

## DAILY POINTS

April 16, 2024 @ 7:00 EST

## Contributors

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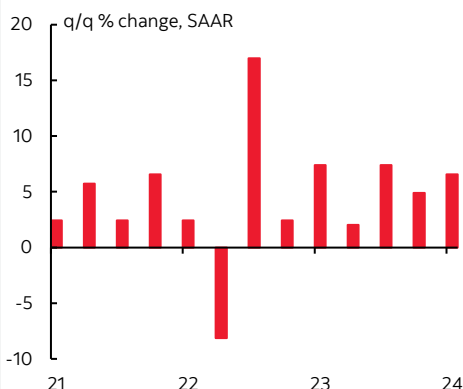
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### Chart 1

## China's Real GDP Growth



Sources: Scotiabank Economics, Bloomberg, National Bureau of Statistics of China.

## On Deck for Tuesday, April 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04-16	08:30	Core CPI - Median (y/y)	Mar	--	3.0	3.1
CA	04-16	08:30	Core CPI - Trim (y/y)	Mar	--	3.2	3.2
CA	04-16	08:30	CPI, All items (m/m)	Mar	0.7	0.7	0.3
CA	04-16	08:30	CPI, All items (y/y)	Mar	3.0	2.9	2.8
CA	04-16	08:30	CPI, All items (index)	Mar	--	159.9	158.8
US	04-16	08:30	Building Permits (000s a.r.)	Mar	--	1510.0	1524.0
US	04-16	08:30	Housing Starts (000s a.r.)	Mar	1450	1485.0	1521.0
US	04-16	08:30	Housing Starts (m/m)	Mar	-4.7	-2.4	10.7
CA	04-16	08:30	Core CPI - Common (y/y)	Mar	--	--	3.1
US	04-16	09:00	Fed's Jefferson Speaks at Monetary Policy Forum				
US	04-16	09:15	Capacity Utilization (%)	Mar	--	78.5	78.3
US	04-16	09:15	Industrial Production (m/m)	Mar	0.3	0.4	0.1
US	04-16	12:30	Fed's Williams Moderates Event w/ François Villeroy de Galhau				
US	04-16	13:00	Fed's Barkin Speaks on Economic Outlook				
CA	04-16	13:15	Fireside Chat with Tiff Macklem				
US	04-16	13:15	Fed's Powell Participates in Moderated Q&A				
US	04-16	16:30	Fed's Collins Gives Speech on Economy				

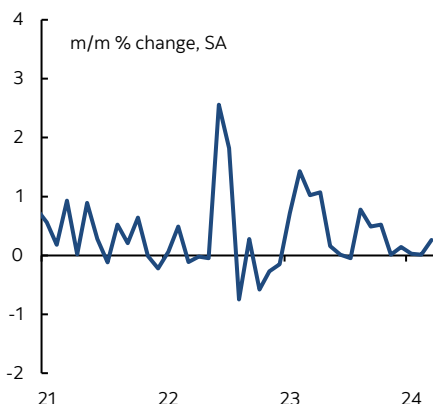
### KEY POINTS:

- Bonds, stocks continue to sell off
- Canadian core CPI: will the soft patch fade or extend?
- BoC's Macklem to speak post-CPI
- Canada's Federal Budget: Big Spending, Tax Hikes, Deficits forever...
- ...as Trudeau/Singh/Freeland fight for their political lives with an election ahead
- Canada to raise taxes on upper income earners and corporations
- Who are the 'under 1%' of earners being targeted for tax hikes in Canada?
- Fed's Powell to speak after recently strong data
- Gilts sell off after strong wages despite job losses
- China's economy beat expectations
- US earnings: BofA, MS in focus

Sovereign bonds and stocks are under selling pressure this morning. Some of that is the ongoing spillover effect from US retail sales that beat expectations yesterday. Gilts and sterling are outperforming after strong wage gains were recorded this morning despite job losses. China's economy also beat expectations. But the main focus today will be upon Canada from start to finish, anything that Fed Chair Powell says, and the continuation of US earnings season.

### Chart 2

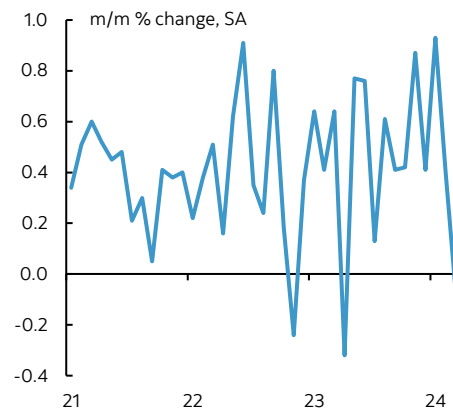
## China's Retail Sales



Sources: Scotiabank Economics, National Bureau of Statistics of China.

### Chart 3

## China's Industrial Production



Sources: Scotiabank Economics, National Bureau of Statistics of China.

April 16, 2024

Let's get the overnight stuff out of the way before the main focal points.

China's economy beat expectations with Q1 growth landing at 1.6% q/q SA nonannualized (6.6% q/q SAAR) after an upwardly revised 1.2% in Q4 (from 1% initially). That's the fastest growth since Q1 of last year (chart 1). This further validates the PBOC's decision to hold the previous day and in addition to yuan considerations.

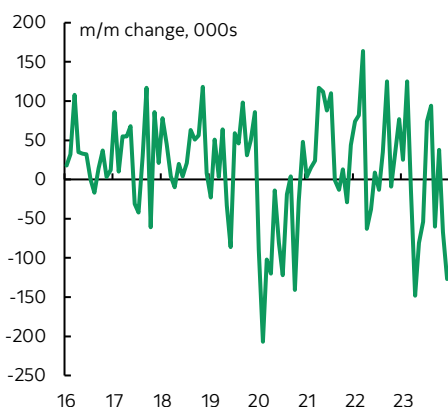
A handful of indicators suggest that the quarter didn't end very well for China, however, which may set up a soft entry into Q2 (charts 2, 3). Nominal retail sales were up by 0.3% m/m SA in October which was the strongest gain since last October but still fairly soft. Industrial production, however, slipped by -0.1% m/m for the weakest reading since last April.

The UK job market weakened in February and March. Total employment fell by 127,000 m/m SA in February after a 67k drop the prior month with declines in three of the past four months (chart 4). Payroll employment—a fresher subset of total employment—fell by about 67k m/m SA in March following a drop of 18k the prior month (chart 5). The unemployment rate moved up to 4.2% from an upwardly revised 4% the prior month.

The rub likes in the fact that UK wage growth accelerated which is not welcome from an inflation risk standpoint. Wages ex-bonuses were up by 10% m/m SAAR for the biggest gain in three months (chart 6).

Chart 4

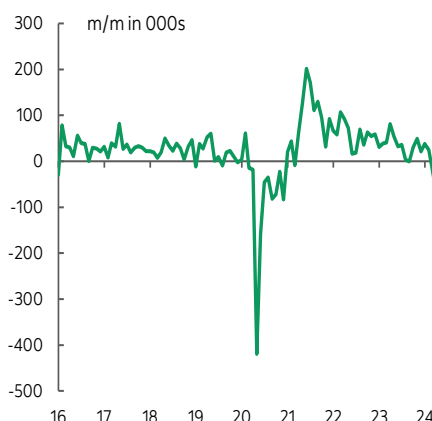
### UK Total Employment



Sources: Scotiabank Economics, UK ONS.

Chart 5

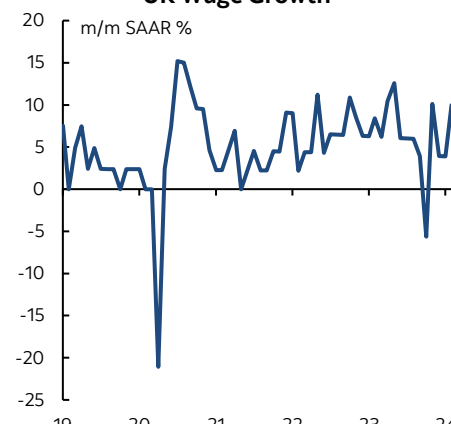
### UK Payroll Employment



Sources: Scotiabank Economics, UK ONS.

Chart 6

### UK Wage Growth



Sources: Scotiabank Economics, UK Office for National Statistics..

## CANADA — INFLATION, MACKLEM AND THE BUDGET

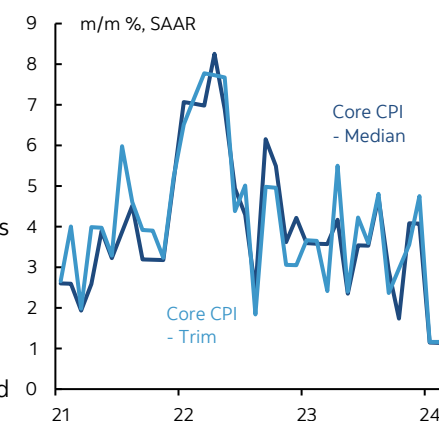
It's mostly about Canada into the North American session with a hat trick of key developments to look forward to:

**1. CPI (8:30amET):** 0.7% m/m NSA and 3% y/y is expected. Key will be trimmed mean and weighted median in m/m SAAR terms after just a two-month soft patch (chart 7). See the Global Week Ahead [here](#) that laid out expectations and risks including emphasis upon a panoply of probably temporary idiosyncratic factors that dampened inflation in January and February and that have nothing to do with the effects of tighter monetary policy. The folks saying that inflation is just driven by shelter and everything else has weakened are ignoring the unusual array of factors that may be temporarily depressing multiple categories. One example of how unusual the movements have been is clothing that saw the biggest declines to start the year on record and that may have been driven by a milder and drier than normal winter (chart 8).

**2. Governor Macklem (1:15pmET):** He's on a panel with Chair Powell at 1:15pmET at the IMF/World Bank Spring meetings. It will last for an hour and is going to be moderated by former Canadian Finance Minister Bill Morneau.

Chart 7

### BoC's Preferred Core Measures



Sources: Scotiabank Economics, Statistics Canada.

**3. Federal Budget (>4pmET):** It lands when Minister Freeland rises to speak just after 4pmET. Instant headlines will roll as soon as the media embargo lifts. Big spending, tax hikes, and deficits as far as the eye can see will be the focal points. It's being confirmed in the local press that Minister Freeland will hike taxes on relatively upper income earners and corporations in some sectors. Among this government's favourite targets have been grocers, telecoms, banks, and energy companies. Don't hold your breath while hoping to see anything about productivity, investment and saving. This government's focus remains squarely upon current spending on social programs.

Anonymous sources are being quoted saying that the Budget will raise taxes on less than the top 1%. What that means is pretty vague in terms of income cut-offs and also in terms of what types of tax hikes are likely. The top 1% of earners in Canada had median income of C\$378,900 and average income of \$579,100 in 2021 using the latest figures from StatCan that were released late last year. The top 0.1% had median income of \$1,329,600 and average income of \$2,086,100. The top 0.01% of earners had median income of \$5.14 million and average income of \$7.73 million. Chart 9.

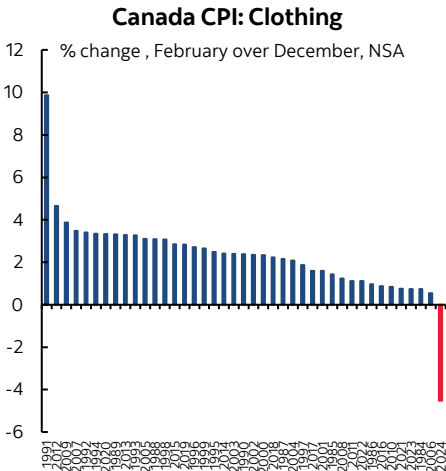
Canada also updates housing starts for March just ahead of CPI (8:15amET).

**US — Fed, IP and Earnings**

Fed watchers will have an eye on the same session at 1:15pmET when Chair Powell joins Macklem. US industrial production is also on tap (9:15amET).

US earnings will include 10 S&P-listed companies such as Morgan Stanley and BofA. BofA already beat this morning with Morgan Stanley ahead at 7:30amET.

Chart 8



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			
	4.94	4.92	4.74	4.66	4.62	4.37	4.65	4.60	4.36	4.76	4.72	4.50	Canada - BoC	5.00	
	4.26	4.23	4.08	3.81	3.77	3.59	3.78	3.74	3.55	3.67	3.63	3.47	US - Fed	5.50	
	2.91	2.91	2.89	2.45	2.44	2.39	2.46	2.44	2.37	2.63	2.59	2.52	England - BoE	5.25	
	0.28	0.28	0.22	0.49	0.49	0.39	0.87	0.86	0.80	1.93	1.92	1.84			
	4.45	4.41	4.21	4.18	4.14	3.91	4.28	4.24	4.03	4.74	4.72	4.53			
	Spreads vs. U.S. (bps):														
	-68	-69	-66	-85	-85	-78	-87	-86	-81	-108	-108	-103	Euro zone - ECB	4.50	
	-204	-201	-186	-221	-218	-199	-218	-216	-199	-213	-213	-198	Japan - BoJ	-0.10	
-467	-465	-452	-417	-413	-399	-378	-374	-356	-283	-280	-266				
-49	-51	-54	-48	-49	-47	-37	-36	-33	-1	0	3				
Equities	Level						% change:						Mexico - Banxico		11.00
	Last			Change			1 Day	1-wk	1-mo	1-yr					
S&P/TSX	21740			-159.8			-0.7	-2.3	-0.5	5.6			Australia - RBA	4.35	
Dow 30	37735			-248.1			-0.7	-3.0	-2.5	11.4					
S&P 500	5062			-61.6			-1.2	-2.7	-1.1	22.3			New Zealand - RBNZ	5.50	
Nasdaq	15885			-290.1			-1.8	-2.3	-0.6	31.0					
DAX	17778			-249.0			-1.4	-1.7	-0.9	12.5					
FTSE	7857			-108.8			-1.4	-1.0	1.7	-0.2					
Nikkei	38471			-761.6			-1.9	-3.3	-0.6	35.0			Canada - BoC	Jun 05, 2024	
Hang Seng	16249			-351.5			-2.1	-3.4	-2.8	-20.5			US - Fed	May 01, 2024	
CAC	7944			-100.7			-1.3	-1.3	-2.7	5.6					
Commodities	Level						% change:						England - BoE		May 09, 2024
WTI Crude	85.00			-0.41			-0.5	-0.3	4.9	3.0					
Natural Gas	1.69			0.00			0.1	-9.6	2.3	-19.9					
Gold	2369.96			-13.38			-0.6	0.7	9.9	18.3			Euro zone - ECB	Jun 06, 2024	
Silver	28.44			-0.59			-2.0	2.2	12.8	9.0					
CRB Index	298.18			0.31			0.1	#DIV/0!	4.8	8.0			Japan - BoJ	'A Field Not Applica	
Currencies	Level						% change:						Mexico - Banxico		May 09, 2024
USDCAD	1.3797			0.0009			0.1	1.7	1.9	3.0					
EURUSD	1.0626			0.0002			0.0	-2.1	-2.3	-2.7			Australia - RBA	May 07, 2024	
USDJPY	154.60			0.3200			0.2	1.9	3.7	15.0					
AUDUSD	0.6413			-0.0029			-0.5	-3.3	-2.2	-4.3					
GBPUSD	1.2446			0.0000			0.0	-1.8	-2.2	0.6			New Zealand - RBNZ	May 21, 2024	
USDCHF	0.9132			0.0016			0.2	1.1	2.9	1.6					

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