

KEY POINTS:

- **Headline rollercoaster ends with equities flat**
- **Bring on nonfarm payrolls**
- **Markets over-reacted to a vaccine headline**
- **OPEC+ tapers production cuts**
- **Brexit talks get snitty again**
- **Canadian & US economies continue to dissave**
- **Canadian jobs guesswork**
- **Inflation ties the RBI's hands**
- **Other macro releases**

TODAY'S NORTH AMERICAN MARKETS

Mixed developments basically cancelled themselves out over the course of the day to drive roughly flat equities ahead of nonfarm payrolls.

Things were humming along quite nicely in markets until Pfizer's headlines hit near the close (see WSJ piece [here](#)). Rather, it was the market's over-reaction and overly sensational headlines that spoiled it all. Pfizer announced that it would only be able to deliver about 50 million doses of its vaccine this year instead of 100 million as previously guided. Perhaps they should've stuck with the original guidance in the press release that announced the vaccine trials when they said 50 million ([here](#)). In any event the company guided that the 50 million short fall to its revised guidance would be made up in 2021 when they still plan to produce 1.3 billion doses. Global guidance from the four companies that have provided production figures continues to point to over 6 billion doses to vaccinate 3.6 billion people between now and the end of next year.

There were several constructive developments before the Pfizer headlines. One was that **OPEC+ agreed on a middle ground solution to gradually taper production cuts** into early 2021. Instead of raising production by two million barrels per day in January they will raise 500k and then revisit each month.

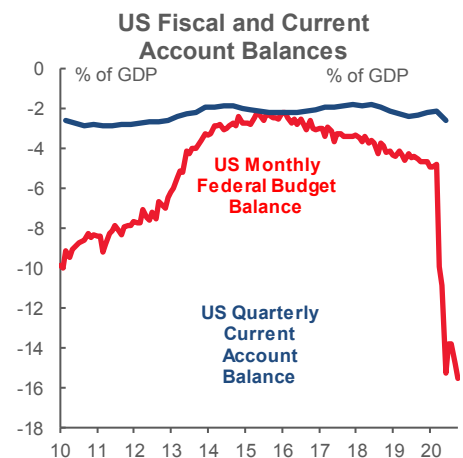
Second, there was a whiff of traction toward a new US fiscal stimulus deal centered upon a US\$908 billion bipartisan proposal as more GOP members of Congress supported it. It remains unclear whether House Majority Speaker McConnell and Trump will support it. There is a case for targeted near-term aid but my definition of targeted is roughly in keeping with Dallas Fed President Kaplan's remark the other day (3–6 months) until we get to vaccines. Bear in mind that two of the biggest dissaving countries in the world are the US and Canada. The two countries are running large twin deficits, but only one of them gets bailed out by its reserve currency. There is no prize for guessing the one that does not benefit from reserve currency status (charts 1, 2).

I mention this because of the completely false but at times popular argument that Canada is sitting atop a mountain of idle savings that are just waiting for the government to spend. It is not. Instead, Canada faces competitiveness challenges and a massive bias toward current consumption at the expense of

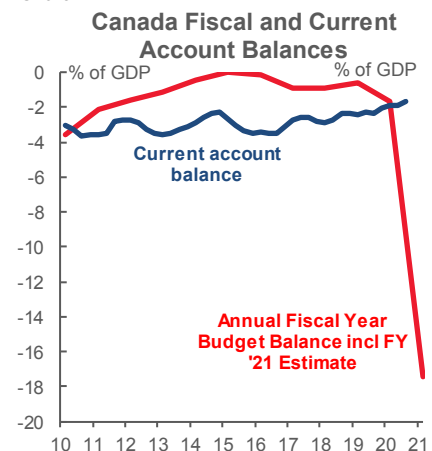
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Chart 1


Sources: Scotiabank Economics, Bloomberg, US Treasury.

Chart 2


Sources: Scotiabank Economics, Bloomberg, Department of Finance Canada.

longer-term investing. It's a populist and divisive disservice to the debate to mislead Canadians into believing there are untold fortunes lying beneath rocks just waiting to be tipped over. Target the few pockets where there is saving—or temporarily so given legitimate reason to have a precautionary saving bias this year—and the country is likely to hardwire bigger structural twin deficits.

Sterling, however, didn't share in any good tidings as Brexit talks stumbled again. UK negotiators charged that the EU side shifted the goal posts at the last minute, partly as the French threatened veto rights, but negotiators still guide that a deal is possible through the weekend.

- The S&P500 ended flat with the TSX closing 0.2% higher. European indices were mixed with London up by almost ½%, Milan up a touch and the rest down by as much as ½% (Dax).
- Sovereign debt curves bull flattened with 10 year yields down by 2–3bps across North America and Europe.
- Oil rallied by about 1% in terms of both WTI and Brent.
- The USD weakened primarily against the euro, A\$, Mexican peso and CAD but sterling fell again.

OVERNIGHT MARKETS

Overnight calendars should merely pass the time ahead of tomorrow's nonfarm payrolls with nothing material on the docket.

October German factory orders will be released at 2amET but are backward looking and likely to prove to be of little consequence. Factory orders have been an impressive bright spot of the German economic recovery. Orders have seen growth for five consecutive months and are expected to register a very healthy 2.5% m/m gain in October as both domestic and external pent-up demand is unwound. Reimplemented containment measures in Q4 have been targeted in nature—weighing on hospitality services—which could allow the manufacturing recovery to remain on track through the winter months.

The Reserve Bank of India (RBI) will announce their monetary policy decision at 1:15amET. We expect the RBI to maintain its Repurchase Rate at 4.00% while maintaining a dovish stance on future policy accommodation. Temporary rises in food prices and supply shocks from COVID-19 have persisted longer than anticipated and have led to inflation overshoot. Headline inflation was 7.6% in October—well above the central banks 2–6 percent target range—and has prevented them from providing additional monetary stimulus since May. We expect the RBI to deliver a 50bps cut in February—the first meeting of 2021—as food prices normalize and negative supply chain shocks has some time to alleviate.

November inflation data will be released by Philippines and Thailand (8pmET & 8:30pmET respectively). Bangko Sentral ng Pilipinas looked past October's rise in inflation at their November meeting because they viewed it as influenced by typhoon effects on food prices.

TOMORROW'S NORTH AMERICAN MARKETS

Nonfarm payrolls and wages will be updated for November at 8:30amET. Consensus expects +475k with Scotia at 400k and most estimates are clustered in a 300k to 600k range. That includes the so-called 'whisper' number on Bloomberg at 505k, although I'm never clear on whether that's made up of economists gaming it to their calls or traders sticking a wet finger in the air. Wage growth is expected to cool again (4.2% consensus, 4.3% Scotia, 4.5% prior) as lower wage earners continue to come back into the workforce and drag down what had been the earlier artificial rise in wage growth.

Canada updates jobs for November (8:30amET). The median guesstimate is for a gain of 20k within a range from -50k from a masked marauder to +60k.

For further arguments on both job calls see last night's Closing Points ([here](#)) and the Global Week Ahead ([here](#)).

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	0.16	0.16	0.40	0.42	0.39	0.91	0.94	0.88	1.66	1.69	1.62	Canada - BoC	0.25	
CANADA	0.27	0.27	0.26	0.47	0.47	0.44	0.74	0.76	0.68	1.26	1.28	1.20	US - Fed	0.25	
GERMANY	-0.74	-0.72	-0.76	-0.75	-0.72	-0.77	-0.56	-0.52	-0.59	-0.14	-0.11	-0.18	England - BoE	0.10	
JAPAN	-0.11	-0.12	-0.14	-0.10	-0.10	-0.11	0.03	0.03	0.03	0.65	0.66	0.65			
U.K.	-0.05	-0.03	-0.04	0.00	0.03	-0.01	0.32	0.35	0.28	0.89	0.92	0.84			
Spreads vs. U.S. (bps):															
CANADA	12	11	10	7	5	5	-17	-18	-20	-40	-41	-42	Euro zone - ECB	0.00	
GERMANY	-89	-88	-92	-115	-113	-116	-147	-146	-147	-180	-179	-180	Japan - BoJ	-0.10	
JAPAN	-26	-28	-30	-49	-52	-50	-89	-91	-86	-101	-103	-97			
U.K.	-20	-19	-20	-39	-39	-40	-59	-58	-60	-77	-77	-79	Mexico - Banxico	4.25	
Equities	Level						% change:								
	Last			Change			1 Day	1-wk	1-mo	1-yr					
S&P/TSX	17398			39.8			0.2	0.3	9.2	3.0	Australia - RBA				0.10
Dow 30	29970			85.7			0.3	0.3	9.1	9.0	New Zealand - RBNZ				0.25
S&P 500	3667			-2.3			-0.1	1.0	8.8	18.5					
Nasdaq	12377			27.8			0.2	2.3	10.9	45.3					
DAX	13253			-60.4			-0.5	-0.3	9.6	2.0					
FTSE	6490			26.9			0.4	2.0	12.2	-9.3					
Nikkei	26809			8.4			0.0	1.0	13.1	15.9	Canada - BoC				Dec 09, 2020
Hang Seng	26729			195.9			0.7	-0.3	7.4	2.6	US - Fed				Dec 16, 2020
CAC	5574			-8.7			-0.2	0.1	16.0	-2.7					
Commodities	Level						% change:								
WTI Crude	45.67			0.39			0.9	-0.1	21.3	-18.6	England - BoE				Dec 17, 2020
Natural Gas	2.51			-0.27			-9.6	-13.3	-17.9	2.9	Euro zone - ECB				Dec 10, 2020
Gold	1840.82			9.53			0.5	1.4	-3.6	24.6	Japan - BoJ				Dec 18, 2020
Silver	23.98			0.45			1.9	2.4	0.0	42.1					
CRB Index	159.31			-0.11			-0.1	-0.7	8.4	-10.3	Mexico - Banxico				Dec 17, 2020
Currencies	Level						% change:								
USDCAD	1.2862			-0.0056			-0.4	-1.2	-2.1	-3.3	Australia - RBA				Feb 01, 2021
EURUSD	1.2148			0.0033			0.3	2.0	3.7	9.6	New Zealand - RBNZ				Feb 23, 2021
USDJPY	103.88			-0.5400			-0.5	-0.4	-0.6	-4.4					
AUDUSD	0.7445			0.0029			0.4	1.1	3.9	8.7					
GBPUSD	1.3455			0.0090			0.7	0.7	3.0	3.5					
USDCHF	0.8909			-0.0037			-0.4	-1.8	-2.4	-9.7					

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