CAPITAL MARKETS RESEARCH

Derek Holt (416) 863-7707
derek_holt@scotiacapital.com

Karen Cordes Woods (416) 862-3080
karen_woods@scotiacapital.com

Daily Points

— Tracking the Numbers

On Deck for Monday, November 28

North America

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	11/28	10:00	New Home Sales (000s)	OCT	320	313	313
US	11/28	10:00	New Home Sales (MoM)	OCT	2.0	0	6
US	11/28	10:30	Dallas Fed Manf. Activity	NOV	- -	5	2

KEY POINTS:
* Risk trade in major rally mode, but will it stick?
* Europe intensifies efforts toward fiscal union, but serious doubts remain
* Black Friday weekend sales much higher; three key caveats
* OECD revises forecasts lower
* Italian and Belgian auctions pass; Bunds still selling off
* German inflation softens
* US new home sales remain mired around record low

UNITED STATES

Evidence of solid Black Friday sales is encouraging and part of what is feeding this morning's equity rally, but three key questions remain. First we'll cover the survey evidence which brings forth the first caveat: we're dealing with survey samples and the results are all over the map. Note that clearly the on-line results tracked below won't include today's CyberMonday results so we'll be looking to updates tomorrow.

1. ShopperTrack installs foot traffic monitors in about 500 stores across the US and was the first out of the gate this weekend. They figure sales on Black Friday climbed 6.6% over last year and that foot traffic climbed 5.1%. Their release is available here: http://www.shoppertrak.com/news-resources/press-releases/2011-11/black-friday-201.

2. The National Retail Federation used a survey from Bigresearch to argue that foot traffic was up 6.6% this year over last year's Black Friday weekend, and that on average each shopper spent 9.1% more. This survey argues that on-line shoppers accounted for 38% of total weekend spending which is another record. Their press release is at: http://www.nrf.com/modules.php?name=News&op=viewlive&sp_id=1260.

3. On-line sales results are encouraging as a response to efforts made by retailers to bulk up their on-line presence this year. That said, the figures are still modest as we're talking a total on-line Black Friday sales figure somewhere just north of last year's previous record of US$1 billion in on-line sales. IBM Coremetrics reported that on-line sales climbed 39% on Thanksgiving and 24% on Black Friday compared to last year. Here is their report: http://www.coremetrics.com/solutions/benchmark-report-black-friday-cyber-monday-2011.php?cm_sp=holiday2011-benchmark-reports-_-website-_-

BoC Events

BoC Overnight Lending Rate
Current Rate: 1.0%
Next Move: December 6 @ 1.0%
Bias: Neutral

Fed Events

Fed Funds Target Rate
Current Rate: 0-0.25%
Next Move: Dec. 13 @ 0-0.25%
Bias: Dovish

Key International Events

BoJ
Current Rate: 0.10%
Next Move: Dec. 21 @ 0.10%
Bias: Dovish

BoE
Current Rate: 0.50%
Next Move: Dec. 8 @ 0.50%
Bias: Dovish

ECB
Current Rate: 1.25%
Next Move: Dec. 8 @ 1.25%
Bias: Neutral

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Scotia Economics
Scotia Plaza 40 King Street West, 63rd Floor
Toronto, Ontario Canada M5H 1H1
Tel: (416) 866-6253 Fax: (416) 866-2829
Email: scotia_economics@scotiacapital.com

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4. Comscore reports that on-line Thanksgiving Day sales were 18% higher than last year and Black Friday was 26% higher. They figure that the full month of November has so far raised spending by 15% over November 2010. Here is their press report: http://www.comscore.com/Press_Events/Press_Releases/2011/11/Black_Friday_Boasts_816_Million_in_U.S._Online_Holiday_Spending.

Now for the caveats. First, what I haven't seen is a measure of sales growth adjusted for total hours open, since many stores opened earlier than ever this year -- either on Thanksgiving evening or midnight and throughout the night. Some surveys were suggesting that shoppers just under half of shoppers planned to do their shopping between midnight and sunrise. If in-store sales climbed 6-9% to a record as ShopperTrak and the NRF report, then was that simply by virtue of operating with the longest hours ever? Consider that a 6-9% rise in opening hours would only mean being open for around two extra hours per day which many retailers did and then some. What is also impossible to discern is an on-line sales figure adjusted for heavy investment in on-line capabilities in the lead up to Black Friday.

Second, is there anything left in the tank to propel US consumers into year end and early next year, or will retrenchment follow? I'm not sure that strong Black Friday weekend sales are a signal that the consumer is alive and well and ready to release pent-up demand, versus evidence that their finances are so shaky they pepper sprayed each other in order to guarantee getting the early season discounts as the US consumer is perhaps more price-conscious than ever. Time will tell in the full November retail results, and those for December and into Q1.

Third, at what expense did the sales gain come to retailers that incurred higher operating expenses through longer operating hours and higher IT investment? We'll see to what extent margins paid for a sales gain in Q4 retail earnings guidance over the weeks and months ahead.

New home sales (10:00amET) are expected to be flat in today's October reading, but when operating at such depressed levels, small level changes will induce big percentage swings as the volume of new homes sold remains mired around the record lows floating on either side of 300k.

The **Dallas Fed manufacturing activity index** (10:30amET). This is the last regional benchmark to be released before the far more important ISM manufacturing print on Thursday which consensus has pegged for a small gain.

The **NY Fed's quarterly report on household debt** (11:00amET) sometimes gets headlines.

INTERNATIONAL

Now that's a much more pleasant start to a week. Global markets are in major rally mode this morning, unless you own Treasuries or the US$ that are getting crushed through a 10bps backing up in 10s and a broad based sell-off in the USD. Flows are migrating heavily into the higher-beta currencies like the A$, NZ$, Real, Rand, and CAD that are all up by between 1.3-2%. Bunds are also selling off in a carry over of last week's trade with 10s up a further 5bps. European equity benchmarks are up 2-4% and Dow futures are pegging a 245 point gain at the opening 9:30amET bell. I'm not sure this rally has sticking power in light of lingering doubts about Black Friday sales that were expressed above, and doubts that Europe can pull off a fiscal union.

Regardless, one of the catalysts is renewed hope for the US consumer as covered above. The other key catalyst which may be weighted more heavily is progress toward achieve more meaningful reforms in Europe. A weekend rumour that an IMF loan to Italy was being prepared was denied by an IMF official, and by frank reality as the IMF's current resources are insufficient to cover a meaningful loan.

Germany and France are pushing toward agreement among the 17 euro-using economies within the EU-27 in favour of a strict fiscal enforcement mechanism within the context of a broader push toward strengthened fiscal oversight. This is in the lead-up to tomorrow's meeting of finance ministers. Germany is seeking changes to the eurozone's treaty by the end of 2012 but is working toward a second best solution that targets the smaller group outside of the need for treaty changes. It is hoped that success would bring the ECB into the market to more aggressively purchase eurozone bonds if one of the ECB's chief concerns related to fiscal oversight is appeased. France continues to oppose Germany's desire for automatic fiscal penalties and thus one is left wondering how strengthened fiscal oversight can be anything but token in nature. Further, a second best solution that targets a subset of countries may in and of itself further splinter the eurozone.

Belgium tested the waters this morning and a green light was given albeit at a steep price. It sold a total of €450 million in bonds at a bid-to-cover of 2.59 times and thus avoided Germany's recent failed auction fate. The yield on auctioned 10 year notes, how-ever, was the highest since January 2000.

Italy wasn't quite as successful, but still sold 2023 bonds at a bid-to-cover of 2.16 and an average yield of 7.3%. Italy's curve is rallying with 2 year notes 54 bps lower at the time of writing and 10 year notes 16bps lower to 7.1% on a bull steepener.

German inflation averaged out at a very tame level in early state-level releases for the month of November this morning. CPI in Saxony and North Rhine-Westphalia fell 0.1% and was flat in each of Bavaria and Hesse, while climbing 0.2% in Brandenburg. Baden Wuerttemberg will be released at 8:00amET followed by the preliminary add-up that consensus has pegged for a 0.1% drop.

Markets are fully shaking off fresh **OECD forecasts** that have sharply revised global growth lower while warning of contagion risk stemming from Europe's debt crisis. That could be because markets have already priced in such arguments, as the OECD is a tad late to the party with revisions to its last outlook in May.

CANADA

The OECD's latest forecast for Canada - released this morning - expects growth of only 1.9% next year which is nearly a full point lower than their last Spring forecast and still a tad stronger than Scotia's call.

There are no Canadian releases, speeches or auctions today as the market will trade in the direction of the global tone.

Fixed Income	Government Yield Curves (%):											
	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	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	0.26	0.92	0.93	0.90	2.04	197	196	2.95	2.92	2.95
CANADA	0.99	0.94	0.90	147	139	137	2.18	2.09	2.10	2.72	2.64	2.72
GERMANY	0.46	0.46	0.41	127	123	104	2.30	2.26	192	2.89	2.83	2.57
JAPAN	0.15	0.14	0.12	0.38	0.35	0.31	106	103	0.96	2.01	196	193
U.K.	0.42	0.46	0.49	110	112	109	2.32	2.29	2.20	3.14	3.14	3.18
	Foreign - U.S. Spreads (bps):											
CANADA	71	66	63	55	46	47	14	13	15	-24	-28	-23
GERMANY	19	19	15	35	30	14	26	30	-4	-6	-9	-38
JAPAN	-13	-13	-14	-54	-58	-58	-98	-94	-100	-95	-96	-101
U.K.	14	18	23	17	19	19	28	33	25	18	22	23

Equities			% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	11462.06	-23.26	-0.2	-3.6	-8.4	-11.1
Dow 30	11231.78	-25.77	-0.2	-4.6	-8.2	1.3
S&P 500	1158.67	-3.12	-0.3	-4.7	-9.8	-2.6
Nasdaq	2441.51	-18.57	-0.8	-5.7	-10.8	-3.7
DAX	5267.47	102.82	2.0	0.9	-7.6	-7.1
FTSE	5667.74	174.87	3.2	1.1	-10.7	-17.2
Nikkei	8287.49	127.48	1.6	-1.0	-8.4	-17.5
Hang Seng	18037.81	348.33	2.0	-1.0	-9.9	-21.2
CAC	2961.34	104.37	3.7	2.3	-11.6	-20.6
Commodities			% change:			
WTI Crude	99.55	2.78	2.9	2.2	6.7	18.9
Natural Gas	3.56	0.02	0.5	7.4	-9.2	-19.0
Gold	1688.50	-4.00	-0.2	-1.8	2.0	23.0
Silver	32.00	0.76	2.4	3.6	-9.7	20.2
CRB Index	305.45	-1.28	-0.4	-2.9	-5.5	1.4
Currencies			% change:			
USDCAD	1.0338	-0.0130	-1.2	-0.6	4.2	1.5
EURUSD	1.3354	0.0115	0.9	-1.0	-5.6	1.7
USDJPY	77.7700	0.0400	0.1	1.1	2.6	-7.7
AUDUSD	0.9921	0.0210	2.2	0.8	-7.3	3.0
GBPUSD	1.5555	0.0116	0.8	-0.6	-3.6	-0.1
USDCHF	0.9220	-0.0080	-0.9	0.5	6.8	-7.8

Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing.
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