

### DAILY POINTS

March 19, 2024 @ 7:30 EST

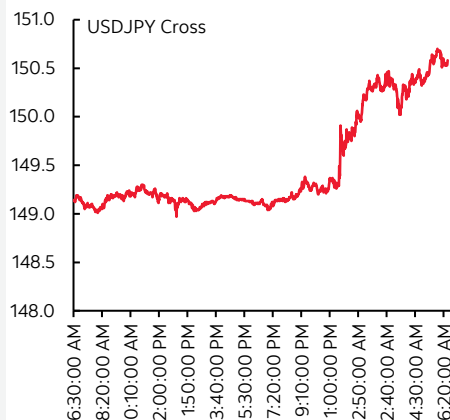
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Chart 1

#### Japanese Yen Depreciating Overnight



Sources: Scotiabank Economics, Bloomberg.

Chart 2

#### Disappearing Negative Yielding Debt



Sources: Scotiabank Economics, Bloomberg

#### On Deck for Tuesday, March 19

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03-19	08:30	Core CPI - Median (y/y)	Feb	--	3.3	3.3
CA	03-19	08:30	Core CPI - Trim (y/y)	Feb	--	3.4	3.4
CA	03-19	08:30	CPI, All items (m/m)	Feb	0.7	0.6	0.0
CA	03-19	08:30	CPI, All items (y/y)	Feb	3.2	3.1	2.9
CA	03-19	08:30	CPI, All items (index)	Feb	--	159.2	158.3
US	03-19	08:30	Building Permits (000s a.r.)	Feb	--	1496.0	1489.0
US	03-19	08:30	Housing Starts (000s a.r.)	Feb	1464	1440.0	1331.0
US	03-19	08:30	Housing Starts (m/m)	Feb	10	8.2	-14.8
CA	03-19	08:30	Core CPI - Common (y/y)	Feb	--	--	3.4
US	03-19	16:00	Total Net TIC Flows (US\$ bn)	Jan	--	--	139.8
US	03-19	16:00	Net Long-term TIC Flows (US\$ bn)	Jan	--	--	160.2

#### KEY POINTS:

- **BoJ and RBA actions ripple through global markets as the FOMC meeting begins**
- **BoJ's Ueda basically ended most of Kuroda's policies...**
- **...with a cautious forward tone that drove yen depreciation**
- **RBA shifts toward more open-ended rate guidance**
- **Was January's soft Canadian CPI an anomaly?**

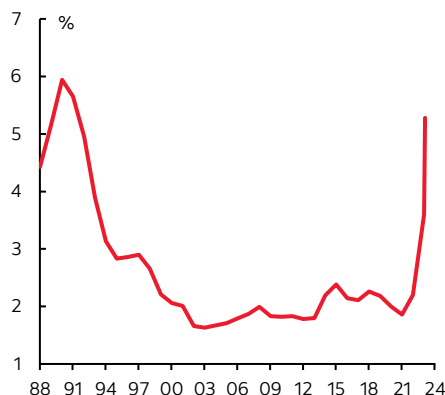
Buy the rumour, sell the fact? That seems to be the reaction to the BoJ's actions overnight as the yen depreciated from about 149.3 to the USD into the statement to 150.50 now (chart 1). Mind you, some of that is due to a broadly based appreciation in the USD. The Nikkei rallied again and the JGBs curve slightly bull flattened with the 10-year yield down by about 3bps. The BoJ's moves combined with modest changes to the RBA's guidance are contributing to a mild rally across global sovereign curves. Effects on global equities are mixed as N.A. futures decline, London is flat, and the rest of Europe is up a bit. Canadian CPI could put a twist on the local narrative this morning. Also in the background which may be driving USD strength is speculation that the FOMC will reduce projected rate cuts in tomorrow's dot plot as it commences its two-day meeting today.

#### WHAT THE BANK OF JAPAN DID

The BoJ raised its target rate from -0.1% to a 0% to +0.1% range and now uses the unsecured overnight call rate as its policy rate. Governor Ueda's press conference delivered a dovish tone by emphasizing a need for ongoing accommodation that provided no hints of future hikes. It ended its formal yield curve control program including the 10-year yield target with Ueda saying markets will drive yields, but retained more flexible JGB

Chart 3

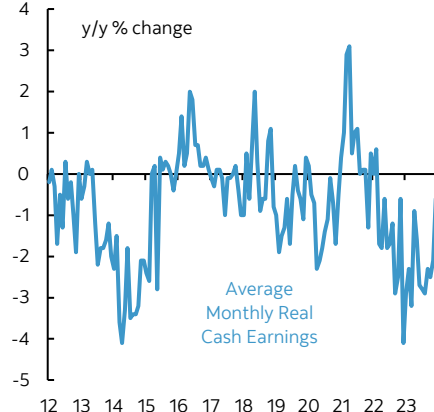
#### Japan's Spring Wage Negotiations



Sources: Scotiabank Economics, Ministry of Health, Labor & Welfare.

Chart 4

#### Still No Real Wage Inflation In Japan



Source: Scotiabank Economics, Ministry of Health, Labour and Welfare, Japan.

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buying while saying they will lean against any sharp increases in yields. It ended purchases of ETFs and REITS and guided that purchases of commercial paper and corporate bonds will be gradually reduced. No guidance was provided on plans for its existing US\$475B stock of ETFs as speculation over what to do with it remains rampant.

In a sense, the BoJ has merely caught up to the fact that negative yielding global debt has been thoroughly wiped out (chart 2). A market that once pushed toward US\$18 trillion of such debt had moved toward basically nothing quite a while ago. There are risks aplenty to what the BoJ has done and this only commences the experiment that basically amounts to Ueda scrapping the central tenets of former Governor Kuroda's framework. What if wage growth at large companies (chart 3) falls back down given the lack of productivity supports? What if wage growth at large companies still doesn't trickle through to lift the wages of the vast majority of Japanese workers (chart 4)? What if inflation fails to sustainably achieve the 2% target and the rise was driven by transitory factors? Hence some of the reasons for why the decisions had some dissenters on the Board.

### RBA SHIFTED TOWARD MORE OPEN-ENDED FORWARD RATE GUIDANCE

The A\$ was the second worst FX performer to the USD overnight and Australia's rates curve outperformed other global benchmarks with a bull steepener move. The RBA held its cash rate target at 4.35% as universally expected. The statement dropped the reference to how "a further increase in interest rates cannot be ruled out" and replaced it with "the Board is not ruling anything in or out" on the future rate bias which is now more open-ended. The statement suggested that wage growth may be peaking but remains high and is only compatible with achieving the 2–3% inflation target range if productivity accelerates, given that unit labour costs are high.

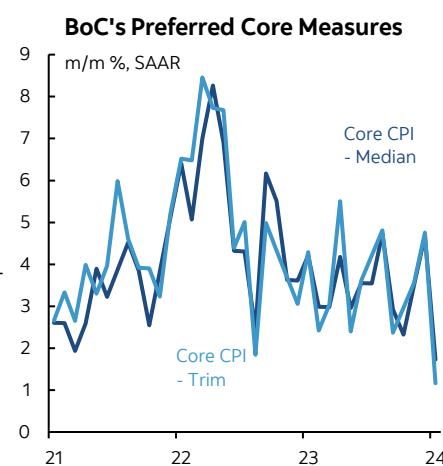
### GERMAN INVESTORS MORE CONFIDENT THAN BUSINESSES

German investor expectations accelerated with the ZEW measure rising from 19.9 to 31.7. That continues the upward trend that has been in place since August, but the markets community is recently more upbeat than businesses given that the IFO expectations measure has been moving sideways.

### WAS CANADA'S SOFT INFLATION PRINT IN JANUARY AN ANOMALY?

Canada will update CPI inflation for February this morning (8:30amET). I've gone with 0.7% m/m NSA, 0.4% m/m SA and 3.2% y/y from 2.9% prior. February is normally a significant up-month for seasonal price increases. Key will be the trimmed mean and weighted median gauges in m/m SAAR terms. January was a soft patch along a previously hot trend and so whether that was an anomaly or the start of a trend may be influential to markets (chart 5). I think it was more of an anomaly. Some effects, like abnormally mild and dry winter weather due to El Nino, may persist but if this continues into Spring it could whip the affected categories around in the other direction.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K.  CANADA GERMANY JAPAN U.K.	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		
	4.71	4.73	4.59	4.34	4.34	4.15	4.32	4.33	4.15	4.45	4.45	4.31	Canada - BoC	5.00
	4.28	4.30	4.12	3.66	3.67	3.48	3.59	3.59	3.39	3.45	3.45	3.30	US - Fed	5.50
	2.93	2.95	2.85	2.47	2.48	2.36	2.46	2.46	2.33	2.61	2.60	2.47	US - Fed	5.50
	0.18	0.19	0.20	0.38	0.38	0.38	0.74	0.77	0.77	1.81	1.82	1.83		
	4.27	4.30	4.22	3.96	4.00	3.87	4.06	4.09	3.95	4.50	4.52	4.40	England - BoE	5.25
	Spreads vs. U.S. (bps):													
	-43	-44	-47	-68	-68	-67	-73	-73	-76	-100	-100	-101	Euro zone - ECB	4.50
	-178	-178	-174	-187	-187	-179	-187	-187	-182	-184	-185	-184		
-453	-454	-439	-396	-396	-377	-358	-356	-338	-264	-263	-249	Japan - BoJ	-0.10	
-45	-43	-37	-37	-34	-28	-27	-24	-21	5	7	9			
Equities	Level						% change:						Mexico - Banxico	11.25
	Last					Change	1 Day	1-wk	1-mo		1-yr			
S&P/TSX	21837					-12.0	-0.1	0.3	2.7		12.6	Australia - RBA	4.35	
Dow 30	38790					75.7	0.2	0.1	0.4		21.7			
S&P 500	5149					32.3	0.6	0.6	2.9		31.5	New Zealand - RBNZ	5.50	
Nasdaq	16103					130.3	0.8	0.5	2.1		38.5			
DAX	17939					6.5	0.0	-0.1	5.0		21.5			
FTSE	7705					-17.8	-0.2	-0.6	-0.3		5.0			
Nikkei	40004					263.2	0.7	3.1	4.3		48.5	Canada - BoC	Apr 10, 2024	
Hang Seng	16529					-207.6	-1.2	-3.3	1.7		-13.0	US - Fed	Mar 20, 2024	
CAC	8163					15.0	0.2	0.9	5.1		17.9	England - BoE	Mar 21, 2024	
Commodities	Level						% change:						Euro zone - ECB	Apr 11, 2024
													Japan - BoJ	'A Field Not Applica
WTI Crude	82.63						-0.09	-0.1	6.5	4.3		23.8		
Natural Gas	1.73						0.03	1.8	1.1	7.7		-25.9		
Gold	2154.91						-5.45	-0.3	-0.2	6.8		8.3		
Silver	25.18						-0.05	-0.2	3.4	9.4		15.0		
CRB Index	287.24						2.61	0.9	3.3	5.4		12.8		
Currencies	Level						% change:							
USDCAD	1.3569						0.0035	0.3	0.6	0.6		-0.7	Mexico - Banxico	Mar 21, 2024
EURUSD	1.0847						-0.0025	-0.2	-0.7	0.6		1.2		
USDJPY	150.46						1.3100	0.9	1.9	0.2		14.6	Australia - RBA	Mar 18, 2024
AUDUSD	0.6514						-0.0046	-0.7	-1.4	-0.4		-3.0		
GBPUSD	1.2688						-0.0041	-0.3	-0.8	0.7		3.3	New Zealand - RBNZ	Apr 09, 2024
USDCHF	0.8882						0.0004	0.0	1.3	0.7		-4.4		

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