

**ON DECK FOR FRIDAY, JANUARY 22**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01/22	08:30	Retail Sales (m/m)	Nov	0.4	0.0	0.4
CA	01/22	08:30	Retail Sales ex. Autos (m/m)	Nov	0.4	0.3	0.0
US	01/22	09:45	Markit US Manufacturing PMI	Jan P	--	56.5	57.1
US	01/22	09:45	Markit US Composite PMI	Jan P	--	--	55.3
US	01/22	09:45	Markit US Services PMI	Jan P	--	53.4	54.8
US	01/22	10:00	Existing Home Sales (mn a.r.)	Dec	6.56	6.6	6.7
US	01/22	10:00	Existing Home Sales (m/m)	Dec	-2.0	-1.9	-2.5

**KEY POINTS:**

- Risk-off sentiment guides the end of the week
- Global PMIs are confirming a Q1 retrenchment...
- ...led by the UK, as Australia continues to outperform
- Will US PMIs follow the trend lower?
- CDN retail sales, US home sales on tap

**INTERNATIONAL**

Well this is a pretty rude way to end the week, but markets are in risk-off mode that began before lousy data began to arrive. Warnings on extended lockdowns in Europe and transitory interruptions in vaccine availability are the likely culprits as the US debates stimulus.

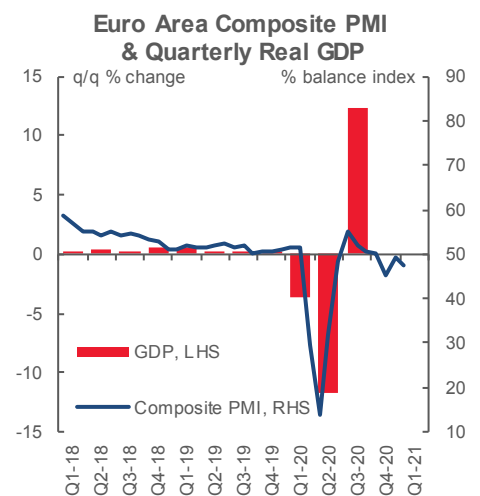
- S&P futures are off by ¾% with TSX futures down by a little less. European cash markets are down by between ¾% (FTSE, Dax) and nearly 2% (Italy).
- Sovereign curves are mildly richer with global 10 year yields down by around 1–2bp on average.
- Oil prices are off by over a buck.
- The USD is mildly firmer as gains against most currencies are offset by a firm euro.

The Eurozone composite PMI signalled a deeper GDP dip by landing at **47.5 (49.1 prior, 47.6 consensus)**. Chart 1 indicates that the impact on GDP growth in Q1 is likely to be a lot milder than the first wave restrictions. Services fell the most as manufacturing expanded at a slightly softer pace. Germany's composite fell to 50.8 (52 prior) but still signals slow growth unlike France's composite PMI that fell by 2.5 points to 47.0 entirely due to services as manufacturing picked up a bit.

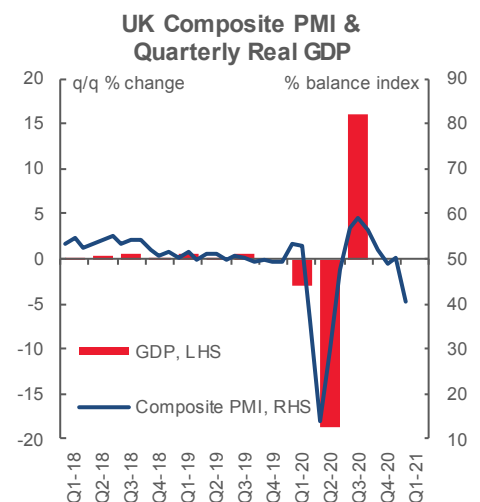
The UK composite PMI fell by almost 10 points to 40.6 (45.5 consensus) and was by far the biggest decline registered globally. That points to Q1 UK GDP facing arguably the most downside across major global economies into Q1 (chart 2). The services PMI fell by almost 11 points to 38.8 as manufacturing continued to expand but at a notably cooler pace.

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**Chart 1**


Sources: Scotiabank Economics, IHS Markit, Bloomberg.

**Chart 2**


Sources: Scotiabank Economics, IHS Markit, Bloomberg.

**Australia's composite PMI slipped a touch** but remained in solid growth territory (56.0 from 56.6) as both services and manufacturing cooled. Chart 3 demonstrates how the trend indicates solid GDP growth over Q4 transitioning into Q1. Australian retail sales also disappointed and fell by 4.2% m/m (-1.5% consensus, +7.1% unchanged prior).

**Japan's Jibun PMIs fell further into contraction with the composite at 46.7 (48.5 prior).** Most of the softening was in services. Chart 4 indicates a soft connection between the metrics and GDP growth that nevertheless points to contraction. CPI fell to -1.2% y/y (-1.3% consensus) and core CPI fell to -1.0% (-1.1% consensus) which marks the first time since August 2010 that core inflation hit -1%.

**UK retail sales were up by less than expected** in December (+0.3% m/m, 1.3% consensus) with small negative revisions. Ex-fuel sales performed similarly.

## CANADA

**Canada updates retail sales to close out the Q4 holiday season (8:30amET).**

We'll get November figures and details as well as Statistics Canada's 'flash' estimate for December's sales absent any material details. The agency had previously guided that November's sales were tracking little changed, although there have been several times it has done that and the results wind up coming in better. This will be the last reading to plug into estimates for next Friday's November GDP that should be accompanied by rough December guidance.

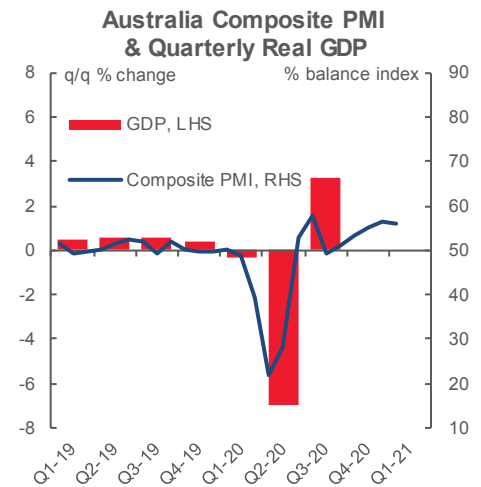
## UNITED STATES

Relatively minor releases are on tap for this morning alongside little earnings risk while the FOMC remains in hush mode ahead of next Wednesday's communications.

**Markit's PMIS for January are due out at 9:45amET** and will be followed by for December 15 minutes later. Home sales likely slipped again given an ongoing deceleration in pending home sales over the prior three months that turn into complete

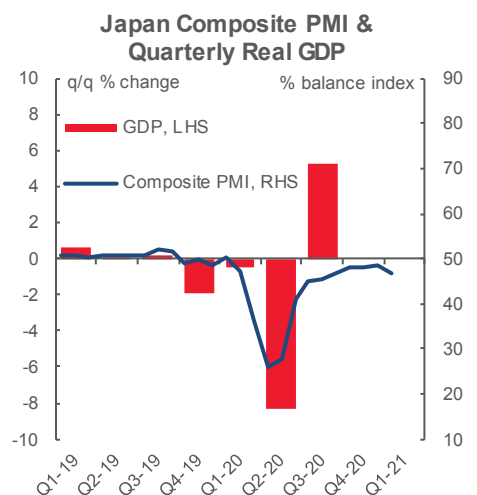
There is no meaningful consensus for the Markit gauges that are less widely followed than the ISM measures. Recall that one reason for this is that the Markit gauges include international operations of US companies but the Fed prefers ISM measures because they are a closer depiction of developments in the US economy. It's too early to tell what ISM-manufacturing is looking like as we only have the small dip in Empire and the strong rise in the Philly gauge to go by so far.

Chart 3



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 4



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

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.	0.12	0.12	0.14	0.44	0.45	0.45	1.09	1.11	1.08	1.84	1.87	1.83	Canada - BoC	0.25
CANADA	0.17	0.17	0.15	0.44	0.45	0.42	0.85	0.87	0.81	1.48	1.50	1.44	US - Fed	0.25
GERMANY	-0.71	-0.70	-0.72	-0.72	-0.70	-0.73	-0.51	-0.50	-0.54	-0.10	-0.08	-0.13	England - BoE	0.10
JAPAN	-0.13	-0.12	-0.11	-0.11	-0.11	-0.11	0.05	0.04	0.04	0.66	0.65	0.66		
U.K.	-0.12	-0.11	-0.13	-0.03	-0.02	-0.04	0.31	0.33	0.29	0.89	0.91	0.87		
	Spreads vs. U.S. (bps):													
	5	5	2	0	1	-3	-24	-24	-28	-37	-37	-40		
CANADA	5	5	2	0	1	-3	-24	-24	-28	-37	-37	-40	Euro zone - ECB	0.00
GERMANY	-83	-82	-86	-116	-115	-118	-160	-160	-163	-194	-195	-197	Japan - BoJ	-0.10
JAPAN	-25	-24	-25	-55	-55	-56	-104	-106	-104	-119	-122	-118		
U.K.	-24	-23	-27	-47	-46	-49	-78	-78	-80	-96	-96	-97	Mexico - Banxico	4.25
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	17916			-98.7	-0.5	0.0	2.1	1.8					Australia - RBA	0.10
Dow 30	31176			-12.4	-0.0	0.4	3.9	6.8					New Zealand - RBNZ	0.25
S&P 500	3853			1.2	0.0	1.1	4.5	16.0						
Nasdaq	13531			73.7	0.5	3.1	5.6	44.2						
DAX	13784			-123.0	-0.9	-0.0	2.7	2.0						
FTSE	6658			-57.7	-0.9	-1.2	3.2	-12.1						
Nikkei	28631			-125.4	-0.4	0.4	8.3	19.1					Canada - BoC	Mar 10, 2021
Hang Seng	29448			-479.9	-1.6	3.1	12.7	3.9					US - Fed	Jan 27, 2021
CAC	5529			-61.9	-1.1	-1.5	1.1	-8.0						
Commodities	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
WTI Crude	51.67		-1.46	-2.7	-3.5	9.9	-8.9					England - BoE	Feb 04, 2021	
Natural Gas	2.43		-0.06	-2.3	-8.7	-12.4	27.8					Euro zone - ECB	Mar 11, 2021	
Gold	1843.82		-26.20	-1.4	0.8	-0.9	18.3					Japan - BoJ	Mar 19, 2021	
Silver	25.87		0.57	2.3	2.4	-1.1	43.8							
CRB Index	172.20		-2.96	-1.7	-2.6	5.2	-4.3							
Currencies	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
USDCAD	1.2707		0.0070	0.6	-0.2	-1.6	-3.3					Mexico - Banxico	Feb 11, 2021	
EURUSD	1.2164		0.0000	0.0	0.7	0.0	9.7					Australia - RBA	Feb 01, 2021	
USDJPY	103.73		0.2300	0.2	-0.1	0.1	-5.6					New Zealand - RBNZ	Feb 23, 2021	
AUDUSD	0.7709		-0.0055	-0.7	0.1	2.5	12.6							
GBPUSD	1.3667		-0.0066	-0.5	0.6	2.3	4.0							
USDCHF	0.8859		0.0006	0.1	-0.6	-0.4	-8.5							

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