up being the worst performer among majors with Wednesday's Bank of Canada meeting in sight and PM Trudeau downplayed incorporation of a fiscal anchor into the pending fiscal update.
- A decline of over 3% in oil prices didn't help CAD.

CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
 416.863.7707
 Scotiabank Economics
derek.holt@scotiabank.com

Evan Andrade, Economic Analyst
 416.862.3080
 Scotiabank Economics
evan.andrade@scotiabank.com

Chart 1

Select Provincial Bond Spreads


Sources: Scotiabank Economics, Bloomberg.

OVERNIGHT MARKETS

Overnight markets through tomorrow will focus on light US calendar-based risk. Only backward looking South Korean GDP is on tap overnight (7pmET).

South Korea's relatively successful containment of the virus is being rewarded with a gradual economic recovery. Q3 growth is expected to register 1.3% q/q non-annualized following a drop of 3.2% q/q in Q2 and should lift them out of a technical recession. However, South Korea is not immune to the effects of a rapidly rising second wave seen in other countries, which has created inevitable headwinds in Q4.

TOMORROW'S NORTH AMERICAN MARKETS

US macro releases will probably be overshadowed by off-calendar developments but consumer confidence will be closely watched.

Durable goods orders during September (8:30amET) are expected to rise again with orders ex-defence and air slated to rise for a fifth consecutive month. Consensus expects the Conference Board's consumer confidence to be little changed in October's reading (10amET) after the previously released UofM sentiment gauge increased a touch and with initial jobless claims sharply falling albeit for uncertain reasons. The Richmond Fed's manufacturing gauge (10amET) will build upon ISM-manufacturing expectations after the Philly Fed's measure moved higher along with the Dallas and KC metrics but against the decline in the Empire reading. Recall that the regional surveys under-represent transportation.

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.	0.15	0.15	0.13	0.33	0.31	0.28	0.78	0.74	0.68	1.58	1.54	1.46	Canada - BoC	0.25
CANADA	0.24	0.23	0.25	0.38	0.35	0.35	0.61	0.56	0.56	1.18	1.13	1.11	US - Fed	0.25
GERMANY	-0.70	-0.69	-0.70	-0.70	-0.70	-0.71	-0.50	-0.51	-0.52	-0.07	-0.08	-0.09	England - BoE	0.10
JAPAN	-0.12	-0.12	-0.13	-0.09	-0.09	-0.11	0.04	0.04	0.02	0.64	0.64	0.60	Euro zone - ECB	0.00
U.K.	-0.02	-0.02	-0.02	-0.03	-0.03	-0.06	0.30	0.29	0.23	0.88	0.87	0.78	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	9	8	12	4	3	8	-17	-17	-13	-40	-41	-35	Mexico - Banxico	4.25
GERMANY	-85	-84	-83	-103	-101	-99	-127	-124	-121	-165	-162	-155	Australia - RBA	0.25
JAPAN	-27	-27	-26	-43	-40	-39	-73	-70	-67	-94	-90	-86	New Zealand - RBNZ	0.25
U.K.	-17	-17	-15	-36	-35	-33	-48	-45	-46	-70	-67	-67		
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	16236		-174.1		-1.1		0.7		0.1		-1.1		Canada - BoC	Oct 28, 2020
Dow 30	27773		-375.9		-1.3		1.2		-1.3		4.9		US - Fed	Nov 05, 2020
S&P 500	3361		-47.7		-1.4		0.8		-1.9		14.4		England - BoE	Nov 05, 2020
Nasdaq	11155		-177.9		-1.6		0.6		-1.4		40.2		Euro zone - ECB	Oct 29, 2020
DAX	12866		-40.0		-0.3		0.8		-1.8		6.4		Japan - BoJ	Oct 29, 2020
FTSE	5956		6.4		0.1		1.5		0.3		-17.2			
Nikkei	23423		-10.9		-0.0		1.0		1.4		9.6		Canada - BoC	Oct 28, 2020
Hang Seng	24243		262.2		1.1		3.3		-1.4		-6.1		US - Fed	Nov 05, 2020
CAC	4890		-5.3		-0.1		1.8		-3.2		-11.4			
Commodities	Level						% change:							
WTI Crude	40.00		-0.67		-1.6		-0.5		0.6		-24.2		England - BoE	Nov 05, 2020
Natural Gas	2.65		0.13		5.2		4.9		2.4		15.1		Euro zone - ECB	Oct 29, 2020
Gold	1888.36		10.19		0.5		0.1		-2.3		26.4		Japan - BoJ	Oct 29, 2020
Silver	24.30		0.39		1.6		2.0		-9.4		38.0			
CRB Index	149.29		-0.21		-0.1		0.5		-0.3		-13.8			
Currencies	Level						% change:							
USDCAD	1.3278		-0.0034		-0.3		-0.3		1.4		-0.2		Mexico - Banxico	Nov 12, 2020
EURUSD	1.1773		0.0039		0.3		0.4		-0.4		7.3		Australia - RBA	Nov 02, 2020
USDJPY	105.86		0.2300		0.2		0.4		-0.4		-1.3		New Zealand - RBNZ	Nov 10, 2020
AUDUSD	0.7142		0.0040		0.6		-0.3		-1.9		6.1			
GBPUSD	1.2891		0.0010		0.1		-0.2		-2.1		4.9			
USDCHF	0.9164		-0.0016		-0.2		-0.5		0.0		-7.9			

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