

DAILY POINTS

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Contributors

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Chart 1

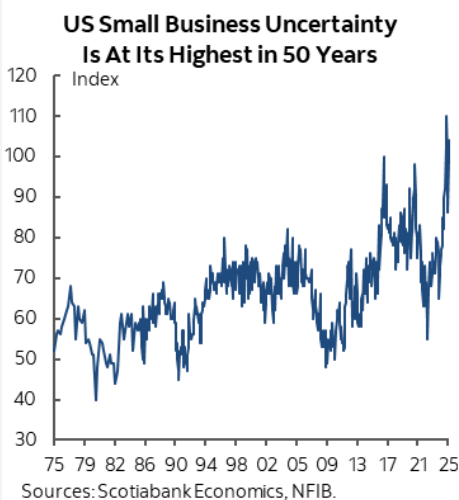
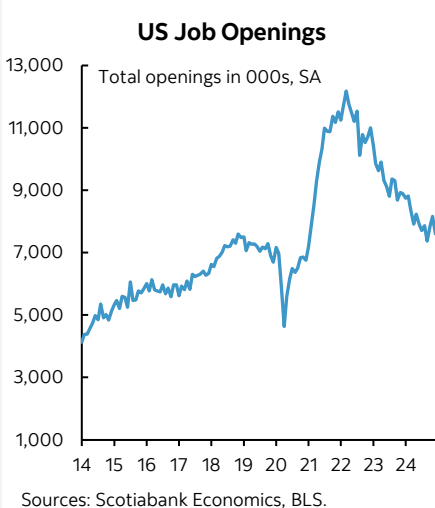


Chart 2



On Deck for Tuesday, March 11

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-11	10:00	JOLTS Job Openings (000s)	Jan	--	7665	7600

KEY POINTS:

- **Markets treading water as they await tomorrow's US CPI, BoC**
- **US small business uncertainty is at its highest in 50 years!**
- **Trump will have plenty of explaining to do when he meets business leaders today**
- **JOLTS: Too early to capture tariffs and government job losses**
- **The equity correction finally offers somewhat more attractive valuations**
- **Stop the steal! Florida cheats at hockey**

Markets are calmer so far this morning. There were no notable developments overnight, there is only minor data on tap in the US this morning, and markets will wait for tomorrow's US CPI and then BoC. Stocks are mixed but have a somewhat more positive tone, with US futures up by ¼% or so, TSX futures down by nearly 1% and European cash markets little changed on average. Sovereign yields are 1-2bps higher across US and Canadian curves and are largely treading water outside of slightly cheaper EGB longer-end yields. The dollar is broadly softer while safe haven crosses like the yen and CHF are weaker.

US Small Business Uncertainty is at a 50-Year High

The NFIB small business optimism index slipped by 2.1 points to 100.7 which extends the two-month slide of nearly 5 points after the post-election sugar rush to a peak in December.

More telling is that the uncertainty index within the NFIB report is up by 18 points over the past two months and is trending around record highs going all the way back to 1974 (chart 1). This will weigh on confidence to invest.

Only 37% of respondents expect a better economy going forward which is down from the naively driven surge to 52% in December after the election.

Hiring plans ebbed for a second month. The selling prices subindex increased 10 points to 32% of firms reporting plans to raise prices which is the highest since May 2023.

Trump Has Plenty of Explaining to Do

Trump is scheduled to speak with a business roundtable of CEOs from various sectors including Wall Street after the close (5pmET). Maybe he should meet with the small businesses that are getting very antsy as noted. What he will say is always anyone's best guess, but it will probably be a business-friendly mixture of messages on planned deregulation despite nothing much in the works thus far, planned tax cuts that are stalled and are mostly just about rolling-over ones that will otherwise expire at year-end, reducing spending in Washington that is having a relatively modest impact on overall spending, and who knows what he'll say on tariffs. His message will probably repeat reference to an adjustment period. He may be aggressively questioned by some CEOs particularly on tariffs and picking fights with allies like Canada, while other CEOs may well love the protectionist talk that benefits their industries' pricing power despite exposing the overall economy to downside risk.

US JOLTS to Offer a Stale Assessment

We already know nonfarm, and so the job posting figures in the JOLTS measures (10amET) won't have their usual slight pre-nonfarm usefulness. JOLTS will probably be

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stale on arrival, since January data will not begin to cover the challenges facing labour markets from February onward in terms of tariff-induced economic uncertainty and federal government layoffs. Still, markets can react to the figure, even though it is stale, lagging, and unclear what it signals about hiring since JOLTS can have stale and postings. The level of postings remains higher than before the pandemic (chart 2).

Stocks—Opportunity Versus Recession Signal

Should economists materially revise US GDP growth expectations lower given what's happening with stocks? That's premature so far in my view, but the probability is clearly rising.

The Nasdaq is down 13% from the peak, but that only takes us back to early September levels and hence unwinds the election overshoot that was built on very flimsy foundations to begin with. The S&P500 is down by just under 9% from the peak and also back to September levels. The Wilshire 5000 is 9% off the peak and at early Sept levels. The Russell 2000 small caps index is getting hit the hardest and is down by 17% from the peak while back to about June levels.

The Magnificent 7 are taking it the hardest among the big caps and are down by almost 18% from the peak. Excluding the Mag7, big caps are down 6%.

Material downward forecast revisions would require a more sustained period of arguably greater smoothed weakness (-20%+) for a negative wealth effect to be material. I think it would also have to be broader as opposed to modest big cap, ex-Mag7 moves as hopefully investors in Mag7 stocks knew what they were buying and smoothed the wealth gains within more diversified portfolios. And we're getting some market offsets with a bit of relief on yields and mild relief on the dollar.

This isn't great, but imo, it's a much-needed jolt to US valuations that were stretched and often times when this happens it sets up another round of gains at more attractive entry points (chart 3). The one-year forward p/e multiple on the S&P 500 is back down to 20.7 now and the Nasdaq's measure is down to 25.9, both well off the inflated peaks.

But not if we're going into a recession. Trump policies are a danger in that sense. Back off tariffs, quit picking fights with strong economic partners and allies, get going on responsible fiscal policy and supply side regulatory changes, and temper both immigration and firing plans. So far, it's a Wall Street correction with limited Main Street economy implications, but it has the potential to snowball further.

The point is that negative wealth effects on the economy usually require sustained weakness of a large magnitude relative to smoothed price movements, not just off the exact peaks for valuations. And then there is the chicken-and-egg dilemma; are stocks leading growth lower, or, more likely, are stocks anticipating weaker growth ahead.

Florida's Rigged Brand of Hockey

Florida Governor Ron DeSantis recently trolled Canadian hockey fans on Stanley Cup records by boasting of his state's Cup wins. That's one bear you don't poke! In so doing, he perhaps unwittingly raised a longstanding Canadian trade irritant with the US. He also downplayed a boycott of travel to Florida by Canadians by curiously quoting last year's travel figures to the state when what we need are the figures for March break onward.

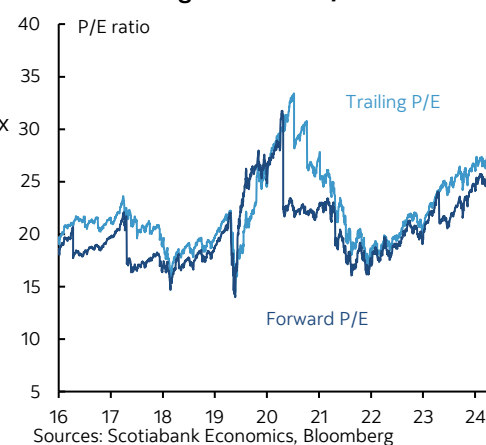
Florida distorts trade in NHL talent by massively subsidizing local teams and they buy talent from abroad—namely Canada and Europe—to win their Cups. The state does this in two ways.

Florida charges no state income tax on NHL players and its two teams are among six US teams in states that do not charge players state income tax. Hence a big part of the reason why areas of the US that have no history of hockey in absurdly hot climates during the Stanley Cup finals do so well. The others are the Nashville Predators, Vegas Golden Knights, Dallas Stars and Seattle Kraken. Florida's teams plus Vegas have won four of the past five Stanley Cups—in 30°C+ beach weather. And because of the 'Duty Days' rule, this is also why training camps are often held in Florida and other low tax states versus higher tax states and provinces.

And when the Panthers were losing money hand over fist, the Broward County Commission handed them millions in subsidies. It still plows tens of millions in annual hotel tax revenues into the Panthers' arena. The Tampa Bay Lightning team also receives tens of millions in subsidies from local bed tax collections.

Chart 3

S&P500: Trailing & Forward P/E Ratio



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Furthermore, Florida teams benefit from the large population of Canadian snowbirds who attend the games.

And here are the current rosters for the two Florida teams. With a notable exception or two, they're generally not American players winning Cups for either franchise.

- Florida Panthers: 10 of 26 players are Canadians including all but one of their best ones, like Sam Reinhart, Sam Bennett, Carter Verhaeghe, and Evan Rodrigues. Their coach is also a Canadian. Twelve players are from Europe. Some US team!
- Tampa Bay Lightning: Eight players are Canadians plus they have a Canadian coach. That includes several of their best players like Point, Hagel, Cirelli and Paul. Nine are Europeans including both goalies. Again, some US team.

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			
	3.91	3.89	3.99	3.99	3.97	4.05	4.23	4.22	4.25	4.55	4.54	4.54	Canada - BoC	3.00	
	2.55	2.53	2.56	2.65	2.63	2.63	3.01	2.98	2.94	3.26	3.23	3.18	US - Fed	4.50	
	2.23	2.22	2.04	2.52	2.49	2.19	2.88	2.83	2.50	3.15	3.12	2.84			
	0.84	0.88	0.84	1.12	1.16	1.07	1.52	1.58	1.43	2.59	2.61	2.38	England - BoE	4.50	
	4.19	4.20	4.18	4.29	4.29	4.22	4.66	4.64	4.53	5.25	5.23	5.13			
Spreads vs. U.S. (bps):															
-136	-135	-143	-134	-134	-142	-122	-123	-131	-129	-131	-136	Euro zone - ECB	2.65		
-168	-167	-196	-147	-148	-186	-135	-138	-175	-139	-142	-170				
-307	-301	-316	-287	-281	-298	-271	-264	-282	-195	-193	-216	Japan - BoJ	0.50		
28	31	19	30	32	17	43	43	29	70	68	59				
Equities	Level					% change:							Mexico - Banxico	9.50	
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	24381	-378.0			-1.5	-2.5	-4.9	12.0						Australia - RBA	4.10
Dow 30	41912	-890.0			-2.1	-3.0	-6.0	8.1							
S&P 500	5615	-155.6			-2.7	-4.0	-7.5	9.7						New Zealand - RBNZ	3.75
Nasdaq	17468	-727.9			-4.0	-4.8	-11.1	9.0						Next Meeting Date	
DAX	22686	65.1			0.3	1.6	2.9	27.8							
FTSE	8585	-15.1			-0.2	-2.0	-2.2	11.9						Canada - BoC	Mar 12, 2025
Nikkei	36793	-235.2			-0.6	-1.4	-5.2	-5.2							
Hang Seng	23782	-1.4			-0.0	3.7	11.7	43.4						US - Fed	Mar 19, 2025
CAC	8052	4.5			0.1	0.1	0.3	0.4							
Commodities	Level					% change:							England - BoE	Mar 20, 2025	
WTI Crude	66.81	0.78			1.2	-2.1	-8.9	-14.3							
Natural Gas	4.56	0.07			1.4	4.7	29.5	159.0						Euro zone - ECB	Apr 17, 2025
Gold	2914.02	25.31			0.9	-0.1	30.7	33.5							
Silver	32.51	0.01			0.0	3.1	0.7	32.7						Japan - BoJ	Mar 19, 2025
CRB Index	302.32	-0.72			-0.2	0.7	-3.5	8.8							
Currencies	Level					% change:							Mexico - Banxico	Mar 27, 2025	
USDCAD	1.4402	-0.0038			-0.3	0.0	0.8	6.8							
EURUSD	1.0896	0.0062			0.6	2.5	5.2	-0.3						Australia - RBA	Mar 31, 2025
USDJPY	147.68	0.4100			0.3	-1.4	-3.2	0.5							
AUDUSD	0.6284	0.0006			0.1	0.2	-0.2	-5.0						New Zealand - RBNZ	Apr 08, 2025
GBPUSD	1.2930	0.0051			0.4	1.1	3.9	0.9							
USDCHF	0.8821	0.0011			0.1	-0.8	-3.4	0.5							

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