

### DAILY POINTS

December 16, 2024 @ 7:10 EST

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Chart 1

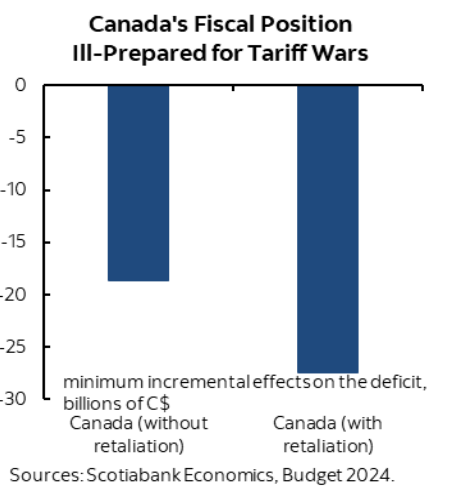
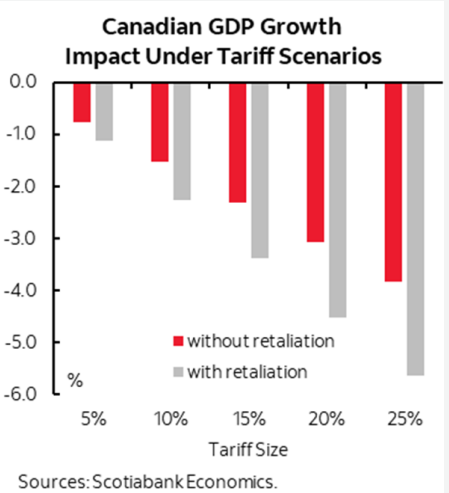


Chart 2



### On Deck for Monday, December 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12-16	08:15	Housing Starts (000s a.r.)	Nov	250	245.1	240.8
US	12-16	08:30	Empire State Manufacturing Index	Dec	--	10.0	31.2
CA	12-16	09:00	Existing Home Sales (m/m)	Nov	--	--	7.7
CA	12-16	15:35	Speech: Tiff Macklem, Governor				

#### KEY POINTS:

- **Markets are cautious to kick off a packed week**
- **It's a big day for Canada watchers that starts with data, cabinet shuffle rumours**
- **BoC Governor Macklem's speech should keep the horses tied up this time...**
- **...and none of the current players may be around when a new agreement starts**
- **Freeland's FES: missing the forest for the trees**
- **Chinese retail sales disappoint, home prices still falling**
- **Mixed global PMIs could've been a lot worse**
- **Global Week Ahead [here](#)**

A packed day lies ahead, especially for Canada watchers. Overnight markets digested a wave of global purchasing managers indices plus soft China data. When combined with uncertainty ahead of big developments this week the result is a cautious bias across global equities and slightly lower sovereign yields. Canadian data, the cabinet shuffle rumour mill, a potentially key speech by BoC Governor Macklem, and Canada's Fall Economic Statement are on tap. We even have news that the Canada Post strike you may not have even noticed is coming to an end. The US releases PMIs later this morning (9:45amET).

#### A BIG DAY FOR CANADA WATCHERS

It's a big day for Canada watchers. There are hints of a cabinet shuffle in the works as the housing minister is leaving cabinet and won't run in the next election; rumours point to a shuffle by Wednesday with all sorts of speculation around which posts may be vulnerable. Ottawa's small world loves the gossip grind.

Today starts off slowly with some housing data including new construction starts in November (8:15amET) and then existing home sales for the same month (9amET).

Then we wait until toward the close when in the span of about 45 minutes there will be a speech by BoC Governor Macklem (3:20pmET) and then the Fall Economic Statement (after 4pmET). Macklem is expected to kick off the process toward the next five-year monetary regime framework that must be agreed upon with the Federal government by late 2026. See my weekly for more. My main point is that given the risks and uncertainties overhanging the Canadian outlook, now is not the time to be running a 'horse race' as they called it the last time. That's in reference to how they delved into the pros and cons of different monetary policy regimes and targets and delivered a weaker commitment to 2% inflation peppered with all manner of references to fully inclusive maximum employment. Please keep the horses tied up this time!

It's also worth noting that the 2026 agreement may not involve the current government, if the current polling proves to be anywhere close to being accurate. Also recall that Macklem's term is up in 2027 and so he may not be the one to lead the central bank at the start of the new agreement.

As for DPM and FinMin Freeland's FES (after 4pmET), it's what is not going to be in it that should concern curve watchers much more than what it does include. Tariff sensitivities

could blow out the deficit and issuance to pandemic-style levels or even higher. The exact size of the FY23-24 deficit, incorporation of recent offers in budget projections and any new initiatives will be secondary considerations. See my weekly for some of the math behind charts 1 and 2.

One of those fiscal guardrails is very unlikely to be met which is keeping the FY23-24 federal deficit ending last March under \$40.1B. The other two definitely would not be met in a trade wars scenario and are unlikely to be met even without such a threat. The second guardrail involves returning federal deficits to <1% of GDP by 2026. The third guardrail targets keeping federal debt-to-gdp lower than 42.4% which may be met at least for now given Freeland's recent comments.

Tens and tens of billions of government debt issuance lie in store if Canada and the US truly slip into trade wars within a little over a month from now. Our base case forecasts assume modest tariffs while a significant risk is seeing much bigger tariffs for longer.

**ONGOING WEAKNESS IN CHINA'S HOUSEHOLD SECTOR**

The main focus in several Chinese macro updates was upon ongoing weakness in the household sector.

- China's retail sales disappointed expectations with a gain of just 3% y/y (5% consensus, 4.8% prior) as the m/m rate of increase of 0.16% SA was the weakest since June. Chart 3.
- China's home prices continue to fall. New home prices fell another -0.2% m/m and resales fell -0.35% m/m. The pace of decline is ebbing though which may be a very slim silver lining (chart 4).
- China's industrial output grew 5.4% y/y, matching consensus, as the m/m SA gain of about 0.5% was close to each of the prior two months that in turns were among the warmer readings this year. Chart 5.
- China's UR was unchanged at 5% in November.

**GLOBAL PURCHASING MANAGERS' INDICES COULD'VE BEEN WORSE**

The monthly wave of global purchasing managers' indices is mixed so far. See chart 6 and these summary points:

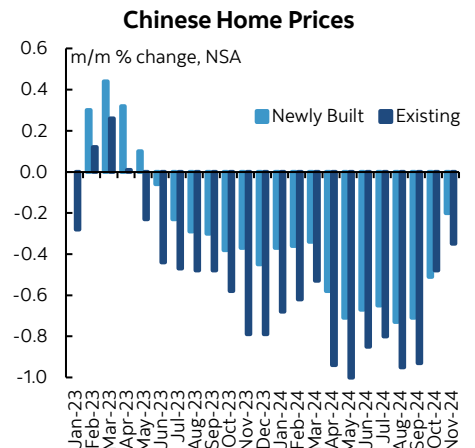
- Australia's composite PMI slipped below 50 (49.9 from 50.2) and hence into contraction led by a 1.2 drop in the manufacturing PMI (48.3) while services were stable (50.4, 50.5 prior).
- Japan's composite PMI increased a touch to 50.8 from 50.1 and was led by services (51.4, 50.5 prior) with an assist from manufacturing (49.5, 49 prior).
- The Eurozone's composite PMI increased 1.2 points to 49.5 entirely due to the return of services to mild growth while manufacturing continues to shrink.
- The UK's held unchanged at 50.5 as a mild acceleration in services was offset by deceleration in manufacturing.
- India's composite PMI increased to 60.7 from 58.6 as both services and manufacturing picked up.

Chart 3



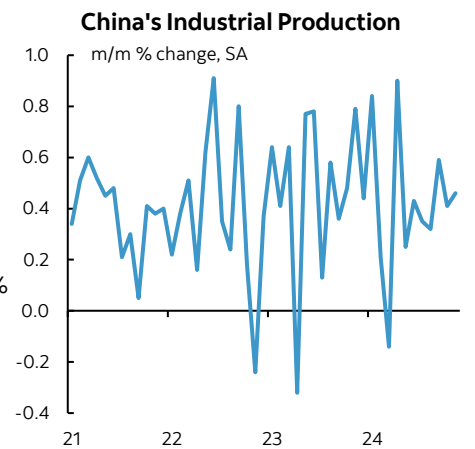
Sources: Scotiabank Economics, National Bureau of Statistics of China.

Chart 4



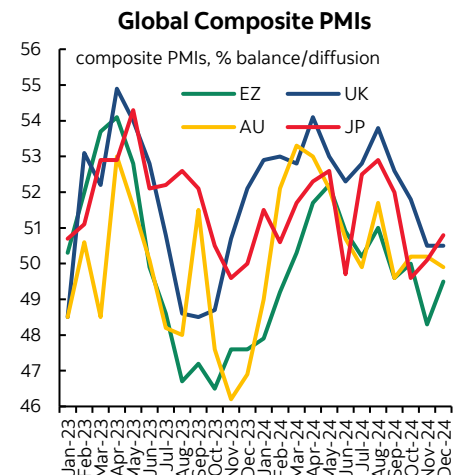
Sources: Scotiabank Economics, Bloomberg Intelligence.

Chart 5



Sources: Scotiabank Economics, National Bureau of Statistics of China.

Chart 6



Sources: Scotiabank Economics, S&P Global.

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.	4.22	4.25	4.13	4.22	4.25	4.07	4.37	4.40	4.20	4.58	4.60	4.39	Canada - BoC	3.25		
CANADA	3.00	3.02	2.91	2.96	2.97	2.85	3.16	3.18	3.05	3.26	3.27	3.17	US - Fed	4.75		
GERMANY	2.03	2.07	2.00	2.05	2.09	1.98	2.23	2.26	2.12	2.47	2.48	2.35	England - BoE	4.75		
JAPAN	0.59	0.57	0.58	0.72	0.70	0.72	1.07	1.04	1.05	2.29	2.25	2.27	Euro zone - ECB	3.15		
U.K.	4.29	4.31	4.25	4.22	4.24	4.12	4.39	4.41	4.27	4.94	4.97	4.82	Japan - BoJ	-0.10		
	Spreads vs. U.S. (bps):															
CANADA	-122	-123	-121	-127	-128	-122	-121	-122	-115	-133	-133	-122	Mexico - Banxico	10.25		
GERMANY	-218	-218	-213	-217	-216	-210	-214	-214	-208	-212	-212	-204	Australia - RBA	4.35		
JAPAN	-363	-368	-354	-350	-355	-335	-330	-336	-315	-230	-235	-212	New Zealand - RBNZ	4.25		
U.K.	7	6	12	0	-2	4	1	1	7	36	36	44				
Equities	Level						% change:						Next Meeting Date			
	Last			Change	1 Day	1-wk	1-mo	1-yr								
S&P/TSX	25274			-136.4	-0.5	-1.6	1.5	23.1							Canada - BoC	Jan 29, 2025
Dow 30	43828			-86.1	-0.2	-1.8	0.9	17.5							US - Fed	Dec 18, 2024
S&P 500	6051			-0.2	-0.0	-0.6	3.1	28.2							England - BoE	Dec 19, 2024
Nasdaq	19927			23.9	0.1	0.3	6.7	34.5							Euro zone - ECB	Jan 30, 2025
DAX	20330			-76.1	-0.4	-0.1	5.8	21.4							Japan - BoJ	Dec 19, 2024
FTSE	8273			-27.4	-0.3	-0.9	2.6	9.2								
Nikkei	39457			-13.0	-0.0	0.8	2.1	19.7								
Hang Seng	19795			-175.8	-0.9	-3.0	1.9	17.9								
CAC	7350			-59.8	-0.8	-1.7	1.1	-3.3								
Commodities	Level						% change:									
WTI Crude	70.46			-0.83	-1.2	3.1	5.1	-1.4							Mexico - Banxico	Dec 19, 2024
Natural Gas	3.16			-0.12	-3.7	-0.8	11.9	26.8							England - BoE	Dec 19, 2024
Gold	2662.76			14.54	0.5	0.1	19.4	31.8							Euro zone - ECB	Jan 30, 2025
Silver	30.74			-1.15	-3.6	-1.2	-0.6	35.2							Japan - BoJ	Dec 19, 2024
CRB Index	293.96			0.69	0.2	2.7	5.1	10.9								
Currencies	Level						% change:									
USDCAD	1.4243			0.0009	0.1	0.5	1.6	6.3							Mexico - Banxico	Dec 19, 2024
EURUSD	1.0495			-0.0006	-0.1	-0.6	-1.0	-3.9							Australia - RBA	Feb 17, 2025
USDJPY	153.84			0.1900	0.1	1.7	-0.5	7.7							New Zealand - RBNZ	Feb 18, 2025
AUDUSD	0.6356			-0.0006	-0.1	-1.3	-2.3	-5.2								
GBPUSD	1.2650			0.0031	0.2	-0.8	-0.2	0.0								
USDCHF	0.8926			-0.0001	-0.0	1.6	1.1	2.9								

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