

#### Contributors

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Chart 1

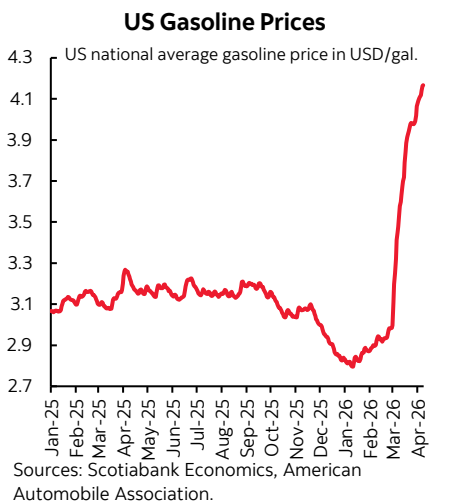
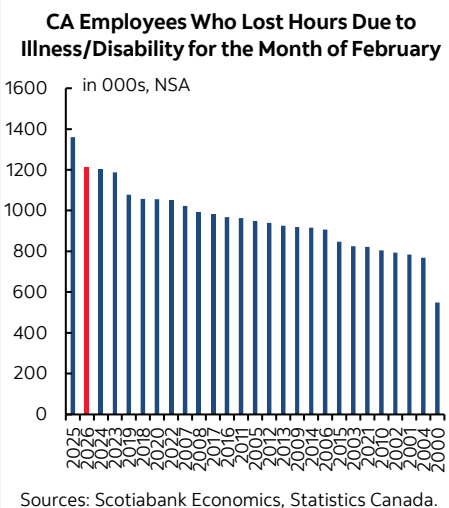


Chart 2



#### On Deck for Friday, April 10<sup>th</sup>

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04-10	08:30	Employment (000s m/m)	Mar	30	15.0	-83.9
CA	04-10	08:30	Unemployment Rate (%)	Mar	6.6	6.7	6.7
US	04-10	08:30	CPI (m/m)	Mar	1.0	0.9	0.3
US	04-10	08:30	CPI (y/y)	Mar	3.4	3.4	2.4
US	04-10	08:30	CPI (index)	Mar	--	330.6	326.8
US	04-10	08:30	CPI ex. Food & Energy (m/m)	Mar	0.3	0.3	0.2
US	04-10	08:30	CPI ex. Food & Energy (y/y)	Mar	2.7	2.7	2.5
US	04-10	10:00	Factory Orders (m/m)	Feb	--	-0.2	0.1
US	04-10	10:00	U. of Michigan Consumer Sentiment	Apr P	51.5	51.5	53.3

#### KEY POINTS:

- **Bland markets await US CPI, Cdn jobs, next week's developments**
- **US CPI preview**
- **Canadian jobs preview**
- **BoK held but short rates exploded on guidance**
- **BCRP held with dovish guidance ahead of elections**
- **China's CPI inflation ebbed**
- **US UofM, factory orders due out**

Iran headlines will continue to dominate market action, but data might be worth a glimpse or two this morning. The market tone into US CPI and Canadian jobs is rather bland. US equity futures are flat, with TSX futures up a touch and European cash markets up by ¼% to ¾% that followed overnight gains across key Asia-Pacific benchmarks. Oil prices are little changed with Brent and WTI still hovering in the high-90s. Sovereign bond yields are up a few points across maturities and regions with EGBs and gilts underperforming US Ts and Canadas. Currencies are divided.

Previews of US CPI and Canadian jobs follow. Also note the context into forming expectations and positioning ahead of next week's heavy line-up of developments I'll delve into in my weekly. Open risk positions into heavy uncertainties might be covered.

#### US CPI—An Early Fade Worthy Glimpse at War's Effects

US CPI begins efforts to track the war's effects (8:30amET). Headline is forecast to pop higher by 1% m/m with core relatively better behaved at this early stage for potential transmission effects. Gasoline's surge (chart 1) and its 24% m/m NSA rise using last March's SA factor equates to about a 20% m/m SA increase which at a 2.8% weight in the CPI basket adds about 0.6 pts to CPI if the weight is steady (it will likely increase). The difference to my 1% m/m headline CPI increase is then made up largely on other energy (fuels) and food.

And it shouldn't matter. The FOMC knows inflation is going to spike near-term. Markets know that inflation is going to spike near-term. You and I know that inflation is going to spike near-term. The key is persistence and pass through and how the full employment part of the dual mandate also evolves. Nothing will be settled by today's CPI except for folks who must trade it.

#### Canadian Jobs—Rebound, with an Asterisk or Several

Canada delivers the March jobs report at the same time as US CPI (8:30amET) which might dirty the domestic waters somewhat. A rebound of some magnitude is generally expected. Consensus sits at +15k with most in the 10–40k range except one extreme outlier who's playing mere noise over any narrative. The high end has 40k.

As for drivers, there have been nine times when the monthly jobs tally fell by 70k or more and the next month was up five of those times. So far that's not so compelling. A weak base effect could drive a gain, but there is sampling persistence in the way the Labour Force Survey rotates panels over six months by dropping and replacing one at a time.

Sickies held back activity in February. Hours lost due to illness were elevated (chart 2). You don't lose a job if you're sick but it can prevent getting to interviews and hiring decisions. Ditto for weather that resulted in the third highest tally for lost hours attributable to weather of any February on record (chart 3).

March is usually decent up month in seasonally unadjusted terms and the SA factor is additive (ie: over 1) but less so in recent years. Charts 4 and 5.

Small business hiring intentions point to hiring. So do Indeed job postings.

All that said, the 95% confidence interval on monthly changes in Canadian employment is about +/-57k. For a numbers crowd, that means that a very high degree of survey noise could drive a whole range of possible outcomes. This is Canada's equivalent to the very noise household survey in the US that serves as a companion to the establishment survey. But good luck!

**THE REST!**

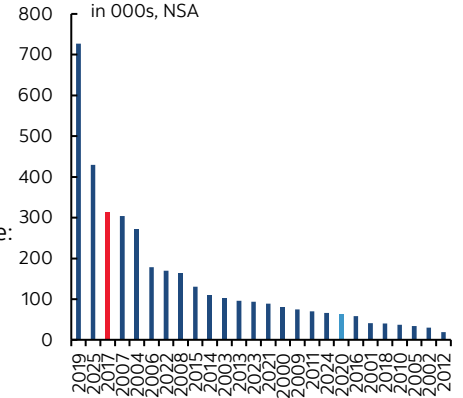
After the dust settles from US CPI the US will then update the UofM sentiment gauge for April (10amET) and factory orders during February (10amET). UofM is expected to slip and watch both the inflation expectations and expected unemployment readings. Factory orders will be held back by the already known 1.4% drop in durables with just revisions to that plus nondurables to be added.

China's CPI inflation rate ebbed in March to 1% y/y (1.3% prior, 1.1% consensus) as seasonally unadjusted prices fell by -0.7% m/m. Core CPI landed at 1.1% y/y, down from 1.8% previously as seasonally unadjusted prices fell by -0.7% m/m with the annualized decline shown in chart 6. Producer prices increased for the first time in y/y terms since 2022 (chart 7).

The Bank of Korea unanimously held its policy rate unchanged at 2.5% as widely expected. Being a commodity importer, it walked the line between risks to inflation and growth. Governor Rhee said in his final press conference at the end of his term that "the supply shock could be greater" this time than from the Russia-Ukraine war given the impact on oil and Asia's dependence on imported energy. He went on to say that they will look through the war's effects for a time but if they persist then there would have to be a policy response. The 2-year yield spiked 37bps higher overnight with markets pricing a hike by late summer.

Chart 3

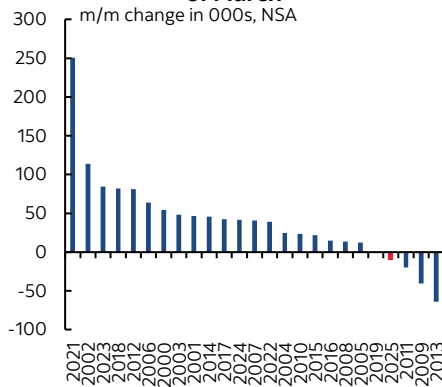
**CA Employees Who Lost Hours Due to Weather for the Month of February**



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

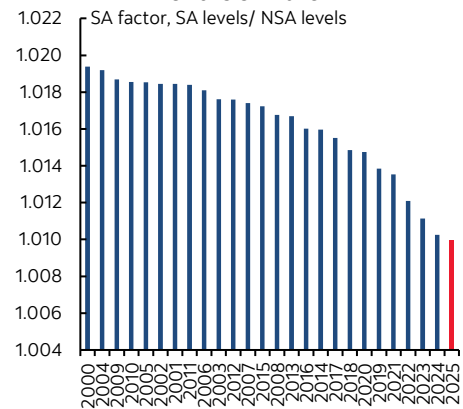
**Comparing CA LFS NSA for All Months of March**



\* excluding 2020.  
Sources: Scotiabank Economics, Statistics Canada.

Chart 5

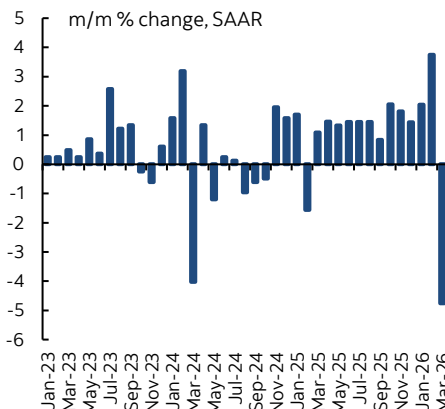
**Comparing CA LFS SA Factor for All Months of March**



Sources: Scotiabank Economics, Statistics Canada.

Chart 6

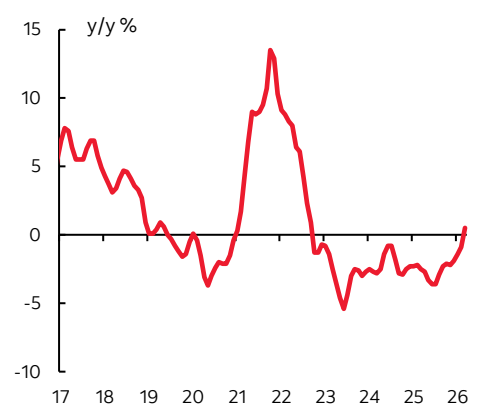
**Chinese Core Inflation**



Sources: Scotiabank Economics, China National Bureau of Statistics.

Chart 7

**Chinese Producer Prices**



Sources: Scotiabank Economics, China National Bureau of Statistics.

Peru's central bank held its reference rate unchanged at 4.25% last evening as widely anticipated. The bias had a dovish tinge to it as the statement said "It is projected that both year-on-year inflation and inflation excluding food and energy will return to the target range toward the end of the year and settle around 2% in 2017, as the effects of supply shocks gradually dissipate." That may be a bold bet and note that the guidance preceded Peruvians heading to the polls this weekend to elect a new government amid the country's ongoing political uncertainty.

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.	3.78	3.77	3.84	3.91	3.90	3.99	4.29	4.28	4.35	4.90	4.88	4.91	Canada - BoC	2.25
CANADA	2.79	2.79	2.81	3.07	3.06	3.09	3.46	3.45	3.48	3.90	3.89	3.91	US - Fed	3.75
GERMANY	2.55	2.52	2.62	2.71	2.67	2.71	3.03	2.99	2.99	3.57	3.52	3.47	England - BoE	3.75
JAPAN	1.41	1.39	1.39	1.86	1.80	1.80	2.44	2.39	2.39	3.64	3.62	3.69		
U.K.	4.23	4.18	4.32	4.33	4.28	4.38	4.80	4.75	4.83	5.47	5.40	5.46		
	Spreads vs. U.S. (bps):													
CANADA	-99	-99	-103	-84	-83	-90	-83	-83	-87	-100	-100	-100	Euro zone - ECB	2.15
GERMANY	-123	-125	-123	-120	-123	-128	-126	-129	-135	-133	-136	-144	Japan - BoJ	0.75
JAPAN	-237	-238	-245	-205	-210	-219	-185	-188	-196	-125	-126	-122		
U.K.	45	41	48	42	39	40	51	47	49	57	52	55	Mexico - Banxico	6.75
Equities	Level						% change:							
	Last	Change		1 Day		1-wk		1-mo		1-yr				
S&P/TSX	33478	-142.9		-0.4		1.6		0.6		45.5		Australia - RBA		4.10
Dow 30	48186	275.9		0.6		3.5		1.0		21.7		New Zealand - RBNZ		2.25
S&P 500	6825	41.8		0.6		3.8		0.6		29.5				
Nasdaq	22822	187.4		0.8		4.5		0.6		39.3				
DAX	23993	185.8		0.8		3.0		0.1		16.7				
FTSE	10645	41.1		0.4		2.7		2.2		34.5				
Nikkei	56924	1028.8		1.8		7.2		4.9		64.5		Canada - BoC		Apr 29, 2016
Hang Seng	25894	141.1		0.5		4.5		-0.3		25.2		US - Fed		Apr 29, 2016
CAC	8319	73.7		0.9		4.2		3.3		16.7		England - BoE		Apr 30, 2016
Commodities	Level						% change:							
	Last	Change		1 Day		1-wk		1-mo		1-yr				
WTI Crude	97.93	0.06		0.1		-12.2		17.4		63.0		Euro zone - ECB		Apr 30, 2016
Natural Gas	2.67	-0.00		-0.2		-4.8		-11.8		-25.1		Japan - BoJ		Apr 28, 2016
Gold	4756.41	-10.48		-0.2		1.7		-8.4		49.8				
Silver	74.08	-2.73		-3.6		4.3		-11.2		145.4				
CRB Index	368.55	2.28		0.6		-0.7		5.9		29.3				
Currencies	Level						% change:							
	Last	Change		1 Day		1-wk		1-mo		1-yr				
USDCAD	1.3836	0.0021		0.2		-0.8		1.9		-1.1		Mexico - Banxico		May 07, 2016
EURUSD	1.1717	0.0018		0.2		1.7		0.9		4.6		Australia - RBA		May 05, 2016
USDJPY	159.20	0.2400		0.2		-0.3		0.7		10.2		New Zealand - RBNZ		May 26, 2016
AUDUSD	0.7069	-0.0013		-0.2		2.5		-0.7		13.6				
GBPUSD	1.3440	0.0004		0.0		1.8		0.2		3.6				
USDCHF	0.7891	-0.0013		-0.2		-1.4		1.4		-4.2				

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