

**ON DECK FOR TUESDAY, OCTOBER 27**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10/27	08:30	Durable Goods Orders (m/m)	Sep P	0.5	0.6	1.9
US	10/27	08:30	Durable Goods Orders ex. Trans. (m/m)	Sep P	0.4	0.4	0.8
US	10/27	09:00	S&P/Case-Shiller Home Price Index (m/m)	Aug	0.3	0.4	0.5
US	10/27	09:00	S&P/Case-Shiller Home Price Index (y/y)	Aug	4.1	4.2	5.2
US	10/27	10:00	Consumer Confidence Index	Oct	102.5	101.8	100.9
US	10/27	10:00	Richmond Fed Manufacturing Index	Oct	--	18	29

**KEY POINTS:**

- Risk appetite shakes off US releases
- US consumers more confident now, less so about the post-election future
- US capital goods orders are unambiguously strong
- Richmond reinforces another gain for ISM-manufacturing
- Biden is outperforming Hillary at the same point in the 2016 campaign

**INTERNATIONAL**

US equity futures are slightly positive while all other equity indicators are in the red including European cash markets and TSX futures. Sovereign bonds are little changed with slight richening in Europe while the USD is flat on balance. There wasn't any material new information overnight either on- or off-calendar to inform market positioning. US election watch brings out another daily update from 538 showing Biden at 88% probability of victory; by this comparable point in the 2016 election, Hillary had already begun falling to 71% from previous estimates in the upper 80s.

- US stocks are little changed on average with a flat S&P, ½% rise in the Nasdaq and ¼% drop in the DJIA. Toronto is little changed. European equities are down by ¾% to 1½%.
- Sovereign curves are rallying by 2–3 bps in 10s as curves generally bull flatten. I've long supported yield caps by the BoC given supply and other issues and wouldn't be surprised to see something on this tomorrow.
- The USD is slightly depreciating and losing ground against all major currencies.
- Oil prices are up by about 1%.

**UNITED STATES**

A trio of US releases were generally upbeat with a bit of a caution toward the future. They indicate more buoyant consumer attitudes in the near-term coupled with improved manufacturing momentum and continued growth in business investment. The yellow flag popped up in the form of a significant drop in forward-looking consumer expectations six months down the line which is likely keyed off the US election next week. In short, onto the election!

**CONTACTS**

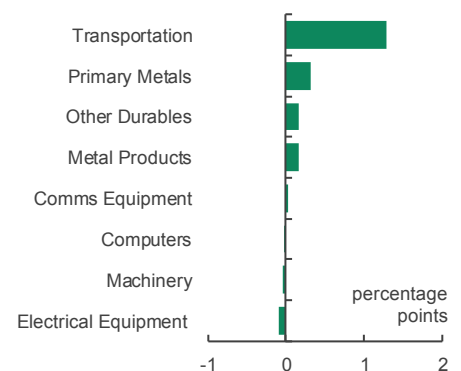
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Chart 1

**US Non-Defence Capital Goods Ex. Aircrafts**


Sources: Scotiabank Economics, US Census Bureau.

Chart 2

**Weighted Contributions to September US Durable Goods Orders**


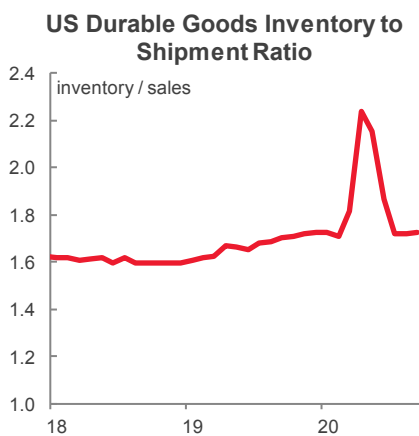
Sources: Scotiabank Economics, US Census Bureau.

Core capital goods orders (ex-defence and air) hit a six year high last month (chart 1). They were up by another 1.0% m/m which beat expectations. By type of capital good order, transportation was up 4.1% m/m including vehicles and parts (+1.5%). Primary metals (+4%) and fabricated metals (+1.2%) were other bright spots. Computers and electronics were up by 0.6%. Electrical equipment fell 2% m/m and machinery slipped by 0.3% after a string of strong gains since May. Weighted contributions are shown in chart 2. Inventories remain in line with pre-pandemic levels (chart 3).

**The next ISM-manufacturing next Monday could well register renewed improvement following September's modest setback that in turn followed three months of strong increases.** This morning's regional Richmond Fed manufacturing index added further support for this view as it climbed to 29 (21 prior). Chart 4. That adds to the upsides in the Philly, Dallas and KC measures with only the Empire gauge slipping. When we pump the regional surveys and auto production estimates through our ISM model it spits out 56.7 for October's estimate which would be a rise from 55.4 in September.

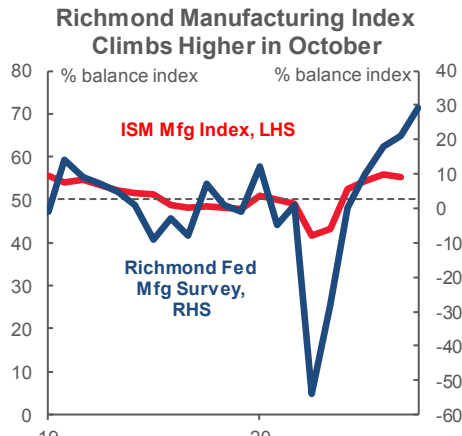
**The Conference Board's consumer confidence gauge was little changed at 100.9 from 101.3 (revised down from 101.8) but this masked shifts in terms of the timelines of expectations (chart 5).** The present situation component moved almost six points higher to the highest since March but still far below March's level. The expectations component, however, fell by about six points from the original estimate for September (104 revised down to 102.9). Forward expectations have been super volatile through the recovery process so I wouldn't make that big a deal out of it, but it's a caution toward the post-election world.

Chart 3



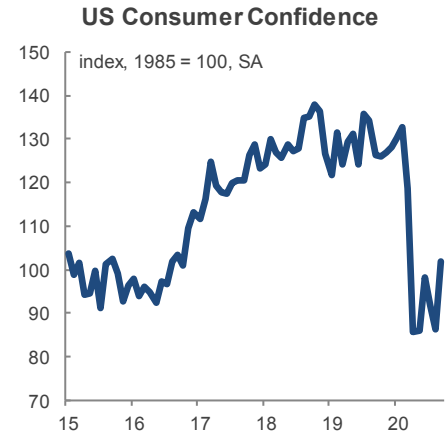
Sources: Scotiabank Economics, US Census Bureau.

Chart 4



Sources: Scotiabank Economics, ISM, US Federal Reserve.

Chart 5



Sources: Scotiabank Economics, Conference Board.

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	0.15	0.14	0.34	0.35	0.34	0.78	0.80	0.79	1.58	1.59	1.59	Canada - BoC	0.25
CANADA	0.24	0.24	0.23	0.38	0.38	0.36	0.61	0.63	0.60	1.19	1.21	1.21	US - Fed	0.25
GERMANY	-0.77	-0.76	-0.78	-0.79	-0.77	-0.80	-0.60	-0.58	-0.61	-0.19	-0.16	-0.20	England - BoE	0.10
JAPAN	-0.13	-0.13	-0.13	-0.09	-0.09	-0.11	0.03	0.04	0.02	0.64	0.65	0.61		
U.K.	-0.04	-0.03	-0.07	-0.04	-0.03	-0.08	0.25	0.28	0.19	0.80	0.85	0.74		
Spreads vs. U.S. (bps):														
	9	9	9	4	3	3	-17	-18	-18	-38	-38	-39		
CANADA	9	9	9	4	3	3	-17	-18	-18	-38	-38	-39	Euro zone - ECB	0.00
GERMANY	-91	-91	-93	-113	-112	-114	-139	-138	-139	-176	-175	-179	Japan - BoJ	-0.10
JAPAN	-28	-28	-28	-43	-45	-45	-75	-77	-76	-94	-95	-98		
U.K.	-18	-18	-21	-38	-38	-42	-54	-53	-60	-78	-74	-85	Mexico - Banxico	4.25
Equities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	16053	-26.9			-0.2	-1.4	-0.1	-2.1						
Dow 30	27586	-99.7			-0.4	-2.6	1.5	2.3						
S&P 500	3398	-2.7			-0.1	-1.3	3.0	12.4						
Nasdaq	11439	79.9			0.7	-0.7	4.8	38.8						
DAX	12072	-105.3			-0.9	-5.2	-3.2	-6.4						
FTSE	5738	-53.9			-0.9	-2.6	-1.8	-21.7						
Nikkei	23486	-8.5			-0.0	-0.3	1.2	3.0						
Hang Seng	24787	-131.6			-0.5	1.0	6.7	-7.1						
CAC	4735	-81.3			-1.7	-3.9	0.1	-17.3						
Commodities	Level						% change:							
WTI Crude	39.03	0.47			1.2	-5.9	-3.0	-31.1						
Natural Gas	3.03	0.01			0.3	4.1	41.7	31.8						
Gold	1908.11	6.03			0.3	0.1	2.5	26.8						
Silver	24.28	-0.48			-1.9	-2.3	7.3	34.0						
CRB Index	150.32	0.94			0.6	-1.3	1.3	-15.7						
Currencies	Level						% change:							
USDCAD	1.3169	-0.0043			-0.3	0.3	-1.5	0.9						
EURUSD	1.1825	0.0015			0.1	0.0	1.4	6.5						
USDJPY	104.52	-0.3200			-0.3	-0.9	-0.9	-4.1						
AUDUSD	0.7136	0.0013			0.2	1.2	0.9	4.4						
GBPUSD	1.3052	0.0028			0.2	0.8	1.7	1.5						
USDFX	0.9076	-0.0002			-0.0	0.1	-1.9	-8.7						
Next Meeting Date														
													Canada - BoC	Oct 28, 2020
													US - Fed	Nov 05, 2020
													England - BoE	Nov 05, 2020
													Euro zone - ECB	Oct 29, 2020
													Japan - BoJ	Oct 29, 2020
													Mexico - Banxico	Nov 12, 2020
													Australia - RBA	Nov 02, 2020
													New Zealand - RBNZ	Nov 10, 2020

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