ON DECK FOR WEDNESDAY, SEPTEMBER 25

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09/25	07:00	MBA Mortgage Applications (w/w)	Sep 20	--	--	-10.1
US	09/25	10:00	New Home Sales (000s a.r.)	Aug	690	656	635

KEY POINTS:

- **Risk-off on impeachment talk makes no sense**
- **Why Trump won't be impeached**
- **Trump hits record high voter approval**
- **Do impeachment proceedings put USMCA, another CR at risk?**
- **Trump's Presidential rankings on stock and bond market performances**
- **RBNZ, BoT stay on hold**
- **A bearish one-two punch to oil markets**
- **US, Canadian auctions on tap**

INTERNATIONAL

Calendar risk is relatively light with the off-calendar risk focused upon impeachment risk. I think that's off base as a market risk (see below). Modest US macro releases and auctions in both the US and Canada are on tap. A pair of central banks predictably held policy overnight. The British Parliament reopened today and heats up risks surrounding next steps including additional legal measures and efforts to block an election call until hard Brexit risk is off the table.

- The USD is broadly stronger on the safe haven bid. All major crosses are weaker and led by the rand, sterling (Parliament reopens), and Mexican peso.

- Sovereign yields are mixed. Europe is catching up to yesterday afternoon's rally in US Treasuries with mild bull flatteners in portions of the EGBs and gilts markets. Japan's 10 year bond yield is digging deeper beneath the BoJ's targets with the 10 year JGB down to -27bps and the 30 year at +35bps.

- US and Canadian equity futures are little changed after yesterday afternoon's mild cash market sell-off. European stocks are catching up with indices down by between ½% (FTSE) and 1.5% (Milan). Asian equity markets all closed lower by up to 1.6% in Shenzhen.

- Oil prices are off by about a buck in WTI and Brent. Gold is not picking up further flows this morning and is actually down by about \$4–5 after rising by around \$15 over the course of yesterday.

Each of the Reserve Bank of New Zealand and the Bank of Thailand stayed on hold overnight at a cash rate of 1% and a repo rate of 1.5% respectively. Neither action materially surprised consensus or markets; the baht held flat to

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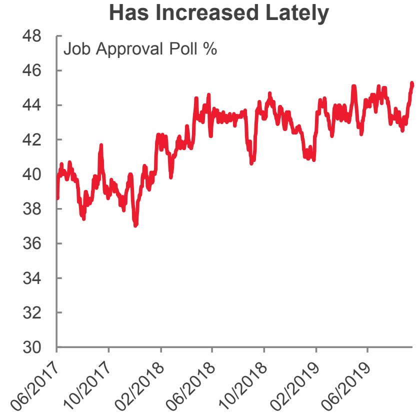
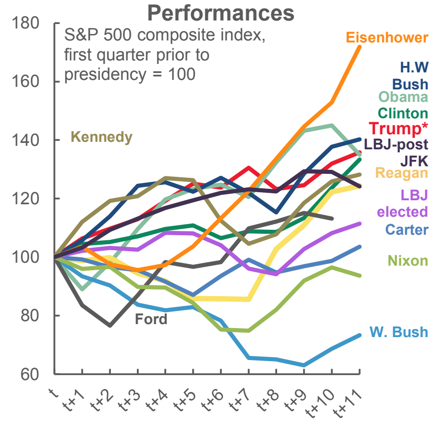
Trump's Voter Support Has Increased Lately



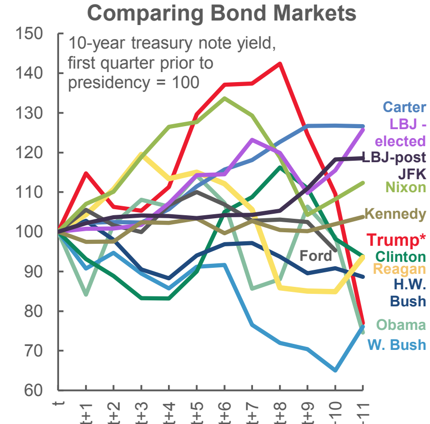
Sources: Scotiabank Economics, Bloomberg.

Comparing Stock Market Performances



Sources: Scotiabank Economics, S&P, Bloomberg.

Comparing Bond Markets



Sources: Scotiabank Economics, Federal Reserve.

the dollar versus other depreciating Asian crosses this morning while the NZ$is slightly weaker but again mostly on broad USD strength. The RBNZ statement (here) stated that new information since the last meeting "did not warrant a significant change to the monetary policy outlook" and reinforced expectations for a prolonged period of low rates with emphasis upon policy flexibility if needed later. The BoT statement (here) included fresh forecasts for the economy and inflation. Openness to BoT easing is partially derived from the forecast for core inflation to remain below 1% in each of this year and next and hence well under the 1–4% policy target range along with the BoT's view that there remain downside risks to growth projections for only about 3% growth on average this year and next.

UNITED STATES

Impeachment developments are clearly dominating markets, with only relatively minor calendar-based forms of market risk today.

Watch for US new home sales to rebound in August after the roughly 13% drop in July (10amET). The trend is volatile but it has been generally upward sloping since late last year.

Weekly US crude oil inventories are due at 10:30amET and may take on elevated importance in the wake of yesterday's private sector tally from the American Petroleum Institute that showed a 1.38 million barrel rise in inventories last week. If the government data reinforces the inventory build, then it would be the second consecutive weekly rise after four consecutive declines. That, in turn, adds to the bearish oil market signals that also include Saudi Arabia's return to full capacity after the drone attacks and doing so roughly a week ahead of schedule.

The US conducts two auctions today. The first will be the 2 year floating rate note reopening at 11:30amET. The second will be a fives auction at 1pmET.

The focus upon impeachment risk will include three developments today. One will be President Trump's expected release of the unredacted transcript of his call with Ukrainian President Volodymyr Zelenskiy. The exact timing is uncertain, but it may follow other developments today. Another will be a scheduled meeting between Trump and Zelenskiy in New York (2:15pmET) that will no doubt inform positioning during Trump's press conference at 4pmET especially after Zelenskiy denied anything improper. Fourth will be a vote in the House of Representatives seeking to force the release of the whistleblower's complaint against Trump's call with the Ukrainian President. The White House is expected to release the whistleblower's complaint by the end of the week.

Where could this lead? Probably nowhere, but the knock on effects upon other business may be material. Here are a few considerations:

- **House Speaker Nancy Pelosi's announcement of an inquiry may or may not result in a formal vote to pursue impeachment and may or may not result in charges.** All that has happened thus far is that she has directed six committees to report their findings to the House Judiciary Committee that will then decide upon whether or not to advance a recommendation to the floor. The House leaves for a two week recess after Friday which will interrupt proceedings.
- The New York Times' running shadow tally of support for impeachment in the House now stands at 204 out of 435 members (here). That is **getting close to the requirement for a simple House majority to vote in favour of impeachment** assuming their willingness to investigate is then followed by actual support for impeachment. That went up sharply from about 166 just yesterday afternoon. Not surprisingly, they are all Democrats plus the one independent who defected from the Republicans. Among Democrats, 19 have said they oppose and 13 have not responded. Among Republicans, 112 are against and 86 have not answered.
- **The effort would almost certainly stumble in the Senate,** assuming the House votes to impeach. Of 100 members, 53 are Republicans, 45 are Democrats and two are independents affiliated with the Dems. The bar is higher in the Senate in that it requires a super majority two-thirds support threshold for impeachment. Do the math, and that requires all 45 + 2 Dems to support impeachment and 20 Republicans. That high degree of defection is unlikely.
- That said, **the November 2020 elections will put 35 of the Senate seats up for grabs including 23 that are held by the Republicans.** After the election, the impeachment odds might rise assuming Trump wins only if the Dems plus independents retain all of their 12 seats up for election and grab the vast majority of the GOP seats (20 of 23). That's a tall order, as simply regaining control of the Senate wouldn't be enough for the Dems, they would have to gain the super majority threshold.

- What do voters think and how likely might they be to support the Dems? Chart 1 shows the recent rise in polling support for Trump right up to yesterday. **Trump is polling the highest support so far during his mandate** with 45% voter satisfaction. Trump has substantial support across the US electorate. To an international audience, this makes it clear that a very substantial portion of the American electorate supports Trump and they own his actions.
- Wanna bet? PredictIt (here) may indicate almost even odds the House will vote to impeach Trump, but **the market odds that the Senate will impeach him are about 85% against.**
- **The issue here is more about what other business may be interrupted in Congress.** Worth observing will be how impeachment affects the odds of passing the USMCA/NAFTA 2.0 deal by US Thanksgiving as guided by the administration, and extension of the Continuing Resolution (pending approval by the Senate and Trump's signature) beyond the November 21st deadline after which the absence of funding would prompt another government shutdown. The two week House recess after this week that will see them return only by October 14th squeezes the timelines.
- Charts 2 and 3 update the performance of stocks and Treasuries across Presidents up to comparable points in their terms to date. **Stocks have performed third best (tied with Obama) under Trump across past Presidents. The 10 year Treasury yield has performed third best under Trump** and only a whisker behind Obama and George W. Bush. Clearly there are multiple factors involved that are not being controlled here, such as whether the decline in Treasury yields is something to take credit for if it has been driven by trade-related fears overhanging the global economy and driven principally by the US.

CANADA

Canada conducts a 3s auction today at noon.

Fixed Income — Government Yield Curves (%):

	2-YEAR Last	2-YEAR 1-day	2-YEAR 1-wk	5-YEAR Last	5-YEAR 1-day	5-YEAR 1-wk	10-YEAR Last	10-YEAR 1-day	10-YEAR 1-wk	30-YEAR Last	30-YEAR 1-day	30-YEAR 1-wk
U.S.	1.61	1.63	1.76	1.53	1.53	1.68	1.65	1.65	1.80	2.10	2.10	2.24
CANADA	1.52	1.52	1.60	1.33	1.34	1.46	1.29	1.30	1.43	1.47	1.48	1.59
GERMANY	-0.74	-0.73	-0.73	-0.77	-0.76	-0.72	-0.61	-0.60	-0.51	-0.14	-0.12	0.02
JAPAN	-0.34	-0.32	-0.27	-0.38	-0.35	-0.29	-0.26	-0.23	-0.18	0.37	0.35	0.33
U.K.	0.44	0.46	0.51	0.36	0.38	0.46	0.51	0.53	0.64	0.93	0.95	1.06
Spreads vs. U.S. (bps):												
CANADA	-10	-11	-16	-20	-19	-22	-36	-34	-36	-63	-63	-66
GERMANY	-235	-236	-249	-229	-229	-240	-226	-225	-231	-223	-222	-223
JAPAN	-195	-194	-203	-191	-188	-197	-190	-188	-198	-173	-175	-191
U.K.	-117	-117	-125	-117	-115	-122	-114	-112	-115	-116	-115	-118

Equities	Level: Last	Level: Change	% change: 1 Day	% change: 1-wk	% change: 1-mo	% change: 1-yr
S&P/TSX	16798	-68.9	-0.4	-0.2	4.7	4.0
Dow 30	26808	-142.2	-0.5	-1.1	4.6	1.2
S&P 500	2967	-25.2	-0.8	-1.3	4.2	1.8
Nasdaq	7994	-118.8	-1.5	-2.4	3.1	-0.2
DAX	12184	-122.7	-1.0	-1.7	4.9	-1.5
FTSE	7253	-38.9	-0.5	-0.8	2.2	-3.4
Nikkei	22020	-78.7	-0.4	0.1	6.3	-8.0
Hang Seng	25945	-335.7	-1.3	-3.0	-0.9	-5.7
CAC	5552	-76.8	-1.4	-1.2	4.2	1.3
Commodities	**Level**		**% change:**			
WTI Crude	56.31	-0.98	-1.7	-3.1	4.0	-22.1
Natural Gas	2.48	-0.02	-0.8	-5.8	15.4	-19.4
Gold	1527.54	-4.38	-0.3	2.2	0.0	27.2
Silver	18.56	0.18	1.0	4.0	8.9	29.7
CRB Index	175.80	-1.39	-0.8	-1.0	4.3	-9.9
Currencies	**Level**		**% change:**			
USDCAD	1.3282	0.0039	0.3	-0.1	0.2	2.5
EURUSD	1.0982	-0.0038	-0.3	-0.4	-1.1	-6.7
USDJPY	107.48	0.4100	0.4	-0.9	1.3	-4.9
AUDUSD	0.6762	-0.0039	-0.6	-1.0	-0.2	-6.7
GBPUSD	1.2379	-0.0108	-0.9	-0.7	1.3	-6.1
USDCHF	0.9873	0.0018	0.2	-1.0	0.9	2.3

Central Banks	Current Rate
Canada - BoC	1.75
US - Fed	2.00
England - BoE	0.75
Euro zone - ECB	0.00
Japan - BoJ	-0.10
Mexico - Banxico	8.00
Australia - RBA	1.00
New Zealand - RBNZ	1.00

Central Banks	Next Meeting Date
Canada - BoC	Oct 30, 2019
US - Fed	Oct 30, 2019
England - BoE	Nov 07, 2019
Euro zone - ECB	Oct 24, 2019
Japan - BoJ	Oct 31, 2019
Mexico - Banxico	Sep 26, 2019
Australia - RBA	Oct 01, 2019
New Zealand - RBNZ	Nov 12, 2019

Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing. While this source is believed to be reliable, Scotiabank cannot guarantee its accuracy.