

### DAILY POINTS

March 21, 2024 @ 7:20 EST

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Chart 1

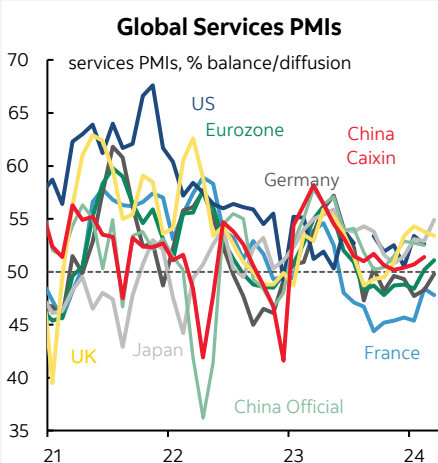
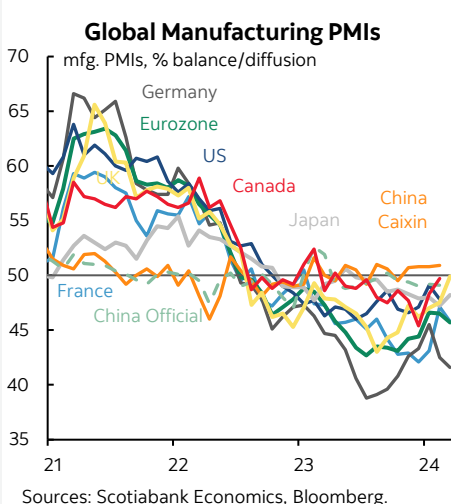


Chart 2



#### On Deck for Thursday, March 21

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-21	08:30	Current Account (US\$ bn)	4Q	-	-209.0	-200.3
US	03-21	08:30	Initial Jobless Claims (000s)	Mar 16	210	213.0	209.0
US	03-21	08:30	Continuing Claims (000s)	Mar 09	1820	1820.0	1811.0
US	03-21	08:30	Philadelphia Fed Index	Mar	-	-2.8	5.2
US	03-21	09:35	Bank of Canada Deputy Governor Gravelle Speaks in Toronto				
US	03-21	10:00	Existing Home Sales (mn a.r.)	Feb	3.9	4.0	4.0
US	03-21	10:00	Existing Home Sales (m/m)	Feb	-2.5	-1.3	3.1
US	03-21	10:00	Leading Indicators (m/m)	Feb	-	-0.1	-0.4
US	03-21	12:00	Fed's Barr Participates in Fireside Chat				

#### KEY POINTS:

- Central banks and data are spicing up markets
- SNB delivers a (mostly) surprise cut
- CBCT delivers a (mostly) surprise hike
- Turkey delivers a (mostly) surprise 500bps hike
- Australia posts huge gain in jobs, bonds sell off
- NZ slips into technical recession, prompting bets on RBNZ easing in 2024
- Global PMIs post improvements led by Japan
- BoC speech: Possible CPI reaction may matter more than balance sheet guidance...
- ...as an unexpected suite of BoC policy tools lessened the need to adjust QT
- Banxico likely to cut this afternoon
- Light US data on tap

Central banks and data are spicing it up a little this morning and with more decisions and data ahead today. We're getting a mixture of surprise hikes and a surprise cut as central banks diverge from one another to a degree. Data is informing some further relative central bank divergences with a particular eye on the Antipodean economies, while global PMIs generally improved (charts 1, 2). There is further mild follow-through on the FOMC's communications (recap [here](#)) as the US and Canadian rates curves are rallying by another 4-5bps across both countries and all maturities.

#### A SWISS SURPRISE

The Swiss National Bank is the first among the fully developed economies to cut. It surprised with a 25bps reduction this morning. The move was only partly priced, and a small minority of economists called it. Inflation is already within range and the SNB lowered its inflation forecast even with a likely implied easing path. The franc depreciated on the back of the announcement and has been depreciating all year after a bout of temporary strength into the end of last year. Clearly, they have confidence that the ECB and Fed are moving toward cuts. Otherwise, the franc is even more vulnerable. The greater sense of urgency also has to be placed in the context of the reverberating effects of challenges in the banking system and the economy.

#### SOME OTHER POLICY SURPRISES

Turkey's central bank surprised by delivering another mammoth 500bps hike to its one-week repo rate that is now at an even 50%. Yes 50%. Only one out of 21 forecasters got it right with almost all expecting a hold. In fairness, the new Governor had warned the last time they held that they were still of a hawkish mindset. Apparently so!

Taiwan's central bank hiked to 2% from 1.875% against widespread expectations for a

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hold. The hike was aimed at curbing high inflation, risk to inflation expectations, and pass through effects of a major hike in electricity prices.

Brazil's central bank cut 50bps as expected last evening and guided another 50bps cut the next time.

### AUSTRALIA'S JOB MARKET IS ON FIRE...

Australia's job market roared to life with the creation of 116.5k jobs last month (consensus 40k). Most were full-time (78k). The unemployment rate fell back to 3.7% from 4.1% (chart 3).

### ...BUT ITS NEIGHBOUR SLIPPED INTO RECESSION

New Zealand's economy barely slipped into one definition of recession with back-to-back declines in quarterly GDP. Q4 GDP slipped by -0.1% q/q SA non-annualized after a prior drop of -0.3% (chart 4). That drove a bull steepener with the 2s yield down about 4bps overnight. More importantly, the NZ-AU relative spread widened by 9bps on the combination of weak NZ data and strong AU data which raises the prospects of incremental divergence in relative central bank pricing.

### A POSITIVE ROUND OF GLOBAL PMIS

A round of global purchasing managers' indices can be summarized as follows and with charts 5-8 thrown in to show rough correlations to GDP growth over time.

- Eurozone: The composite gauge improved a little to 49.9, up 0.7, and thus signalling that the economy is roughly on the dividing line between expansion and contraction. All of that gain was in services as manufacturing slipped. It appears to have been driven by Germany and perhaps others, but not France.

- UK: The UK composite PMI was little changed as a mild improvement to manufacturing was offset by a mild deterioration in services.

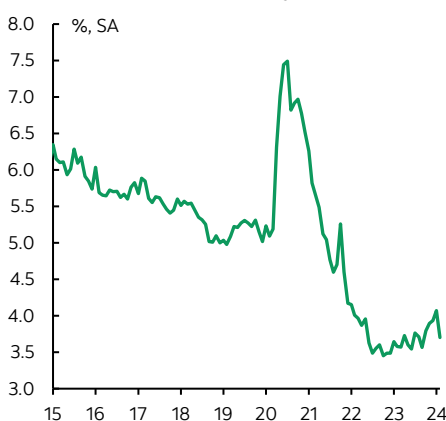
- Australia: the composite PMI edged up by three-tenths to 52.4. That signals modest growth in the economy and the slight gain was all due to services as manufacturing slipped a little further into contraction.

- Japan: the composite PMI was up by 1.7 points to 52.3, signalling improved growth. Most of that was due to faster growth in services but the pace of manufacturing decline ebbed a little.

- India's composite PMI also improved to 61.3 for a seven-tenths gain. That indicates strong growth and the gain was spread across services and manufacturing.

Chart 3

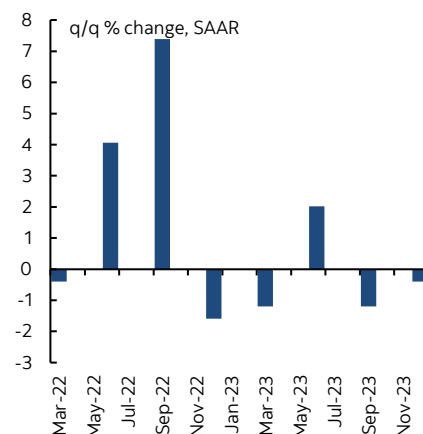
#### Australia's Unemployment Rate



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 4

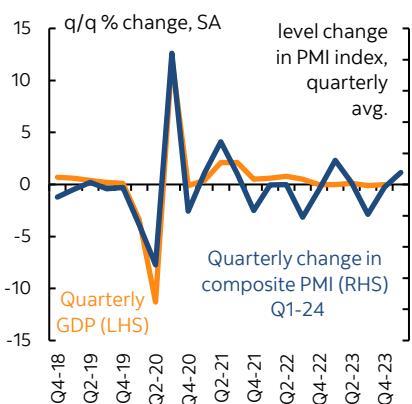
#### New Zealand's GDP



Sources: Scotiabank Economics, Bloomberg.

Chart 5

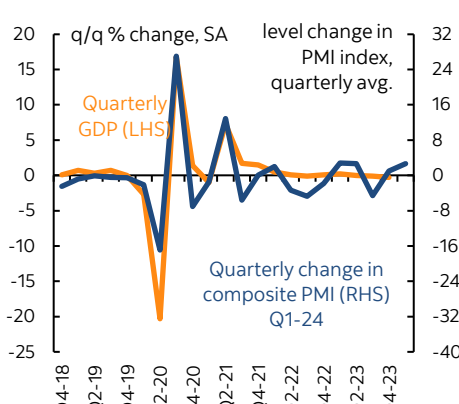
#### Eurozone



Sources: Scotiabank Economics, S&P Global, Bloomberg.

Chart 6

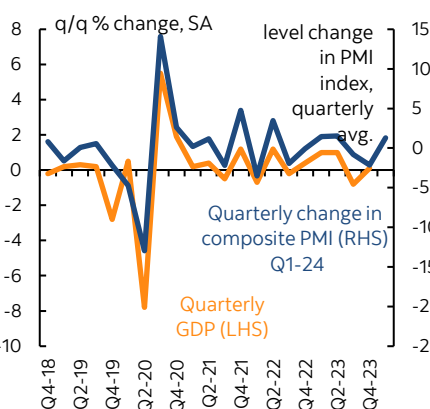
#### United Kingdom



Sources: Scotiabank Economics, S&P Global, Bloomberg.

Chart 7

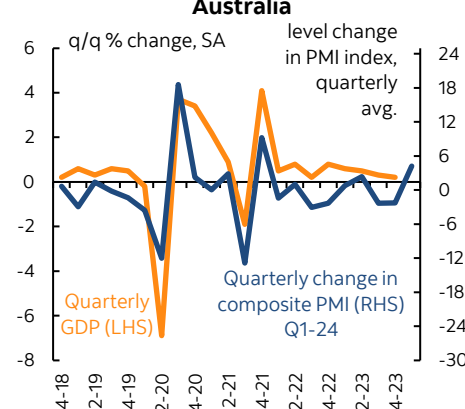
#### Japan



Sources: Scotiabank Economics, S&P Global, Bloomberg.

Chart 8

#### Australia



Sources: Scotiabank Economics, S&P Global, Bloomberg.

On tap are several additional developments.

### **BANK OF ENGLAND — STILL PATIENT?**

The Bank of England is expected to hold but watch for the possibility of more dovish guidance given recent data (8amET). I suspect they'll acknowledge it but say they require more evidence.

### **BOC'S GRAVELLE — CPI REACTION MAY MATTER MORE THAN BALANCE SHEET GUIDANCE**

How did the BoC view this week's inflation report? That might be the most important part of Deputy Governor Gravelle's speech today (9:35amET) with audience Q&A but no presser. I expect him to say that a pair of soft core prints is encouraging but that they need a lot more data and that they remain concerned about inflation risk. Whippy markets are behaving absurdly in response to a lousy pair of soft readings with big question marks around them.

Gravelle's comments on the balance sheet are unlikely to be that meaningful after Macklem previously said that no QT changes were afoot. Why? Because they've thrown repo injections, receiver general auctions and likely cash management bills at the distorting QT consequences alongside the effects of indigenous payments moving into settlement balances and the signalling effects that they'll do more such things if necessary to contain CORRA-o/n spreads.

If not for these actions and the more important signalling that the Fed is moving toward tapering QT that carries spillover effects across North American funding markets, then the BoC would have very likely had to adjust QT itself. Those who said that the BoC would not have to adjust QT generally did not expect any of these developments, some of which have compounded distortions in funding markets. That's a bit absurd in my opinion. Perhaps also absurd was SDG Rogers' claim that the earlier CORRA-o/n spread widening wasn't due to QT distortions and was just due to funding demand around rate cut expectations. CORRA-o/n was widening since late last summer when no one was talking rate cuts so I don't know how that argument stands the test of time.

Regardless, the BoC is determined to continue its QT plans through to fruition unless we get another surprise from them today. Their prior guidance was to continue with 100% roll-off until the end of this year or early next.

It might have been nice to have a presser for this one, but maybe they axed the idea after Governor Macklem's earlier remarks made much of the speech pointless.

### **LIGHT US REPORTS**

There will be light macro reports out of the US including weekly claims (8:30amET), the Philly Fed measure as input into ISM-manufacturing expectations (8:30amET), the S&P PMIs for March (9:45amET), and existing home sales during February that are expected to slip after the prior month's gain (10amET).

### **MEXICO'S CENTRAL BANK TO CUT**

Banxico might be next up to cut 25bps this afternoon and therefore join most of its LatAm peers (3pmET). Twenty-six out of 29 forecasters expect a cut plus our economist colleagues in Mexico who are not in the Bloomberg survey, making for 27 out of 30 in total.

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		
	4.56	4.60	4.69	4.20	4.25	4.29	4.23	4.27	4.29	4.42	4.45	4.43	Canada - BoC	5.00
	4.07	4.11	4.22	3.46	3.51	3.60	3.44	3.49	3.53	3.37	3.41	3.41	US - Fed	5.50
	2.87	2.93	2.92	2.39	2.45	2.45	2.40	2.43	2.43	2.57	2.59	2.57	England - BoE	5.25
	0.19	0.18	0.20	0.38	0.38	0.38	0.74	0.74	0.78	1.81	1.81	1.84		
	4.16	4.23	4.32	3.85	3.92	4.00	3.97	4.02	4.09	4.46	4.48	4.53		
	Spreads vs. U.S. (bps):													
	-49	-49	-47	-73	-73	-69	-79	-79	-76	-105	-104	-103	Euro zone - ECB	4.50
	-170	-168	-178	-180	-180	-184	-183	-184	-187	-185	-187	-186	Japan - BoJ	-0.10
-437	-442	-450	-381	-387	-391	-349	-353	-351	-261	-264	-260			
-41	-37	-37	-34	-33	-29	-26	-26	-20	4	2	9			
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	22046			185.1			0.8	0.3	4.1	12.2				
Dow 30	39512			401.4			1.0	1.2	2.3	21.3				
S&P 500	5225			46.1			0.9	1.1	4.9	30.5				
Nasdaq	16369			202.6			1.3	1.2	5.1	38.0				
DAX	18060			44.7			0.2	0.7	5.5	18.9				
FTSE	7809			71.8			0.9	0.9	1.9	3.6				
Nikkei	40816			812.1			2.0	5.5	4.4	48.6				
Hang Seng	16863			320.0			1.9	-0.6	0.7	-13.9				
CAC	8140			-21.5			-0.3	-0.3	4.2	14.4				
Commodities	Level						% change:							
WTI Crude	81.00			-0.27			-0.3	-0.3	4.0	16.8				
Natural Gas	1.69			-0.01			-0.4	-2.8	-4.5	-27.9				
Gold	2207.42			21.03			1.0	2.1	9.0	13.8				
Silver	24.86			-0.08			-0.3	2.3	7.8	10.5				
CRB Index	285.52			-1.34			-0.5	1.6	4.2	10.8				
Currencies	Level						% change:							
USDCAD	1.3496			0.0004			0.0	-0.3	-0.1	-1.6				
EURUSD	1.0916			-0.0006			-0.1	0.3	0.9	1.4				
USDJPY	151.04			-0.2200			-0.1	1.8	0.5	14.0				
AUDUSD	0.6606			0.0020			0.3	0.4	0.8	-0.9				
GBPUSD	1.2764			-0.0021			-0.2	0.1	1.0	4.5				
USDCHF	0.8927			0.0058			0.7	1.0	1.5	-3.2				
Next Meeting Date														
												Canada - BoC	Apr 10, 2024	
												US - Fed	May 01, 2024	
												England - BoE	Mar 21, 2024	
												Euro zone - ECB	Apr 11, 2024	
												Japan - BoJ	A Field Not Applica	
												Mexico - Banxico	Mar 21, 2024	
												Australia - RBA	May 07, 2024	
												New Zealand - RBNZ	Apr 09, 2024	

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