

## WEEKLY COMMENTARY

# Five Observations on What We've Witnessed This Week

By Jimmy Jean, Vice-President, Chief Economist and Strategist

### 1. Not Even Close

The trauma from the 2020 election along with consistently tight polls established a widespread belief that this election would be close, likely requiring drawn-out recounts and subject to legal challenges. Instead, Trump achieved a resounding victory, sweeping the Democrats' Blue Wall, capturing key demographics such as white women, and improving support among Latino and Black voters. This outcome came despite a Democratic campaign that significantly outspent its opponent (and any previous campaign, for that matter). We'll leave it to the pundits to dissect the seismic shift to the right in America, but for now let's retain the idea that Canada's own visible shift to the right, well perceptible in recent polls, might also be underestimated. That could in turn shape the type of promises that will be bandied about in the upcoming election.

### 2. They Actually Fell for It

At the very least, polls were useful in highlighting voters' primary concerns. Democratic voters largely focused on issues like democracy, abortion rights and the makeup of the Supreme Court, whereas Republican voters prioritized the economy, immigration and national security. One of the more puzzling aspects of this election is the perception of the economy: despite the US economy's strong performance, a resilient job market and robust equity returns, inflation remains a powerful confidence killer. This is understandable, yet it's perplexing that voters supported a candidate promising to solve nearly every economic challenge through tariffs and deportations—both of which are clearly inflationary. The same candidate claiming he'll reduce grocery prices intends to impose tariffs on items like coffee, seafood, avocados and a range of other imported

foods. While Trump's appeal to non-college-educated voters is well documented, this outcome reflects a deeper mistrust of science and expertise that has been nurtured since at least 2016. That distrust has now fully matured, leaving disinformation and misinformation stamped all over this result.

### 3. Trump Bump, Part 2

The S&P 500 crossed the 6,000 mark, as Wall Street eagerly embraces an agenda of tax cuts, deregulation and policies friendly to both fossil fuels and cryptocurrency. In just three days, the stock market has achieved gains comparable to what took a full month in 2016. This follows one of the best years for US stocks since 2000 (graph on page 2). How long will the Trump rally last? Unlike in 2016, Trump's protectionist agenda is now expected to be taken more seriously. His upcoming cabinet appointments will signal whether he prioritizes demonstrated competence or ideology. Trump's protectionist stance now has far broader implications than the more targeted actions of his first term. For now, the market's motto seems to be: "we'll handle it when it comes." But eventually, that reckoning will arrive, potentially bringing an end to the market honeymoon.

### 4. Bond Markets Are No Trump Loyalists

It's not just that the US 10-year bond yield surged nearly 20 basis points on Wednesday; the broader context is that Treasuries have been selling off since mid-September, driven largely by the term premium. As we highlighted [last week](#), the US government posted a \$1.8 trillion deficit in 2024. In fact, the US has the largest primary budget deficit in the OECD, and both presidential candidates made it clear this issue isn't going to be resolved soon. Amid this, Trump has floated radical ideas like abolishing

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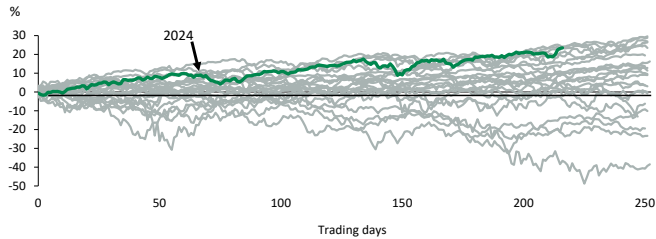
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## Graph An Exceptional Year for the S&P 500

Year-to-date change in the S&P 500 (since 2000)



Bloomberg and Desjardins Economic Studies

income taxes altogether and paying off over \$26 trillion in debt by “handing them a little crypto cheque.” We’ve seen bond market sell-offs elsewhere over far less reckless fiscal developments, and while it’s true the US often benefits from lower fiscal scrutiny, there are limits to how much investors will continue to write blank cheques for the vast debt issuance this implies—unless, of course, one seriously believes that the career aspiration of Elon Musk, the richest man on the planet, was to become an austerity czar all along. So, if equity investors were to get carried away and ignore the downside risks of Trump’s policies, bond markets could still bring them back to earth.

### 5. Canadian Diplomats: “Do Something”

Tariffs, threats (albeit shaky) to dismantle the Inflation Reduction Act and its incentives for renewable energy, electric vehicles and batteries—which Canada has strategically aligned with—and deportations all pose upside risks to market interest rates. In short, Trump 2.0 could spell significant upheaval for the Canadian economy. Aside from an unrealistic hope of diversifying away from the US export market, there’s little in the way of economic policy advice to offer Canadian policymakers. The responsibility now falls to diplomats and lobbyists to leverage their networks and interpersonal skills to persuade the Trump administration to grant Canada preferential treatment and preserve the CUSMA. Unlike the current administration, Trump—who appears poised to withdraw from the Paris Agreement again—is unlikely to care much about Canada’s critical minerals. It may help that Canada toed the line on tariffs against Chinese EVs and committed to up its defence spending. It may also help that the US auto sector is heavily located in red states and gives jobs to a significant number of Trump supporters. Still, the task is both monumental and delicate, with much at stake for Canada.

# What to Watch For

WEDNESDAY November 13 - 8:30

<b>October</b>	<b>m/m</b>
Consensus	0.2%
Desjardins	0.1%
<b>September</b>	<b>0.2%</b>

FRIDAY November 15 - 8:30

<b>October</b>	<b>m/m</b>
Consensus	0.3%
Desjardins	0.3%
<b>September</b>	<b>0.4%</b>

FRIDAY November 15 - 9:15

<b>October</b>	<b>m/m</b>
Consensus	-0.2%
Desjardins	-0.5%
<b>September</b>	<b>-0.3%</b>

FRIDAY November 15 - 8:30

<b>September</b>	<b>m/m</b>
Consensus	-0.8%
Desjardins	-0.8%
<b>August</b>	<b>-1.3%</b>

FRIDAY November 15 - 9:00

<b>October</b>	<b>m/m</b>
Consensus	n/a
Desjardins	12.0%
<b>September</b>	<b>1.9%</b>

## UNITED STATES

**Consumer price index (October)** – US headline inflation cooled again in September, slipping to 2.4%. That’s the lowest it has been since February 2021. A marked decline in energy prices was one of the factors that kept inflation on a downtrend. Energy prices probably curtailed monthly growth in the consumer price index (CPI) again in October, as gasoline prices shed 2.3% (although this was partially offset by seasonal adjustments). We expect a slightly smaller increase in food prices, which rose 0.4% in September. Month-on-month growth in the all items index probably totalled 0.1%. Meanwhile core CPI is expected to have grown 0.2% after two successive monthly gains of 0.3%. Prices for services excluding energy and housing went up 0.5% in September, the biggest jump since March, but this spike should be short-lived. As for goods, used car and truck prices may accelerate slightly. We expect year-on-year growth to have stayed the same, with headline CPI likely remaining at 2.4% and core inflation holding steady at 3.3%.

**Retail sales (October)** – Retail sales picked up 0.4% in September despite the hurricanes that affected many other economic indicators. As for October, we still don’t know whether Hurricane Milton’s passage through a heavily populated region like Florida had broader consequences. So there’s considerable uncertainty surrounding the forecast. New car sales nevertheless ramped up last month. But we believe the ongoing decline in gasoline prices once again dragged down gas station receipts. Once both of these components are excluded, retail sales probably edged up 0.5%. Total sales likely rose 0.3%.

**Industrial production (October)** – Industrial production slipped 0.3% in September, mostly due to the Boeing strike (which started mid-month) and hurricanes. The negative impact of both these factors was probably still being felt in October. Although Boeing has now struck an agreement with its workers, the labour dispute lasted all through last month. In addition, any potential rebound from the negative effects of Hurricanes Francine and Helene in September was probably limited by Hurricane Milton. Finally, the production component of the ISM Manufacturing index sagged, which is another bad sign. Overall, industrial production likely went down 0.5% in October.

## CANADA

**Manufacturing sales (September)** – For manufacturing sales, we anticipate a 0.8% drop in September, in line with Statistics Canada’s flash estimate. Another month of weak energy and petroleum products sales likely drove this decline after a second consecutive month of falling energy prices. In real terms, manufacturing sales appear to have decreased by 0.5%, complemented by a small 0.3% dip in the seasonally adjusted industrial product price index in the month.

**Existing home sales (October)** – Early figures from local real estate boards showed steep year-over-year increases in (non-seasonally adjusted) sales of over 40% in Montreal and Toronto, with Vancouver and Edmonton not far behind. It looks like the fourth consecutive interest rate cut—and the largest to date—announced in October spurred many homebuyers to make their move after waiting on the sidelines for much of 2024. Recent policy changes aimed at making homeownership more affordable for first-time homebuyers should also help support demand going forward. We’re anticipating that national seasonally adjusted growth in home sales accelerated 12% m/m in October, slightly behind the 14% monthly advance published by the Toronto Regional Real Estate Board.

THURSDAY November 14 - 2:00

<b>Q3 2024</b>	<b>q/q</b>
Consensus	0.2%
<b>Q2 2024</b>	<b>0.5%</b>

THURSDAY November 14 - 18:50

<b>Q3 2024</b>	<b>m/m</b>
Consensus	0.2%
<b>Q2 2024</b>	<b>0.7%</b>

THURSDAY November 14 - 21:00

## OVERSEAS


**United Kingdom: Real GDP (third quarter)** – The UK economy performed fairly well in the first half of 2024, with non-annualized real GDP growth coming in at 0.7% for the first quarter and 0.5% for the second. But it appears to have lost some momentum since the end of the spring. Monthly GDP growth was nil in June and July, followed by a 0.2% uptick in August. Carry-over growth for the third quarter currently stands at only 0.1%. The September print would need to be truly impressive to push the third-quarter figure much higher than that. In addition, related indicators sent mixed signals, with retail sales inching up just 0.3% in September and multiple confidence indicators sliding.


**Japan: Real GDP (third quarter)** – After contracting a non-annualized 0.6% in the first quarter, Japan’s economy rebounded 0.7% in the second. The numbers are expected to be slightly less rosy for the third quarter, with real GDP growth losing some steam. Industrial production edged down during the quarter, but retail sales continued to rise. Exports and real imports both ticked higher, but the net impact may have detracted from real GDP growth. All things considered, a slight gain is expected.

**China: Industrial production and retail sales (October)** – China’s third-quarter real GDP growth was relatively in line with expectations. But September saw bigger-than-expected increases in industrial production (+5.4%) and retail sales (+3.2%). Neither of these gains seem impressive compared with China’s historical growth, but they also suggest that the economy is stabilizing. It remains to be seen whether the October numbers will also be relatively good. The first indicators are rather promising, as the manufacturing and non-manufacturing PMIs both edged up. Higher exports in October also bode well for industrial production. But the country’s struggling property sector and a lack of confidence are still putting a damper on the economy.

# Economic Indicators

## Week of November 11 to 15, 2024

Day	Time	Indicator	Period	Consensus		Previous reading
<b>UNITED STATES</b>						
<b>MONDAY 11</b>	---	Markets closed (Veterans Day)				
<b>TUESDAY 12</b>	10:00	Speech by Federal Reserve Governor C. Waller				
<b>WEDNESDAY 13</b>	8:30	Consumer price index				
		Total (m/m)	Oct.	0.2%	0.1%	0.2%
		Excluding food and energy (m/m)	Oct.	0.3%	0.2%	0.3%
		Total (y/y)	Oct.	2.6%	2.4%	2.4%
		Excluding food and energy (y/y)	Oct.	3.3%	3.3%	3.3%
	9:45	Speech by Federal Reserve Bank of Dallas President L. Logan				
	13:00	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
	13:30	Speech by Federal Reserve Bank of Kansas City President J. Schmid				
	14:00	Federal budget (US\$B)	Oct.	n/a	n/a	64.3
<b>THURSDAY 14</b>	8:30	Initial unemployment claims	Nov. 4–8	225,000	219,000	221,000
	8:30	Producer price index				
		Total (m/m)	Oct.	0.2%	0.0%	0.0%
		Excluding food and energy (m/m)	Oct.	0.3%	0.1%	0.2%
	15:00	Speech by Federal Reserve Chair J. Powell				
	16:15	Speech by Federal Reserve Bank of New York President J. Williams				
<b>FRIDAY 15</b>	8:30	Empire State Manufacturing Index	Nov.	0.0	4.0	-11.9
	8:30	Export prices (m/m)	Oct.	-0.1%	0.1%	-0.7%
	8:30	Import prices (m/m)	Oct.	-0.1%	0.0%	-0.4%
	8:30	Retail sales				
		Total (m/m)	Oct.	0.3%	0.3%	0.4%
		Excluding automobiles (m/m)	Oct.	0.3%	0.4%	0.5%
	9:15	Industrial production (m/m)	Oct.	-0.2%	-0.5%	-0.3%
	9:15	Production capacity utilization rate	Oct.	77.2%	77.0%	77.5%
	10:00	Business inventories (m/m)	Sep.	0.2%	0.1%	0.3%
<b>CANADA</b>						
<b>MONDAY 11</b>	---	Markets closed (Remembrance Day)				
<b>TUESDAY 12</b>	8:30	Building permits (m/m)	Sep.	n/a	3.2%	-7.0%
<b>WEDNESDAY 13</b>	---	---				
<b>THURSDAY 14</b>	---	---				
<b>FRIDAY 15</b>	8:30	Manufacturing sales (m/m)	Sep.	-0.8%	-0.8%	-1.3%
	8:30	Wholesale sales (m/m)	Sep.	n/a	0.9%	-0.6%
	9:00	Existing home sales (m/m)	Oct.	n/a	12.0%	1.9%
	10:30	Release of the Bank of Canada's Senior Loan Officer Survey				

**Note:** Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).  Desjardins Economic Studies forecast.

# Economic Indicators

## Week of November 11 to 15, 2024

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
<b>OVERSEAS</b>							
<b>SUNDAY 10</b>							
Japan	18:50	Current account (¥B)	Sep.	2,982.1		3,016.5	
<b>MONDAY 11</b>							
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<b>TUESDAY 12</b>							
Germany	---	Current account (€B)	Sep.	n/a		14.4	
United Kingdom	2:00	ILO unemployment rate	Sep.	4.1%		4.0%	
Germany	2:00	Consumer price index – final	Oct.	0.4%	2.0%	0.4%	2.0%
Germany	5:00	ZEW Current Conditions Survey	Nov.	-85.0		-86.9	
Germany	5:00	ZEW Expectations Survey	Nov.	13.2		13.1	
Japan	18:50	Producer price index	Oct.	0.1%	2.9%	0.0%	2.8%
<b>WEDNESDAY 13</b>							
France	1:30	ILO unemployment rate	Q3	7.4%		7.3%	
<b>THURSDAY 14</b>							
United Kingdom	2:00	Trade balance (€M)	Sep.	-1,300		-955	
United Kingdom	2:00	Construction	Sep.	0.2%	-0.6%	0.4%	0.3%
United Kingdom	2:00	Index of services	Sep.	0.2%		0.1%	
United Kingdom	2:00	Monthly GDP	Sep.	0.2%		0.2%	
United Kingdom	2:00	Real GDP – preliminary	Q3	0.2%	1.0%	0.5%	0.7%
United Kingdom	2:00	Industrial production	Sep.	0.1%	-1.2%	0.5%	-1.6%
Eurozone	5:00	Industrial production	Sep.	-1.3%	-1.9%	1.8%	0.1%
Eurozone	5:00	Net change in employment – preliminary	Q3	n/a	n/a	0.2%	0.8%
Eurozone	5:00	Real GDP – preliminary	Q3	0.4%	0.9%	0.4%	0.9%
Mexico	14:00	Bank of Mexico meeting	Nov.	10.25%		10.50%	
Japan	18:50	Real GDP – preliminary	Q3	0.2%		0.7%	
China	21:00	Industrial production	Oct.		5.6%		5.4%
China	21:00	Retail sales	Oct.		3.8%		3.2%
Japan	23:30	Tertiary Industry Activity Index	Sep.	0.2%		-1.1%	
Japan	23:30	Industrial production – final	Sep.	n/a	n/a	1.1%	-2.8%
<b>FRIDAY 15</b>							
France	2:45	Consumer price index – final	Oct.	0.2%	1.2%	0.2%	1.2%
Italy	5:00	Trade balance (€M)	Sep.	n/a		1,431	

**Note:** Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Times shown are Eastern Standard Time (GMT -5 hours).