

ON DECK FOR FRIDAY, OCTOBER 1

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	10-01	08:30	Real GDP (m/m)	Jul	-0.3	-0.2	0.7
US	10-01	08:30	PCE Deflator (m/m)	Aug	0.3	0.3	0.4
US	10-01	08:30	PCE Deflator (y/y)	Aug	4.2	4.2	4.2
US	10-01	08:30	PCE ex. Food & Energy (m/m)	Aug	0.1	0.2	0.3
US	10-01	08:30	PCE ex. Food & Energy (y/y)	Aug	3.4	3.5	3.6
US	10-01	08:30	Personal Spending (m/m)	Aug	0.8	0.7	0.3
US	10-01	08:30	Personal Income (m/m)	Aug	0.1	0.2	1.1
US	10-01	10:00	Construction Spending (m/m)	Aug	0.2	0.3	0.3
US	10-01	10:00	ISM Manufacturing Index	Sep	60.0	59.5	59.9
US	10-01	10:00	U. of Michigan Consumer Sentiment	Sep F	--	71.0	71.0
US	10-01		Total Vehicle Sales (mn a.r.)	Sep	--	13.3	13.1
US	10-01	11:00	Fed's Harker Discusses the Economic Outlook				
US	10-01	13:00	Fed's Mester Discusses Inflation and Employment				

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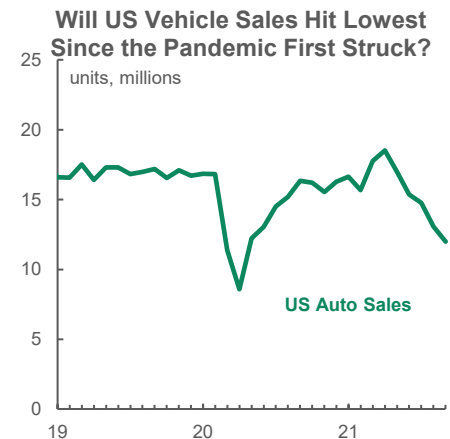
KEY POINTS:

- **October starts off with mild risk-off sentiment**
- **Canadian GDP: start of the soft-patch rebound?**
- **US vehicle sales could drop to weakest since pandemic's start**
- **US ISM-mfrg: more downside than upside**
- **US PCE inflation to follow CPI lower**
- **US income growth to shake off child benefit effect**
- **US consumption to follow retail sales higher**
- **Eurozone inflation landed on the screws**

Happy Friday. Welcome to October. Markets are not such a happy place today mind you. Global market sentiment is in mild risk-off mode with mainland China and HK on holiday. S&P futures were down earlier but have clawed their way back to almost flat at the time of publishing while TSX futures are still in the red and European cash markets are down by either side of -1/2%. European and Canadian yields are outperforming US Ts this morning and across the board at that and partly as catch up to late yesterday's US moves with Canada coming back from holiday. The most powerful moves are in EGB 10s where yields are down by 3–4bps, while 10 year gilts are 1–2bps lower. Front-ends are a tad richer as well across Europe. The USD is little changed overall.

As for specific catalysts, I don't see anything fresh that stands out this morning. The same concerns are being recycled and overnight releases were relatively light. Take your pick of forward looking risks now with the US Congress still in turmoil around stimulus plans and only punting the issues down the road with a temporary funding agreement. China is entering an awkward period of silence with holidays through next Thursday in the context of Evergrande's issues and a soft economy. Even though eurozone inflation didn't surprise, it's still running hotter than anyone anticipated and creating uncertainty toward its longevity and how the ECB may react over time. I think next Friday's nonfarm payrolls face downside risk and will write about why in the week ahead later today.

Eurozone inflation was in the ballpark of expectations. 1.9% y/y for core that matched consensus and 3.4% y/y for headline (3.3% consensus) with total prices up 0.5% m/m and matching consensus.

Chart 1


Sources: Scotiabank Economics, Ward's Automotive Group, Bloomberg.

German retail sales landed pretty much on the screws including revisions. They were up 1.1% m/m in August (1.5% consensus) and the prior month's decline was revised to be a milder -4.5% m/m hit (from -5.1%).

CANADA

This morning we'll get Canadian GDP for July but more importantly advance guidance for August (8:30amET). StatCan had advised that July fell by 0.4% m/m but most within consensus figure that the final estimate will land a touch better (less bad?). My estimate is -0.3%.

More important than a refresher on the July figures that also put details to the composition will be the first estimate for August GDP (sans details) that could be the start of a rebound. This is based upon tracking across a suite of preliminary indicators such as flash guidance for retail sales (+2.1% m/m), wholesale trade (+0.5% m/m), manufacturing sales (+0.5%), hours worked (+0.1%) and with only housing starts (-3.9%) and home sales (-0.5%) putting in soft numbers. Beyond that, mobility picked up along with indicators like restaurant reservations and so the services side of the picture could add upside.

UNITED STATES

There are several US releases on tap today. The new information will likely place the most emphasis upon fresh readings on supply chain issues across manufacturing and particularly autos. The consumption and inflation figures have enough advance through CPI and retail sales that they are unlikely to present the same risk of surprises.

PCE inflation during August (8:30amET) should largely follow what we already saw in the softer CPI print for August notwithstanding methodological differences and as only the first month we've seen milder inflation since the start of the year. Personal income growth (8:30amET) should largely shake off the prior month's introduction of child benefit payments while consumer spending should follow higher the already known gain in retail sales.

ISM-manufacturing for September (10amET) is expected to soften a bit following mixed regional surveys (Empire and Philly up, Richmond, KC and Dallas down) and with ongoing supply chain issues particularly in transportation. As usual, watch the prices component.

US vehicle sales will round it all out as company figures arrive throughout the day leading up to the industry tally toward day's end. I wouldn't be surprised to see a figure in the 11–12 million annualized range (consensus 13 million) based upon industry guidance. That risks taking us back to the weakest sales figures since April 2020 (chart 1) when the pandemic broke out with maximum effect but this time around it's messed up supply chains that are to blame.

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.	0.28	0.28	0.27	0.96	0.97	0.95	1.49	1.49	1.45	2.05	2.05	1.98	Canada - BoC	0.25
CANADA	0.52	0.53	0.50	1.08	1.10	1.03	1.47	1.51	1.42	1.96	1.99	1.90	US - Fed	0.25
GERMANY	-0.70	-0.69	-0.69	-0.59	-0.56	-0.57	-0.24	-0.20	-0.23	0.24	0.28	0.26	England - BoE	0.10
JAPAN	-0.11	-0.12	-0.10	-0.09	-0.08	-0.08	0.06	0.07	0.06	0.66	0.68	0.68	Euro zone - ECB	0.00
U.K.	0.39	0.41	0.38	0.62	0.64	0.59	1.00	1.02	0.93	1.36	1.37	1.23	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
CANADA	24	25	23	12	14	8	-2	2	-3	-9	-6	-8	Mexico - Banxico	4.75
GERMANY	-98	-97	-96	-155	-152	-152	-172	-169	-168	-181	-177	-172	Australia - RBA	0.10
JAPAN	-39	-40	-37	-105	-104	-103	-142	-142	-139	-138	-137	-131	New Zealand - RBNZ	0.25
U.K.	11	13	11	-34	-33	-36	-49	-47	-53	-69	-67	-75	Next Meeting Date	
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	20070			0.0	0.0	-1.6	-3.0	24.0	Canada - BoC	Oct 27, 2021				
Dow 30	33844			-546.8	-1.6	-2.6	-4.2	21.7	US - Fed	Nov 03, 2021				
S&P 500	4308			-51.9	-1.2	-3.2	-4.8	27.4	England - BoE	Nov 04, 2021				
Nasdaq	14449			-63.9	-0.4	-4.0	-5.6	27.6	Euro zone - ECB	Oct 28, 2021				
DAX	15193			-67.6	-0.4	-2.2	-4.0	19.3	Japan - BoJ	Oct 28, 2021				
FTSE	7029			-57.6	-0.8	-0.3	-1.7	19.5	Mexico - Banxico	Nov 11, 2021				
Nikkei	28771			-681.6	-2.3	-4.9	-1.2	24.9	Australia - RBA	Oct 04, 2021				
Hang Seng	24576			-87.9	-0.4	0.3	-5.6	4.8	New Zealand - RBNZ	Oct 05, 2021				
CAC	6491			-29.1	-0.4	-2.2	-4.0	34.6						
Commodities	Level						% change:							
WTI Crude	74.74			-0.29	-0.4	1.0	9.0	93.0						
Natural Gas	5.84			-0.02	-0.4	13.7	26.6	131.2						
Gold	1754.14			-2.81	-0.2	0.2	-3.3	-8.0						
Silver	21.53			-0.80	-3.6	-5.3	-8.8	-9.3						
CRB Index	228.92			1.77	0.8	2.2	5.0	56.7						
Currencies	Level						% change:							
USDCAD	1.2674			-0.0006	-0.0	0.2	0.4	-4.6						
EURUSD	1.1596			0.0016	0.1	-1.1	-2.1	-1.3						
USDJPY	111.18			-0.1100	-0.1	0.4	1.1	5.4						
AUDUSD	0.7253			0.0026	0.4	-0.1	-1.5	0.9						
GBPUSD	1.3538			0.0064	0.5	-1.0	-1.7	5.0						
USDCHF	0.9313			-0.0004	-0.0	0.7	1.8	1.3						

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