

### DAILY POINTS

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Chart 1

#### Canada: Unit Labour Costs

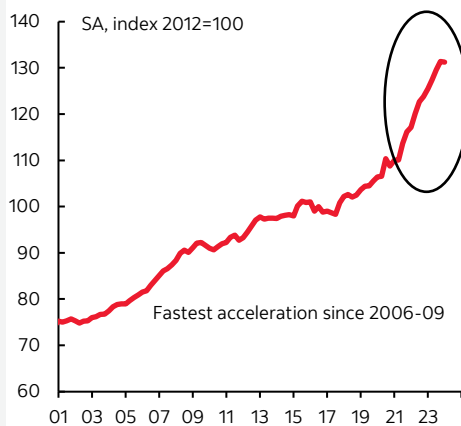


Chart 2

#### US Core Capital Goods Orders Are Plateauing at a Record High



### On Deck for Tuesday, March 26

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-26	08:30	Durable Goods Orders (m/m)	Feb P	0.4	1.0	-6.2
US	03-26	08:30	Durable Goods Orders ex. Trans. (m/m)	Feb P	--	0.4	-0.4
US	03-26	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jan	0.2	0.2	0.2
US	03-26	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jan	6.8	6.6	6.1
US	03-26	10:00	Consumer Confidence Index	Mar	107.0	107.0	106.7
US	03-26	10:00	Richmond Fed Manufacturing Index	Mar	--	-5.0	-5.0
CA	03-26	08:15	Bank of Canada Senior Deputy Governor Carolyn Rogers Speech				

#### KEY POINTS:

- Three things to monitor after a dull overnight market session
- The BoC to speak on productivity today
- Ontario to add to fiscal easing that negates monetary easing
- Consumer confidence to headline light US data

After a dull overnight session there will be three things to monitor today.

#### THE BOC ON PRODUCTIVITY

Senior Deputy Governor Carolyn Rogers will deliver a speech on “the urgent need to improve productivity” this morning (8amET). There will be audience Q&A but no press conference which seems to be a recent pattern.

Productivity has been tumbling for an extended period now and it has underperformed the US for many years. Unit labour costs (ie: productivity-adjusted labour costs) started to accelerated after 2017 but really took off from 2021 onward (chart 1). Workers getting paid more than productivity justifies adds to inflation risk. See the Global Week Ahead for more charts and arguments on this.

Hopefully the BoC doesn't bash immigrants, given the longstanding challenges and what I've long said to be the politicization of the narrative around the effects of immigration. I still maintain that it's premature to judge the decline in real GDP per capita because a population shock unfolds in two or more stages and we've only seen part of the first stage so far. The second stage is about integrating new arrivals which may reveal a different picture for living standards. I would expect the speech to address the multiple drivers and also emphasize the implications for inflation if not addressed in an expeditious manner.

In any event, the BoC has misjudged productivity as illustrated by Governor Macklem's past remarks that advanced the view that productivity would improve on the eve of what instead turned out to be an accelerated deterioration. In theory, tumbling productivity drags down potential GDP and limits the supply side's ability to contain inflationary pressures at the margin.

#### LIGHT US DATA

Several US reports are on tap within about a 90 minute window this morning.

- The consumer confidence reading for March (10amET) may be the most relevant to markets. Confidence has been largely moving sideways for an extended period with the reading fluctuating within a band from 100–110 since early 2022. That's off the peak in 2019 but still relatively elevated.
- US durable good orders for February (8:30amET) are expected to post a mild rebound after the 6.2% m/m drop in January. Still, the prior momentum in core capital goods orders (ex-defence and air) has been lost as appetite to invest has softened (chart 2).

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- US repeat sale house prices for January are due at 9amET. House prices have been rising for 11 consecutive months.
- The US Richmond Fed manufacturing index for March (10amET) will help to further inform momentum in overall US manufacturing activity. Recent signals have been conflicting. The Empire gauge fell sharply, and both the Dallas Fed's measure and the Philly Fed's gauge slipped a bit.

### ONTARIO'S BUDGET

Expect more spending on housing and infrastructure plus measures to address cost of living pressures. The latter will include an extension of the cut to the gasoline tax but also watch for more transfers. This added spending on the heels of similarly expansionist budgets by Quebec, BC and Alberta will reduce the ability of the Bank of Canada to eventually ease monetary policy. Expansionist fiscal easing negates or lessens potential monetary easing which means that Ontarians will pay more to borrow money for longer than would otherwise be the case. Finance Minister Peter Bethlenfalvy will deliver the budget just after 4pmET when markets shut.

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			
	4.58	4.63	4.69	4.22	4.23	4.30	4.23	4.25	4.29	4.40	4.42	4.44	Canada - BoC	5.00	
	4.13	4.10	4.30	3.52	3.48	3.67	3.49	3.44	3.59	3.41	3.36	3.45	US - Fed	5.50	
	2.86	2.89	2.92	2.36	2.39	2.45	2.35	2.37	2.45	2.51	2.53	2.61	England - BoE	5.25	
	0.20	0.20	0.18	0.38	0.39	0.38	0.74	0.73	0.74	1.82	1.82	1.81			
	4.15	4.18	4.26	3.83	3.87	3.95	3.94	3.99	4.06	4.43	4.48	4.51			
	Spreads vs. U.S. (bps):														
	-45	-53	-39	-70	-75	-63	-74	-81	-70	-99	-105	-99	Euro zone - ECB	4.50	
	-173	-174	-177	-186	-184	-185	-188	-187	-184	-189	-189	-183	Japan - BoJ	-0.10	
-439	-443	-450	-384	-384	-392	-349	-351	-355	-257	-260	-263				
-44	-44	-43	-39	-36	-34	-29	-26	-24	3	7	7				
Equities	Level						% change:						Mexico - Banxico	11.00	
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	21942	-41.8			-0.2	0.5	2.9	12.5						Australia - RBA	4.35
Dow 30	39314	-162.3			-0.4	1.3	0.6	21.9						New Zealand - RBNZ	5.50
S&P 500	5218	-16.0			-0.3	1.3	2.9	31.4							
Nasdaq	16384	-44.3			-0.3	1.7	2.6	38.6							
DAX	18346	84.8			0.5	2.0	5.3	22.7						Next Meeting Date	
FTSE	7918	0.2			0.0	2.3	3.0	6.9							
Nikkei	40398	-16.1			-0.0	1.7	3.0	47.5						Canada - BoC	Apr 10, 2024
Hang Seng	16618	144.7			0.9	0.5	-0.1	-16.6						US - Fed	May 01, 2024
CAC	8161	9.2			0.1	-0.5	2.9	16.3						England - BoE	May 09, 2024
Commodities	Level						% change:						Euro zone - ECB	Apr 11, 2024	
WTI Crude	81.71	-0.24			-0.3	-2.1	5.3	18.0						Japan - BoJ	'A Field Not Applica
Natural Gas	1.65	0.03			1.9	-5.6	-0.8	-25.7							
Gold	2199.22	27.39			1.3	1.9	8.3	11.2							
Silver	24.67	0.08			0.3	-2.0	8.6	6.5							
CRB Index	288.94	3.18			1.1	0.6	5.6	11.8							
Currencies	Level						% change:								
USDCAD	1.3565	-0.0021			-0.2	-0.0	0.4	-0.7						Mexico - Banxico	May 09, 2024
EURUSD	1.0857	0.0020			0.2	-0.1	0.1	0.5						Australia - RBA	May 07, 2024
USDJPY	151.26	-0.1600			-0.1	0.3	0.4	15.0						New Zealand - RBNZ	Apr 09, 2024
AUDUSD	0.6557	0.0017			0.3	0.4	0.3	-1.4							
GBPUSD	1.2660	0.0024			0.2	-0.5	-0.2	3.0							
USDCHF	0.9003	0.0009			0.1	1.4	2.3	-1.7							

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