

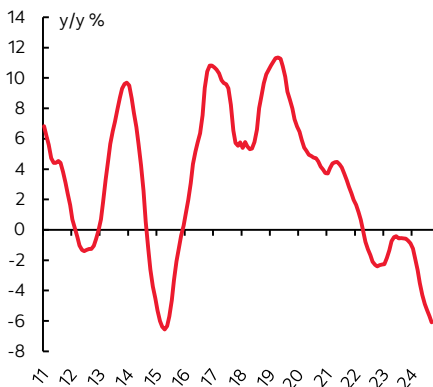
Contributors

Derek Holt

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

Chart 1

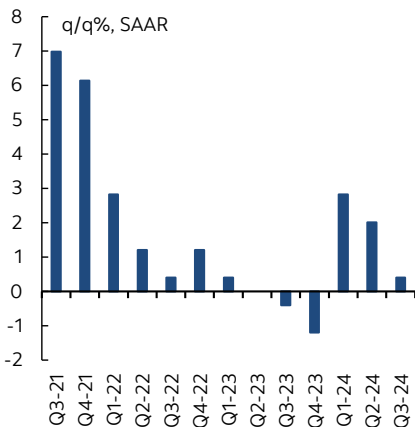
China's New Home Prices



Sources: Scotiabank Economics, Bloomberg.

Chart 2

UK's GDP Growth



Sources: Scotiabank Economics, UK Office for National Statistics.

On Deck for Friday, November 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	11/15	08:30	Manufacturing Shipments (m/m)	Sep	-0.8	-0.8	-1.3
CA	11/15	08:30	Wholesale Trade (m/m)	Sep	0.9	0.9	-0.6
US	11/15	08:30	Empire State Manufacturing Index	Nov	--	0.0	-11.9
US	11/15	08:30	Export Prices (m/m)	Oct	--	-0.1	-0.7
US	11/15	08:30	Import Prices (m/m)	Oct	--	-0.1	-0.4
US	11/15	08:30	Retail Sales (m/m)	Oct	0.4	0.3	0.4
US	11/15	08:30	Retail Sales ex. Autos (m/m)	Oct	0.2	0.3	0.5
CA	11/15	09:00	Existing Home Sales (m/m)	Oct	--	--	1.9
US	11/15	09:00	Fed's Collins Speaks				
US	11/15	09:15	Capacity Utilization (%)	Oct	77.2	77.1	77.5
US	11/15	09:15	Industrial Production (m/m)	Oct	-0.3	-0.4	-0.3
US	11/15	10:00	Business Inventories (m/m)	Sep	--	0.2	0.3
US	11/15	09:00	Fed's Williams Speaks				

KEY POINTS:

- **Markets largely shake off backward looking global releases**
- **Treasuries bull steepening ahead of US consumer spending**
- **Canadian home sales probably soared, other data to inform GDP tracking**
- **China's retail gain masks deeper challenges**
- **Japan's mixed data faces bigger risks to trade and wages ahead**
- **UK GDP details were better than the headline, but weakness may lie ahead**
- **US retail sales may rise, but the control group will be key**
- **Fed's Collins adds uncertainty to the December call after Powell said nothing new**

Welcome to fundamentals Friday! A tonne of global data was taken down by markets overnight and with more ahead of us into the N.A. open. For now, stocks are a tad nervous with N.A. futures gently lower and European exchanges mostly moving sideways. Oil is off a few dimes. US Ts are bull steepening a touch with little movement across European curves and ahead of significant US data risk. The dollar is broadly softer in a reversal of yesterday's gain.

CHINA'S RETAIL GAIN MASKS UNDERLYING DOWNSIDES

Overnight releases from China were mixed. Home prices are still falling with new and resale prices down -0.5% m/m SA. That takes the y/y declines to -6.2% and -8.9% for new (chart 1) and used homes respectively which continues to pose the catch-a-falling-knife deterrent for prospective home buyers other than blowing local government funds on buying some unsold homes. The consumer side performed well with retail sales up 4.8% y/y (3.8% consensus) and the jobless rate dipped a tick to 5%. Industrial output slightly disappointed with the gain at 5.3% y/y (5.6% consensus). If only backward data mattered into looming trade wars.

JAPAN'S GDP DETAILS SUPPORTIVE OF A HIKE BIAS—FOR NOW

Japan's economy put in a mixed performance that drove a stronger yen but left pricing for the BoJ's December decision little changed at the midway point for a hold or a 25bps hike and January unchanged with most of a 25bps hike still priced.

First, while Q3 GDP growth was a little firmer than expected at 0.9% q/q SAAR (0.7% consensus), the prior quarter was revised lower to 2.2% q/q SAAR (from 2.9%); absent revisions, Q3 would have probably disappointed but was saved by a lower jumping off point. The temporary acceleration in Q1-Q2 seems to be over.

Second, the details behind the Q3 numbers signalled consumption strength but trade weakness and the latter probably faces more weakness to come. Consumer spending was

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up 0.9% q/q (0.2% consensus) that was strong even net of a mild negative revision to the prior quarter and with lagging effects of wage gains and mild tax cuts helping to buoy spending despite typhoon effects. Net exports, however, subtracted 0.4 ppts off of GDP growth (+0.1% consensus).

So hike? Maybe, on the consumption strength. Maybe on the yen weakness since the US election that risks stoking more import price pressures. Maybe on the short-run effects of possible tariffs on inflation that also depends on whether retaliation ensues and/or upon whether tariffs are a one-off jump or a serial tit-for-tat escalation. But tread carefully. Trade is key to Japan's economy, to its labour force, and hence to its consumers. And let's just see how willing companies are to deliver another massive wage gain in the coming Spring Shunto negotiations as trade turmoil arrives.

MARKETS LARGELY SHOOK OFF MIXED UK DATA

UK data was broadly disappointing at least in terms of the headlines, but sterling and gilts didn't seem to think it mattered much. One reason is that there are bigger forces lurking ahead than backward looking data. Another reason is that some of the details were more constructive.

Take GDP for starters. Q3 growth was a paltry 0.1% q/q SA (0.2% consensus, chart 2) and the quarter ended on a soft note with September GDP down -0.1% m/m (+0.2% consensus). This implies a weak handoff effect to Q4 GDP growth. The details to the Q3 numbers were more constructive though.

The details showed consumption was up by 0.5% q/q (0.2% consensus), exports fell -0.2% q/q (+1.1% consensus) with imports down -1.5% q/q which adds to GDP growth through less of an import leakage effect, and government spending was up by 0.6% q/q. Investment was the soft spot with gross capital formation subtracting 0.7 ppts from growth in weighted terms, though business investment (gross fixed capital formation) was up 1.1% q/q to add 0.2 ppts to growth. The difference between gross capital formation's drag and gross fixed capital formation's addition to growth is that inventories were lower and dragged a weighted 0.9 ppts off of GDP growth. Lower inventories are not necessarily a bad form of GDP weakness at a point of uncertainty if they are being managed more conservatively.

As for September GDP, its softness was reinforced by other indicators. Industrial production fell 0.5% m/m SA (consensus +0.1%) and via a drop in manufacturing output (-1% m/m, consensus -0.1%). Services were flat (consensus +0.2% m/m).

US RETAIL SALES CONTROL GROUP TO BE KEY

US retail sales for October are expected to post a modest gain based on readings like a 1.7% m/m SA rise in vehicle sales and a small seasonally adjusted gain in gas prices (8:30amET). Key will be the control group that excludes food, autos, building materials and gas and that serves as input into consumption figures in GDP and which is much more difficult to estimate. Industrial production for October is expected to slip (9:15amET).

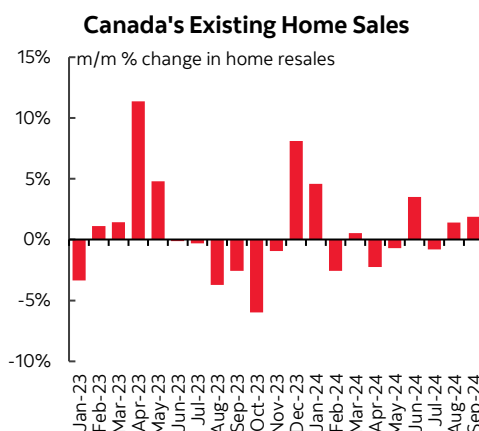
More Fed-speak will bring out Collins again (10:30amET) after saying in the WSJ this morning that a cut next month is not a "done deal." Other speakers will include Williams (1:15pmET), Goolsbee (2:05pmET) and Barkin (3pmET). In my opinion, Powell said nothing new yesterday. His main quote was "The economy is not sending any signals that we need to be in a hurry to lower rates." Markets didn't much like that from a size and pace standpoint, but it was nothing new. He had said in the prior press conference that "Nothing in the data says we should be in a rush. The right way to find neutral is carefully and patiently." Besides, markets are already priced for less easing at a slower pace following the election.

CANADIAN HOME SALES LIKELY SOARED

Canada updates a trio of readings but the one that I would pay most attention to usually cruises beneath the market's radar.

Existing home sales are on track to possibly post the biggest gain of the year when we get October's headline (9amET). That's based on loose tracking of results from major cities, albeit that translating them into a national add-up is plagued with difficulties like how some local boards seasonally adjust their data and some don't, and the way some seasonally adjust isn't necessarily lined up with the way the aggregate figures get seasonally adjusted. In any event, a solid gain would make it three gains in a row and four in the past five months (chart 3). And they

Chart 3



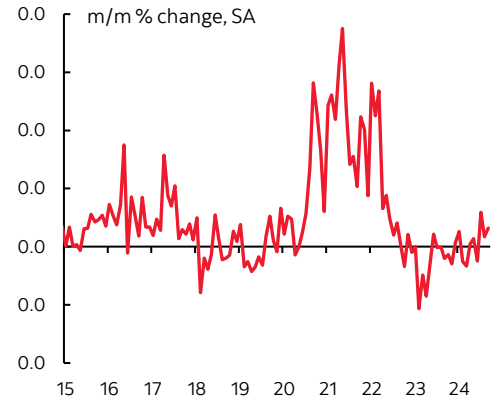
Sources: Scotiabank Economics, Canadian Real Estate Association.

say housing's dead, bwah! In fairness, one issue is whether the weather played a role given it was drier and milder than a normal October across much of the country. Another consideration is whether it is being driven by sustainable pent-up demand, or a temporary fillip as bond market drivers of key mortgage rates sell off and with a likely trade shock ahead. Also note that builders are raising prices of new homes as shown in chart 4 that seasonally adjusts m/m changes in the house-only component of new house prices which serves as input into the replacement cost of housing within CPI.

Canada also updates earlier guidance that manufacturing sales fell in nominal terms (8:30amET), and wholesale trade increased in September (8:30amET). Lastly, what would a day in Canada be like without some other folks who don't want to work. Canada Post is going on strike today. The anticipatory effect on mail flow and however long the strike persists will weigh on some data in November and comes at an awkward time into the holiday shopping season. Hello private couriers, email, etc etc.

Chart 4

Canadian New Home Prices



Sources: Scotiabank Economics, Statistics Canada, Haver.

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.	4.31	4.35	4.25	4.31	4.33	4.19	4.44	4.44	4.31	4.60	4.59	4.47	Canada - BoC	3.75
CANADA	3.17	3.19	3.08	3.12	3.13	3.02	3.28	3.28	3.18	3.30	3.29	3.19	US - Fed	4.75
GERMANY	2.13	2.10	2.19	2.18	2.17	2.20	2.36	2.34	2.37	2.57	2.57	2.61	England - BoE	4.75
JAPAN	0.55	0.54	0.51	0.71	0.70	0.65	1.07	1.06	1.01	2.30	2.30	2.25		
U.K.	4.40	4.42	4.43	4.32	4.35	4.32	4.47	4.48	4.44	4.91	4.92	4.90		
	Spreads vs. U.S. (bps):													
CANADA	-114	-116	-118	-118	-119	-118	-115	-116	-112	-130	-130	-128	Euro zone - ECB	3.40
GERMANY	-219	-224	-207	-213	-216	-199	-208	-210	-194	-203	-202	-186	Japan - BoJ	-0.10
JAPAN	-376	-381	-375	-360	-363	-355	-336	-337	-330	-229	-228	-222		
U.K.	9	8	17	1	2	13	3	5	13	31	33	43	Mexico - Banxico	10.25
Equities	Level						% change:							
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	25050	60.6					0.2	0.8	2.5	24.9				
Dow 30	43751	-207.3					-0.5	0.0	2.4	25.0				
S&P 500	5949	-36.2					-0.6	-0.4	2.3	32.1				
Nasdaq	19108	-123.1					-0.6	-0.8	4.3	35.5				
DAX	19249	-15.2					-0.1	0.2	-1.2	22.2				
FTSE	8083	12.2					0.2	0.1	-2.0	8.0				
Nikkei	38643	107.2					0.3	-2.2	-0.9	15.1				
Hang Seng	19426	-9.5					-0.0	-6.3	-6.6	11.3				
CAC	7306	-5.8					-0.1	-0.4	-2.9	1.3				
Commodities	Level						% change:							
WTI Crude	68.65	-0.05					-0.1	-2.5	-2.7	-10.4				
Natural Gas	2.69	-0.09					-3.3	0.9	7.8	-15.5				
Gold	2568.71	3.86					0.2	-4.3	15.2	31.1				
Silver	29.99	-0.92					-3.0	-3.6	-4.0	34.2				
CRB Index	280.52	0.24					0.1	-0.3	-0.8	1.3				
Currencies	Level						% change:							
USDCAD	1.4044	-0.0016					-0.1	0.9	2.0	2.6				
EURUSD	1.0576	0.0046					0.4	-1.3	-2.9	-2.5				
USDJPY	155.41	-0.8600					-0.6	1.8	4.2	2.7				
AUDUSD	0.6474	0.0020					0.3	-1.7	-3.4	-0.5				
GBPUSD	1.2677	0.0011					0.1	-1.9	-3.0	2.1				
	Next Meeting Date													
													Canada - BoC	Dec 11, 2024
													US - Fed	Dec 18, 2024
													England - BoE	Dec 19, 2024
													Euro zone - ECB	Dec 12, 2024
													Japan - BoJ	Dec 19, 2024
													Mexico - Banxico	Dec 19, 2024
													Australia - RBA	Dec 09, 2024
													New Zealand - RBNZ	Nov 26, 2024

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