

REVIEW - WEEK OF SEPTEMBER 30<sup>th</sup>, 2019

October 7<sup>th</sup>, 2019

Last week was marked by a number of economic indicators expected by markets, as well as numerous political, economic and trade-related developments.

Starting with the U.S.-China trade war, recent Chinese purchases of U.S. pork may have been more a necessity than a concession. China freed up 10,000 tons of pork from its national reserves in order to address the shortage of meat and rising prices. This situation gives Washington leverage in upcoming talks. The two sides are still scheduled to sit down on October 10.

Late in the week, the United States opened up a new front in the trade war with the European Union. The Trump administration is mulling imposing tariffs on aircraft and farm goods imported from the European Union starting on October 18. This new wave of punitive measures is in retaliation for unfair government aid to aerospace giant Airbus. Here again, the two parties are scheduled to meet for negotiations on October 14.

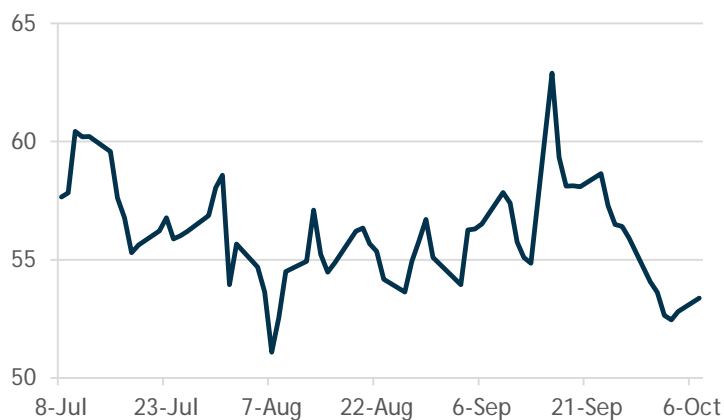
Turning to economic indicators, the U.S. ISM Manufacturing Index came in at its lowest level in the past decade at 47.8 (a reading under 50 means a contraction). The greenback lost ground against all its major peers as a result. The impact of this disappointing reading was instantly felt on U.S. stock markets, which closed the day Tuesday down more than 1.70%. In addition to the disappointing ISM Manufacturing Index, ADP job data fed into concerns about slowing economic growth. U.S. 10-year bond yields ended the week down more than 15 basis points. The USD/CAD pair also reacted sharply this week, with the U.S. dollar rising more than 80 points against the loonie.

On Friday, U.S. Non-Farm Payroll data came in slightly below expectations with growth of 136,000 jobs, rather than the expected 145,000. However, upgraded readings for previous months partially mitigated markets' disappointment.

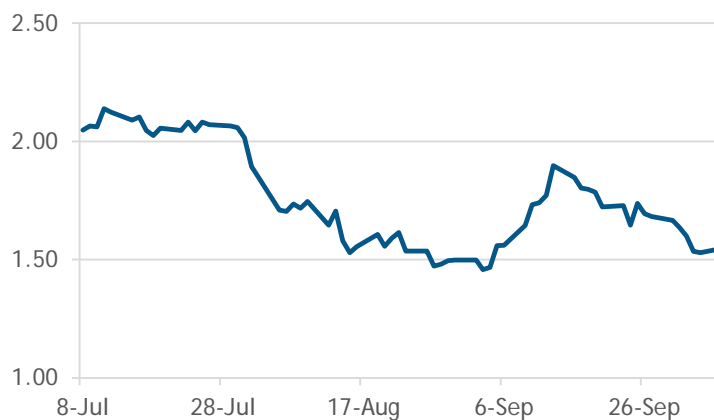
Lastly, Canadian July GDP was a slight disappointment at 0.0% instead of the forecast 0.1%. Growth in the service sector and shrinking industrial production cancelled each other out.

In oil news, Saudi Arabia has completely recovered from the attack on its refining installations and is now pumping out more than 9.9 million barrels per day. The country also helped ease tensions in the Middle East by insisting that an armed conflict with Iran was not a possibility. As a result, the market has downgraded the risk premium on crude oil, with WTI ending the week down more than 5%.

Crude Oil WTI (USD/barrel)



US: Generic Treasury 10Y Yield (%)

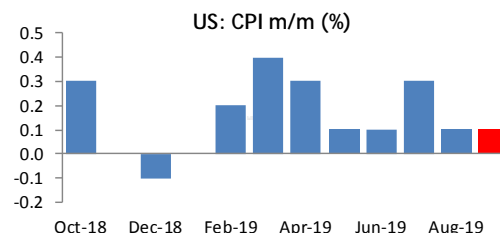


This week, we`ll be keeping an eye on Canadian job data. South of the border, our attention will be on the monthly CPI and PPI, as well as the minutes of the most recent Fed meeting.

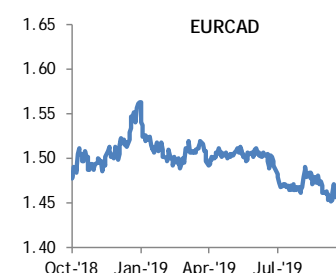
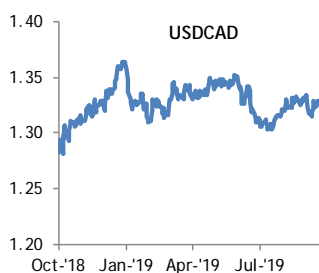
Have a great week!

**RANGE OF THE WEEK: 1.3100 - 1.3500**

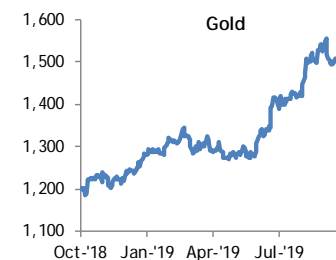
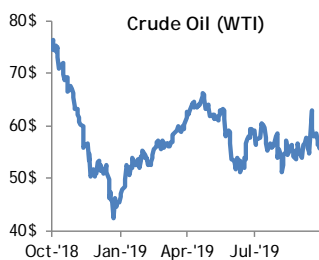
ECONOMIC RELEASES			Expected	Prior
CA 10/08	Housing Starts		220.0k	226.6k
US 10/08	PPI Final Demand m/m		0.1%	0.1%
US 10/09	FOMC Meeting Minutes		-	-
US 10/10	CPI MoM		0.1%	0.1%
CA 10/11	Net Change in Employment		10.0k	81.1k
CA 10/11	Unemployment Rate		5.7%	5.7%
US 10/11	U. of Mich. Sentiment		92.0	93.2



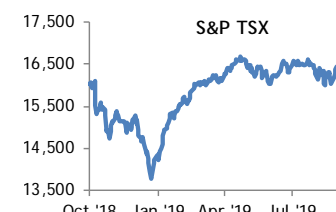
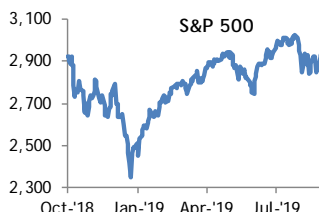
FX		Current	Wkly Chg	% Chg
	USDCAD	1.3296	+0.0075 ↑	0.6%
	EURCAD	1.4610	+0.0155 ↑	1.1%
	EURUSD	1.0981	+0.0048 ↑	0.4%
	GBPCAD	1.6378	+0.01 ↑	0.7%
	CADJPY	80.396	-1.1010 ↓	-1.4%
	CADCNY	5.3766	-0.0243 ↓	-0.4%
	AUDCAD	0.8964	+0.0100 ↑	1.1%
	CADCHF	0.7477	-0.0038 ↓	-0.5%



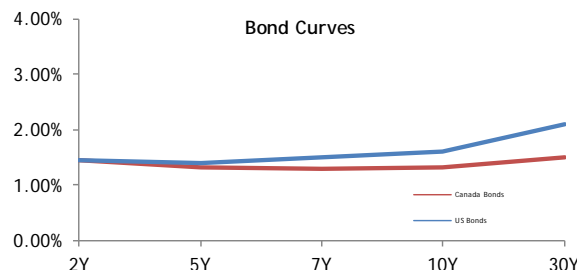
COMMODITIES		Current (USD)	Wkly Chg	% Chg
	Crude Oil- WTI (bbl.)	53.60	-0.02 ↓	0.0%
	Diesel - HO (gal.)	191.52	+1.67 ↑	0.9%
	Nat. Gas - NYMEX (MMbtu.)	2.32	+0 ↑	1.8%
	Gold (t oz.)	1,498.20	+16 ↑	1.1%
	Corn (bu.)	3.86	-6 ↓	-1.6%
	Soya (bu.)	9.16	-4 ↓	-0.4%
	Wheat (bu.)	2.98	-6 ↓	-2.0%



EQUITIES		Current	Wkly Chg	% Chg
	S&P TSX	16,449	+2 ↑	0.0%
	S&P 500	2,952	+12 ↑	0.4%
	Dow Jones	26,574	+1 ↑	0.0%
	Euro Stoxx	3,454	-64 ↓	-1.8%
	VIX	18.0	-1 ↓	-2.9%



INTEREST RATES	Canada Bonds			US Bonds	
		CA	Wkly Chg	US	Wkly Chg
	O/N	1.75%	+0.0 bps	2.00%	+0.0 bps
	Prime	3.95%	+0.0 bps	5.00%	+0.0 bps
	2Y	1.45%	-11.2 bps	1.46%	-12.0 bps
	5Y	1.31%	-10.5 bps	1.40%	-13.0 bps
	7Y	1.30%	-9.9 bps	1.50%	-11.6 bps
	10Y	1.31%	-9.3 bps	1.59%	-9.4 bps
	30Y	1.49%	-6.6 bps	2.09%	-5.6 bps



Disclaimer: Unless otherwise agreed in writing, National Bank of Canada and its affiliates act solely in the capacity of an arm's length contractual counterparty and not as an adviser or fiduciary. National Bank of Canada and its affiliates are not qualified to provide legal, tax or accounting advice. Accordingly, you should not regard transaction proposals or other written or oral communications from us as a recommendation or advice that a transaction is appropriate for you or meets your financial objectives. Any financial transaction involves a variety of potentially significant risks and issues. Before entering into any financial transaction, you should ensure that you fully understand the terms, have evaluated the risks and have determined that the transaction is appropriate for you in all respects. If you believe that you need assistance, you should consult appropriate advisers before entering into the transaction. The attached material does not constitute an offer to enter into any transaction. Such material is believed by us to be reliable, but we make no representation as to its accuracy or completeness. This brief statement does not purport to describe all of the risks associated with financial transactions and should not be construed as advice to you.

## Risk Management Solutions Group

### MONTREAL FX

514-394-8282 and 514-394-6910

**Alexandre Lemieux**  
*Managing Director*  
alexandre.lemieux@nbc.ca

**Olivier Cosialls**  
*Director*  
olivier.cosialls@nbc.ca

**Mark Donohue**  
*Director*  
mark.donohue@nbc.ca

**Salim Laaroussi**  
*Director*  
salim.laaroussi@nbc.ca

**Jessica Lawson**  
*Director*  
jessica.lawson@nbc.ca

**Emmanuel Tessier-Fleury**  
*Director*  
emmanuel.tessier@nbc.ca

**Julien Duquette**  
*Associate*  
julien.duquette@nbc.ca

**Yusuf Kocagozli**  
*Associate*  
yusuf.kocagozli@nbc.ca

**Rana Karim**  
*Director*  
rana.karim@nbc.ca

**Simon Devost-Rivard**  
*Director*  
simon.devost-rivard@nbc.ca

**Mariane Lafleur**  
*Associate*  
mariane.lafleur@nbc.ca

**Alexis Masson**  
*Associate*  
alexis.masson@nbc.ca

### MONTREAL INTEREST RATES

514-394-6885

### MONTREAL COMMODITIES

514-394-4556

**Sarah Gauthier**  
*Associate Director*  
sarah.gauthier@nbc.ca

**Myriame Landry**  
*Associate*  
myriame.landry@nbc.ca

### TORONTO FX AND INTEREST RATES

416-869-8900

**Alan Andree**  
*Director - Interest Rates*  
alan.andree@nbc.ca

**Martin McCambridge**  
*Managing Director - FX*  
martin.mccambridge@nbc.ca

**Natasha Francis**  
*Director - FX*  
natasha.francis@nbc.ca

**Christina Yang**  
*Director - FX*  
christina.yang@nbc.ca

**Ardith Haynes**  
*Associate Director - FX*  
ardith.haynes@nbc.ca

### CALGARY FX

403-440-1126

**George Androulidakis**  
*Managing Director*  
george.androulidakis@nbc.ca

**Kelvin Ng**  
*Associate Director*  
kelvin.ng@nbc.ca

#### DISCLAIMER

- This document is provided for information purposes only and is intended for use by Accredited Counterparties under the Derivatives Act (Québec) and Qualified Parties as defined under ASC, BCSC, SFSC, MSC and NBSC orders.
- National Bank of Canada and its subsidiaries (the "Bank") act solely as an arm's length contractual counterparty and not as an advisor or trustee, and are not bound by any legal obligation to advise on the validity or opportunity to transact an instrument or a financial product. Accordingly, the client should not regard transaction proposals or other written or oral communications from the Bank as a recommendation to transact or as advice that a transaction is appropriate or meets his specific financial objectives.
- Financial transactions involve a variety of potentially significant risks and issues. Before entering into any financial transaction, it is important to fully understand its terms, to have evaluated the risks, and to have determined that the transaction is suitable for the client's specific needs and objectives, level of experience, financial and operational resources, and any other relevant factors. This document does not purport to describe all of the risks associated with financial transactions and should not be construed as advice in this respect. The Bank strongly recommends independent consultation with tax, legal, accounting and financial advisors before entering into the transaction in order to obtain an assessment of the benefits and risks of the transaction with respect to the transaction-specific circumstances.
- The contents of this document do not constitute an offer to enter into any transaction. We believe the information to be reliable, but make no representation as to its accuracy or completeness. This document may refer to some terms included only for discussion purposes and does not constitute a guarantee that a transaction will be concluded based on those financial terms or otherwise. The strategies, scenarios and risks described and/or presented in this document are based on hypothetical examples, and the true and final strategies, scenarios and risks may vary depending on the circumstances.
- You are not authorized to and you may not deliver or provide any part of this document to any person without the Bank's prior written consent.