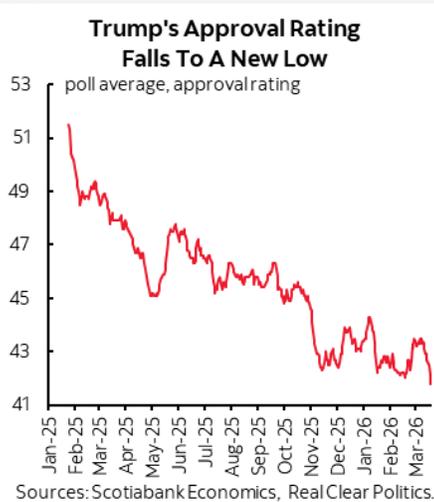


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Chart 1



On Deck for Friday, March 20th

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|-------------------------------------|--------|-----|-----------|--------|
| US | 03-20 | 08:00 | Fed's Bowman Speaks on Fox Business | | | | |
| CA | 03-20 | 08:30 | IPPI (m/m) | Feb | -- | -- | 2.7 |
| CA | 03-20 | 08:30 | Raw Materials Price Index (m/m) | Feb | -- | -- | 7.7 |
| CA | 03-20 | 08:30 | Retail Sales (m/m) | Jan | 1.5 | 1.4 | -0.4 |
| CA | 03-20 | 08:30 | Retail Sales ex. Autos (m/m) | Jan | -- | 1.3 | 0.1 |
| US | 03-20 | 08:30 | Fed's Waller Speaks on CNBC | | | | |

KEY POINTS:

- Repricing of global central bank moves drives sharply higher shorter-term yields
- Oil up as Iran attacks Kuwaiti energy, Trump leaning toward major escalation
- Bets pile into Q2 hike pricing for the BoC as markets push the BoC
- Canadian retailers may be tracking a Q1 rebound
- Canadian producer price update to further inform coming upside risk to CPI
- Russian central bank cut, guided more

Oil is under renewed but mild upward pressure as Iran attacked Kuwaiti energy infrastructure and Axios reported that the Trump administration is considering plans to occupy or blockade Iran's Kharg Island through which most of Iranian oil transits. So much for Trump's claim that nobody really believes anyway when he says the war is almost over. Doing so would likely escalate Iran's attacks elsewhere with more long-lived damage done to energy infrastructure which means higher for longer oil prices. So Brent is up a bit to about US\$110. Gasoline futures are up by 2%.

Sovereign yields are accordingly under upward pressure with the added driver being hawkish ECB sentiment and a broader repricing of the global central bank space. After post-meeting headlines indicated yesterday that the ECB would consider an April hike, this morning's comments from ECB officials are mixed with Bundesbank President and Governing Council member Nagel indicating a bias toward hiking as soon as the April meeting while the rest of his colleagues are a little more cautious and circumspect—but not rejecting the option. Markets are about 70% priced for an April ECB hike with about 75bps of hikes priced through to year-end.

So let's take stock here for a moment. There are important differences across their various back drops into the oil shock, but central bankers move as a herd. We have the RBA already hiking twice which started before the shock but got a boost from it. The BoE is sounding like it's teeing up a nearer-term hiking bias. So is the ECB. The FOMC is signalling restrictive policy for a while yet.

Enter the more commodity-sensitive central banks. I'd find it untenable that the BoC—which operates in a net energy exporting economy and generally commodity-intensive one—would choose to be the hold out among the majors and semi-majors despite being at the low end of the neutral rate range and at or below 0% in real policy rate terms. Layer on other arguments, like the mixed demand and supply side effects of trade negotiations and my bias that monumental stupidity would impose a larger trade shock along an oil shock into US midterms when the US administration is already drowning (chart 1). Fiscal policy remains in motion as well after the tentative budget the feds didn't wish to present in the Fall gives way to future updates on more spending.

And so this morning we have someone—perhaps a leveraged hedge fund—clearly piling on a more hawkish bet that's rapidly moving April OIS pricing a bit higher and pushing June pricing toward half of a hike priced which makes sense to me as previously argued.

Canada 2s are up 7bps. It's still early and a lot could happen, but if we go into Q2 with a hike priced into those meetings, then it's probably done.

We'll hear from other commodity-sensitive central banks next week that I'll preview in my week ahead but they're all probably going to sound incrementally more hawkish. The one exception being Russia's central bank that cut 50bps this morning and guided perhaps another cut at the next meeting but it's operating against a vastly different backdrop and, well, no luck is wished upon them!

Yields on gilts are continuing to lead the way higher after the BoE's hawkish messaging yesterday; 2s are up 12bps and the curve is mildly bear flattening with OIS pricing about 70% odds of an April hike and about 75bps of hikes by year-end which is a full 125bps turn around from the end of February. US 2s are up 8bps. EGBs are broadly cheaper. Antipodean 2s were clobbered with Australia up 17bps and NZ up 13. South Korea's 2s were up 10bps.

Across currencies, CAD is the shining beacon of resilience as it outperforms all others this morning.

Equities aren't so happy. N.A. equity futures are off by 1/2% to 3/4% with European cash markets faring a touch better. Let's not get too carried away with the equity softness, however, as the S&P is only down 5% from the peak and back to November levels. In my view, that's immaterial to forecasters so far from a smoothed wealth effect standpoint, but it could well worsen.

DATA RELEASES FOCUSED UPON CANADA

Friday ends with relatively light calendar-based risk in the wake of the deluge of central banks we've taken down this week. Developments in the Middle East will likely hold court.

Canadian macro data may be influential through tracking the consumer in Q1 and tracking producer price inflation. I think they'll be important parts of the narrative.

Statcan had previously guided back on February 20th that January retail sales (8:30amET) were estimated to be up by 1.5% m/m in nominal terms. Part of that gain is likely to be autos. Key will be volumes and breadth. The other key will be the advance guidance they provide for sales in February sans details for which I would expect some moderation from the prior month.

That said, because of the way Q1 started with a strong gain in January, we could be looking at a solid q/q annualized gain in retail sales volumes that represent around 40% of consumer spending to help inform Q1 growth tracking (chart 2). Tracking will be updated after the data. Weather and a bad flu season might dampen the way the quarter ends but that in turn could provide room for another math-driven gain in Q2.

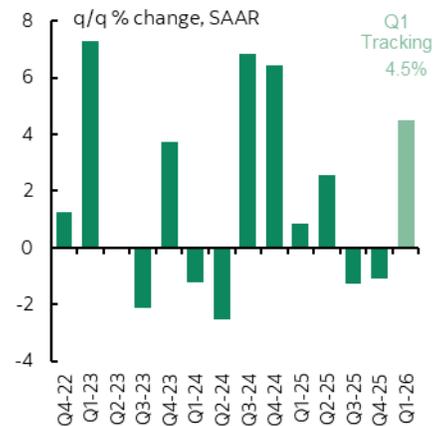
Canada also updates February readings for industrial and raw materials prices (aka producer prices) at the same time as retail sales (8:30amET). They've been on a sharp upswing of late which informs debate over pass through into consumer prices given lagging historical correlations (chart 3). Ergo, inflation risk remains pointed higher. Pay particular attention to core industrial prices ex-energy that jumped 2.8% m/m in January.

This has been part of an upswing since the start of 2024 that is showing no signs of abating. Core industrial product prices have risen by about 15% since then including tomorrow's likely gain and tend to precede core CPI gains by 6–12 months. #notdead.

The US calendar will be dead quiet.

Chart 2

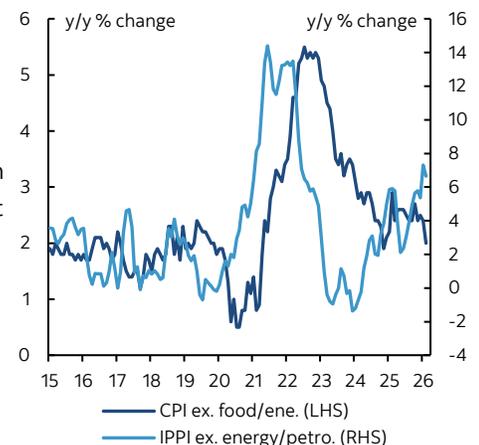
Canadian Real Retail Sales Growth



Sources: Scotiabank Economics, Statistics Canada.

Chart 3

Canadian Core CPI & Core IPPI



Sources: Scotiabank Economics, Statistics Canada.

| Fixed Income | Government Yield Curves (%): | | | | | | | | | | | | Central Banks | | | |
|-------------------------|------------------------------|-------|------|---------|-------|------|-----------|-------|-------|---------|-------|------|--------------------|------|--------------------|--------------|
| | 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 | | | | |
| U.S. | 3.86 | 3.79 | 3.72 | 3.94 | 3.88 | 3.86 | 4.29 | 4.25 | 4.28 | 4.87 | 4.84 | 4.91 | Canada - BoC | 2.25 | | |
| CANADA | 2.91 | 2.84 | 2.79 | 3.13 | 3.08 | 3.11 | 3.49 | 3.44 | 3.50 | 3.89 | 3.85 | 3.93 | US - Fed | 3.75 | | |
| GERMANY | 2.61 | 2.59 | 2.44 | 2.70 | 2.69 | 2.64 | 2.98 | 2.96 | 2.98 | 3.48 | 3.46 | 3.53 | England - BoE | 3.75 | | |
| JAPAN | 1.27 | 1.27 | 1.30 | 1.68 | 1.64 | 1.63 | 2.28 | 2.28 | 2.26 | 3.54 | 3.54 | 3.53 | Euro zone - ECB | 2.15 | | |
| U.K. | 4.51 | 4.40 | 4.13 | 4.54 | 4.45 | 4.34 | 4.93 | 4.84 | 4.82 | 5.51 | 5.43 | 5.50 | Japan - BoJ | 0.75 | | |
| Spreads vs. U.S. (bps): | | | | | | | | | | | | | | | | |
| CANADA | -95 | -96 | -93 | -81 | -80 | -75 | -81 | -81 | -77 | -98 | -99 | -97 | Mexico - Banxico | 7.00 | | |
| GERMANY | -125 | -120 | -128 | -124 | -119 | -122 | -132 | -129 | -129 | -139 | -138 | -137 | Australia - RBA | 4.10 | | |
| JAPAN | -259 | -252 | -242 | -226 | -224 | -223 | -202 | -197 | -202 | -133 | -130 | -138 | New Zealand - RBNZ | 2.25 | | |
| U.K. | 65 | 61 | 41 | 60 | 57 | 48 | 63 | 59 | 55 | 64 | 59 | 59 | Next Meeting Date | | | |
| Equities | Level | | | | | | % change: | | | | | | | | | |
| | Last | | | Change | | | 1 Day | | 1-wk | | 1-mo | | 1-yr | | | |
| S&P/TSX | 31855 | | | -457.7 | | | -1.4 | | -3.0 | | -5.8 | | 27.1 | | Canada - BoC | Apr 29, 2026 |
| Dow 30 | 46021 | | | -203.7 | | | -0.4 | | -1.4 | | -7.3 | | 9.7 | | US - Fed | Apr 29, 2026 |
| S&P 500 | 6606 | | | -18.2 | | | -0.3 | | -1.0 | | -4.4 | | 16.7 | | England - BoE | Apr 30, 2026 |
| Nasdaq | 22091 | | | -61.7 | | | -0.3 | | -1.0 | | -3.5 | | 24.9 | | Euro zone - ECB | Apr 30, 2026 |
| DAX | 22714 | | | -125.3 | | | -0.5 | | -3.1 | | -10.1 | | -1.2 | | Japan - BoJ | Apr 28, 2026 |
| FTSE | 10039 | | | -24.5 | | | -0.2 | | -2.2 | | -6.1 | | 15.4 | | Mexico - Banxico | Mar 26, 2026 |
| Nikkei | 53373 | | | -1866.9 | | | -3.4 | | -2.0 | | -6.1 | | 41.7 | | Australia - RBA | May 05, 2026 |
| Hang Seng | 25277 | | | -223.3 | | | -0.9 | | -0.7 | | -4.3 | | 4.4 | | New Zealand - RBNZ | Apr 07, 2026 |
| CAC | 7787 | | | -20.4 | | | -0.3 | | -1.6 | | -8.5 | | -3.8 | | | |
| Commodities | Level | | | | | | % change: | | | | | | | | | |
| WTI Crude | 96.47 | | | 0.33 | | | 0.3 | | -2.3 | | 45.3 | | 41.3 | | Canada - BoC | Apr 29, 2026 |
| Natural Gas | 3.14 | | | -0.03 | | | -0.9 | | 0.2 | | 3.0 | | -21.1 | | US - Fed | Apr 29, 2026 |
| Gold | 4658.73 | | | 8.71 | | | 0.2 | | -7.2 | | -8.8 | | 53.0 | | England - BoE | Apr 30, 2026 |
| Silver | 69.70 | | | -8.90 | | | -11.3 | | -19.9 | | -10.4 | | 105.5 | | Euro zone - ECB | Apr 30, 2026 |
| CRB Index | 364.20 | | | -0.31 | | | -0.1 | | -0.2 | | 17.1 | | 18.5 | | Japan - BoJ | Apr 28, 2026 |
| Currencies | Level | | | | | | % change: | | | | | | | | | |
| USDCAD | 1.3719 | | | -0.0020 | | | -0.1 | | 0.0 | | 0.3 | | -4.2 | | Mexico - Banxico | Mar 26, 2026 |
| EURUSD | 1.1568 | | | -0.0021 | | | -0.2 | | 1.3 | | -1.8 | | 6.6 | | Australia - RBA | May 05, 2026 |
| USDJPY | 158.63 | | | 0.9000 | | | 0.6 | | -0.7 | | 2.3 | | 6.6 | | New Zealand - RBNZ | Apr 07, 2026 |
| AUDUSD | 0.7075 | | | -0.0012 | | | -0.2 | | 1.3 | | -0.1 | | 12.2 | | | |
| GBPUSD | 1.3389 | | | -0.0042 | | | -0.3 | | 1.2 | | -0.7 | | 3.3 | | | |
| USDCHF | 0.7873 | | | -0.0009 | | | -0.1 | | -0.5 | | 1.5 | | -10.7 | | | |

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