

DAILY POINTS

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Contributors

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Chart 2

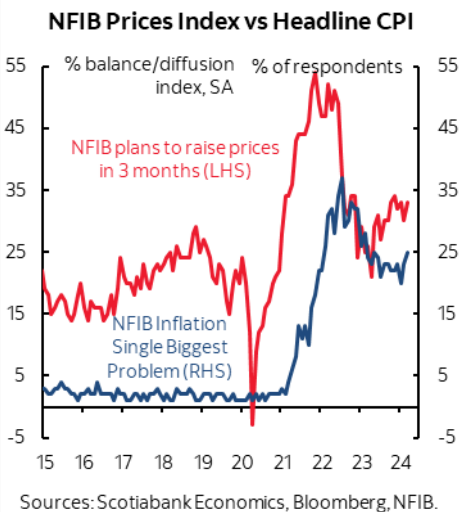
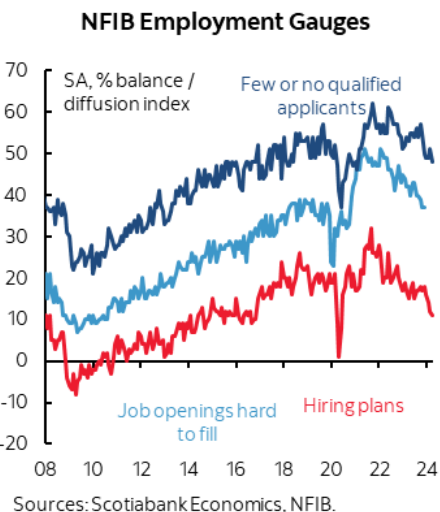


Chart 3



On Deck for Tuesday, April 9

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
No Scheduled Events							

KEY POINTS:

- Markets in a holding pattern ahead of the week's big day
- BoJ jawboning tries to short up the yen, with little success
- US small business less optimistic...
- ...while planning to hire less, hike prices more
- Yellen should look in the mirror the next time she lectures China
- Mexican CPI lands a touch softer than expected
- B.C.'s 'meh' ratings downgrade

There really is very little to consider this morning as global markets await the big day tomorrow when US CPI, the BoC, FOMC minutes and Chinese inflation all arrive. If anything spices it up today, then it would have to be off-calendar risk and/or positioning into Wednesday.

The BoJ's Futile Jawboning

The BoJ's Ueda and the BoJ rumour mill tried to spice up the yen overnight as it continues to trade well north of 150 to the USD. It didn't have much effect. The usual 'people familiar with the discussions' indicated that the BoJ may raise its inflation forecasts at its next decision on April 26th. They say it could be because of the Spring wage negotiations, yet the outcome was largely in line with what the BoJ would have anticipated in its last inflation forecast. The more likely culprit for an upward revision in my opinion would be higher oil prices and BoJ research has always said that's a transitory lift.

Further, Governor Ueda said "We have to consider reducing the degree of monetary easing if the underlying price trend rises along with our outlook. We will carefully consider this at every policy meeting as it depends on incoming data." I'm not sure how incrementally insightful that is. OIS markets were already priced by about another 20bps of tightening into year-end.

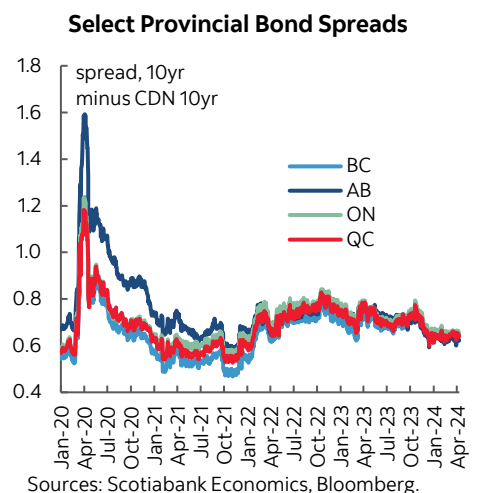
B.C.'s 'Meh' Moment

BC's downgrade from AA- to AA by S&P with a negative outlook late yesterday may continue to be priced with reverberating effects. Meh. Ratings changes usually spark a few wiggles in spreads and then folks walk it off and go back to other more important drivers like the allure of low risk spread pick-up over the sovereign (chart 1). It's a bit of a blow to the government's pride and perhaps rather well-timed if the free spending Premier Eby thinks of taking a poke at the BoC's management of monetary policy tomorrow.

US Small Businesses Are Sending Warning Signs

US small business optimism slipped a touch in March. Inflation was a reason as shown in chart 2. The net percentage of firms planning to raise prices in the next three months

Chart 1



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edged a little higher to 33 from 30 and the percentage of small businesses saying that inflation is the single biggest problem they face moved up to the highest reading since last May.

Small business hiring plans edged lower again to the lowest since the pandemic first began to unfold (chart 3). The 'hard to fill' measure of job openings also moved to its lowest since early 2021.

Mexican Inflation Lands on the Screws

Mexican CPI was a touch softer than expected at 0.29% m/m (consensus 0.36%). The year-over-year rate held at 4.4% (consensus 4.5%). Core inflation edged down to 0.4% (prior 0.5%, consensus 0.5%) and 4.55% y/y (4.6% prior and consensus).

Yellen's Lecturing Falls Flat

US Treasury Secretary Yellen's visit to China is over. Hallelujah. The ostensible purpose of her trip was to wag a finger at China for its aggressive policy goals to expand manufacturing through heavy state support and all of the distortions and complications that brings especially given the deeply intertwined ambitions of the state that go far beyond economics. Good for her. Although it was an obvious ploy in an election year and I hope that she's as critical of her own administration behind the scenes, but of course she isn't.

Yellen got about the reception that she deserved in my opinion; warm, respectful, and unlikely to lead to any changes. America isn't treated the same way it might have once been when it goes about the world wagging its finger and beseeching others to let the free market determine outcomes. We should all view that as rather unfortunate because the world needs a strong example to be set by the US if we think beyond puerile nationalism and think more about what's good for everyone especially in such a divided world with undemocratic forces.

There is a lot that I like about the US. It's often a world productivity leader. Its companies are innovative. It has the deepest and most sophisticated capital markets anywhere. But to anyone who thinks beyond backyards and borders, the rest of the world has a justified issue with getting lectured by US administrations who should focus upon reforming themselves first.

And yet America's own companies receive ginormous subsidies from US taxpayers and benefit from being protected from free market forces ([here](#)). The US Farm Bill and Europe's Common Agricultural Policy are the two biggest trade distortions affecting agriculture for which consumers, taxpayers, and developing country farmers pay dearly; if governments truly care about food prices, then liberalizing trade in agriculture would be a good place to start. The Biden Administration's curiously named Inflation Reduction Act is just a twisted name for government intervention including billions in subsidies for 'clean' stuff. The Biden administration's heavy spending and debt issuance have contributed to higher term funding costs for everyone. The US routinely bails out a banking system with far too many inefficient and mismanaged small players. The southern states siphon off activity from the northern states and other countries with massive subsidies to manufacturing and other activities. America has turned more isolationist and protectionist under both the Trump and Biden administrations. And let's not forget that the mismanagement that caused the Global Financial Crisis was then followed by US government and Federal Reserve policies that bailed out one sector after another and left us with the messy aftermath in distorted markets for years to come in a system that is full of moral hazard issues. American government policy entails bailing out just about anyone who stumbles; witness the multiple times its leading Presidential candidate has declared bankruptcy while turning it into an artform.

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			
	4.76	4.79	4.69	4.39	4.43	4.34	4.38	4.42	4.35	4.52	4.55	4.50	Canada - BoC	5.00	
	4.20	4.24	4.23	3.61	3.66	3.64	3.58	3.62	3.61	3.49	3.53	3.50	US - Fed	5.50	
	2.91	2.93	2.84	2.41	2.44	2.38	2.39	2.44	2.40	2.53	2.59	2.58	England - BoE	5.25	
	0.22	0.22	0.20	0.39	0.39	0.38	0.80	0.80	0.75	1.84	1.82	1.85			
	4.21	4.23	4.24	3.91	3.95	3.94	4.04	4.09	4.09	4.54	4.59	4.58			
	Spreads vs. U.S. (bps):														
	-56	-55	-45	-78	-77	-71	-80	-80	-74	-102	-102	-99	Euro zone - ECB	4.50	
	-185	-186	-185	-199	-199	-196	-199	-199	-195	-199	-196	-192	Japan - BoJ	-0.10	
-454	-457	-449	-400	-405	-397	-358	-362	-360	-268	-273	-264				
-55	-56	-45	-48	-49	-40	-34	-34	-27	3	4	8				
Equities	Level						% change:						Mexico - Banxico		11.00
	Last	Change		1 Day		1-wk	1-mo	1-yr							
S&P/TSX	22260	-4.1		-0.0		0.3	2.4	10.2	Australia - RBA						4.35
Dow 30	38893	-11.2		-0.0		-1.7	0.4	16.1	New Zealand - RBNZ						5.50
S&P 500	5202	-1.9		-0.0		-0.8	1.5	26.7							
Nasdaq	16254	5.4		0.0		-0.9	1.0	34.5							
DAX	18201	-118.0		-0.6		-0.4	2.2	16.7							
FTSE	7954	10.2		0.1		0.2	3.8	2.7							
Nikkei	39773	426.1		1.1		-0.2	0.2	43.9							
Hang Seng	16828	95.2		0.6		1.7	2.9	-17.2							
CAC	8083	-35.9		-0.4		-0.6	0.7	10.4							
Commodities	Level						% change:						Next Meeting Date		
WTI Crude	86.34	-0.09		-0.1		1.4	10.7	7.0	Canada - BoC						Apr 10, 2024
Natural Gas	1.89	0.05		2.5		1.6	4.8	-6.0	US - Fed						May 01, 2024
Gold	2354.22	15.19		0.6		3.2	8.0	17.2	England - BoE						May 09, 2024
Silver	27.83	1.05		3.9		13.4	13.6	11.6	Euro zone - ECB						Apr 11, 2024
CRB Index	297.48	-0.11		-0.0		1.1	7.5	9.4	Japan - BoJ						A Field Not Applica
Currencies	Level						% change:								
USDCAD	1.3572	0.0000		0.0		0.0	0.7	0.5	Mexico - Banxico						May 09, 2024
EURUSD	1.0867	0.0008		0.1		0.9	-0.5	0.1	Australia - RBA						May 07, 2024
USDJPY	151.81	-0.0100		-0.0		0.2	3.3	13.6	New Zealand - RBNZ						Apr 09, 2024
AUDUSD	0.6623	0.0019		0.3		1.6	0.1	-0.3							
GBPUSD	1.2686	0.0031		0.2		0.9	-1.0	2.5							
USDCHF	0.9035	-0.0019		-0.2		-0.5	3.0	-0.7							

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