

KEY POINTS:

- Oil rises on OPEC+ optimism
- OPEC+ talks to resume alongside reported progress
- Fed's Kaplan leans against changing bond buying program
- US ISM-services likely weakened
- US jobless claims to further inform trend
- Light overnight releases

TODAY'S NORTH AMERICAN MARKETS

The resumption of OPEC+ talks and a pair of US labour market readings will be the main focal points overnight through tomorrow alongside whatever fresh spin on close-but-far Brexit headlines and far-but-talking-again US stimulus headlines we may get. There may have been progress in the oil talks as Russia has apparently agreed to taper the production cuts through Q1. That popped oil a bit higher today, but it remains unclear whether broader agreement will be achieved in the postponed meeting.

- Stocks were mixed to close North American and European sessions. The S&P500 was up a smidge along with the DJIA as the Nasdaq exchange was flat. Toronto closed ¼% higher with diversified gains except for GICS like industrials (12% weight), utilities (5%) and real estate (3%). European indices saw London close 1¼% higher alongside sterling weakness, but mixed results across other exchanges.
- Sovereign curves bear steepened led by the long-ends in N.A. as US 30s were up 2bps and Canada's 30 year bond was up 4bps.
- Oil prices were up by about 1½% on OPEC+ optimism.
- The USD very slightly depreciated but mostly against currencies not named sterling. The A\$, euro, CAD and Mexican peso were among the leaders.

Dallas Fed President Kaplan (voting 2020) stated today that he does not favour increasing bond buying or changing the composition of purchases at the December 16th meeting. He reasoned that it wouldn't help address risks in the next 3–6 months while the outlook beyond that has improved. His full quotes are worth considering:

“When you have this kind of situation, where you’ve got a three- to six-month issue, but over the horizon we expect strong growth—I think dealing with that may be more suited to fiscal policy. I don’t know that increasing the size or extending maturities of our bond purchases would help address the situation I’m concerned about in the next three to six months. I would not want to do that at this point. I’ll go into the December meeting with an open mind but I think we’ve got very accommodative financial conditions.”

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

Fed Chair Powell did not broach the topic in his second round of testimony today. Other recent FOMC speakers like St. Louis President Bullard (nonvoting 2020) also remarked about a week ago that “I do think we have a robust program in place right now and I don’t see any reason to change it.” Around that same time, NY Fed President Williams emphasized that financial conditions “are quite favourable.” In general, the comments back the tone of the remarks in the minutes to the November meeting that stated ““While participants judged that immediate adjustments to the pace and composition of asset purchases were not necessary, they recognized that circumstances could shift to warrant such adjustments.”

OVERNIGHT MARKETS

Overnight macro reports will be light and include the following:

- China’s private Caixin services and composite PMIs for November (8:45pmET).
- India PMIs for November likely face downside risk (12amET). The already released manufacturing PMI fell by 2.6 points to a still expansionary 56.3. The services PMI will probably follow suit.
- Eurozone PMI revisions for November will incorporate Spanish and Italian readings (4amET).
- Eurozone retail sales for October (5amET) may face upside risk to earlier consensus expectations for a 0.7% m/m gain given we already know that some countries posted better than expected results such as Germany.

TOMORROW’S NORTH AMERICAN MARKETS

The resumption of OPEC+ talks at about 8amET and a pair of US labour market readings will be the main focal points alongside whatever fresh spin on close-but-far Brexit headlines and far-but-talking-again US stimulus headlines we may get. There may have been progress in the oil talks as Russia has apparently agreed to taper the production cuts through Q1. That popped oil a bit higher today but it remains unclear whether broader agreement will be achieved in the postponed meeting.

US ISM-services for November (10amET) is expected to soften as the so-called stringency index of COVID-19 measures tightened over the past few weeks. Weekly initial jobless claims (8:30amET) won’t really matter to nonfarm expectations given they will cover last week and hence after the November reference period, but any deviation from the stalled trend over the past five weeks or so could be informative.

| 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. | 0.16 | 0.17 | 0.16 | 0.41 | 0.42 | 0.39 | 0.94 | 0.93 | 0.88 | 1.69 | 1.67 | 1.62 | Canada - BoC | 0.25 | | | | |
| CANADA | 0.27 | 0.27 | 0.27 | 0.47 | 0.47 | 0.45 | 0.76 | 0.73 | 0.71 | 1.28 | 1.23 | 1.23 | US - Fed | 0.25 | | | | |
| GERMANY | -0.72 | -0.72 | -0.75 | -0.72 | -0.72 | -0.76 | -0.52 | -0.53 | -0.57 | -0.11 | -0.12 | -0.16 | England - BoE | 0.10 | | | | |
| JAPAN | -0.12 | -0.12 | -0.14 | -0.10 | -0.11 | -0.11 | 0.03 | 0.02 | 0.02 | 0.66 | 0.65 | 0.65 | Euro zone - ECB | 0.00 | | | | |
| U.K. | -0.03 | -0.01 | -0.03 | 0.03 | 0.04 | 0.02 | 0.35 | 0.35 | 0.32 | 0.92 | 0.91 | 0.88 | Japan - BoJ | -0.10 | | | | |
| | Spreads vs. U.S. (bps): | | | | | | | | | | | | | | | | | |
| CANADA | 11 | 10 | 11 | 6 | 5 | 6 | -18 | -19 | -17 | -41 | -44 | -40 | Mexico - Banxico | 4.25 | | | | |
| GERMANY | -88 | -89 | -91 | -113 | -113 | -115 | -146 | -146 | -145 | -179 | -179 | -178 | Australia - RBA | 0.10 | | | | |
| JAPAN | -28 | -29 | -30 | -52 | -52 | -51 | -91 | -91 | -86 | -103 | -102 | -97 | New Zealand - RBNZ | 0.25 | | | | |
| U.K. | -19 | -18 | -19 | -39 | -38 | -38 | -58 | -58 | -56 | -77 | -76 | -74 | | | | | | |
| Equities | Level | | | Change | | | 1 Day | | | 1-wk | | | 1-mo | | 1-yr | | Next Meeting Date | |
| S&P/TSX | 17358 | | | 61.3 | | | 0.4 | | | 0.3 | | | 10.6 | | 2.2 | | Canada - BoC | Dec 09, 2020 |
| Dow 30 | 29884 | | | 59.9 | | | 0.2 | | | -0.5 | | | 11.0 | | 7.6 | | US - Fed | Dec 16, 2020 |
| S&P 500 | 3669 | | | 6.6 | | | 0.2 | | | 0.9 | | | 10.8 | | 17.8 | | England - BoE | Dec 17, 2020 |
| Nasdaq | 12349 | | | -5.7 | | | -0.0 | | | 2.6 | | | 12.7 | | 44.1 | | Euro zone - ECB | Dec 10, 2020 |
| DAX | 13313 | | | -69.1 | | | -0.5 | | | 0.2 | | | 12.9 | | 2.7 | | Japan - BoJ | Dec 18, 2020 |
| FTSE | 6463 | | | 78.7 | | | 1.2 | | | 1.1 | | | 14.3 | | -11.3 | | Mexico - Banxico | Dec 17, 2020 |
| Nikkei | 26801 | | | 13.4 | | | 0.1 | | | 1.9 | | | 15.0 | | 14.6 | | Australia - RBA | Feb 01, 2021 |
| Hang Seng | 26533 | | | -35.1 | | | -0.1 | | | -0.5 | | | 6.4 | | 0.5 | | New Zealand - RBNZ | Feb 23, 2021 |
| CAC | 5583 | | | 1.4 | | | 0.0 | | | 0.2 | | | 19.0 | | -3.5 | | | |
| Commodities | Level | | | Change | | | 1 Day | | | 1-wk | | | 1-mo | | 1-yr | | | |
| WTI Crude | 45.13 | | | 0.58 | | | 1.3 | | | 0.5 | | | 22.6 | | -19.4 | | | |
| Natural Gas | 2.75 | | | -0.13 | | | -4.6 | | | -1.0 | | | -15.3 | | 17.9 | | | |
| Gold | 1831.24 | | | 16.00 | | | 0.9 | | | 1.3 | | | -3.4 | | 25.2 | | | |
| Silver | 23.54 | | | 1.39 | | | 6.3 | | | 1.6 | | | -0.4 | | 38.7 | | | |
| CRB Index | 159.42 | | | 0.48 | | | 0.3 | | | -0.2 | | | 9.3 | | -10.0 | | | |
| Currencies | Level | | | Change | | | 1 Day | | | 1-wk | | | 1-mo | | 1-yr | | | |
| USDCAD | 1.2911 | | | -0.0025 | | | -0.2 | | | -0.7 | | | -2.3 | | -3.0 | | | |
| EURUSD | 1.2117 | | | 0.0046 | | | 0.4 | | | 1.7 | | | 4.1 | | 9.4 | | | |
| USDJPY | 104.41 | | | 0.0800 | | | 0.1 | | | -0.0 | | | -0.3 | | -4.2 | | | |
| AUDUSD | 0.7416 | | | 0.0045 | | | 0.6 | | | 0.7 | | | 5.1 | | 8.8 | | | |
| GBPUSD | 1.3369 | | | -0.0051 | | | -0.4 | | | -0.1 | | | 3.5 | | 3.3 | | | |
| USDCHF | 0.8948 | | | -0.0049 | | | -0.5 | | | -1.5 | | | -2.6 | | -9.7 | | | |

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