

ON DECK FOR MONDAY, FEBRUARY 11

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
US	02/11	11:15	Fed's Bowman Speaks on Community Banking				

KEY POINTS:

- Mild risk-on tone across global markets ahead of a key week
- US shutdown talks still at a stalemate
- US-China trade talks return late in the week
- UK PM May to address parliament tomorrow, postpone vote
- Pound sterling is used to bad news...
- ...because it shook off a lot of weak data this morning
- US markets only face CPI revisions today
- Norway's krone dips on soft CPI
- CDN consumer bankruptcies hit a new all-time record low
- Global Week Ahead
- Canada quiet, but CAD retains post-jobs bid

Please see the Global Week Ahead [here](#). Key risks include:

- US-China trade negotiations
- US shutdown #20?
- Brexit vote
- CPI: US, UK, China, India, Taiwan
- GDP: UK, EC, Germany, Japan, Colombia, Malaysia
- CDN manufacturing, housing
- US retail sales, industrial output
- China financing, trade
- CBs: RBNZ, Riksbank
- CDN 5s auction, US TIPS auction

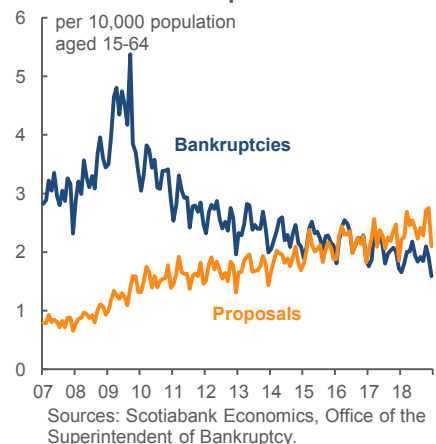
INTERNATIONAL

Global markets are starting off the week in a mildly positive frame of mind thus far. A key week for geopolitical risk will bring materially new information on US-China trade talks, Brexit plans and US shutdown risk. The planned Brexit vote that was to be held on Thursday—on something TBD—appears to have been put off in remarks by PM May this morning and she will address Parliament tomorrow. US shutdown talks offered no progress over the weekend, but a continuing resolution to fund past Friday and avoid another shutdown remains possible if not probable. US-China trade negotiations fire up again tomorrow for lower level officials before top negotiators meet on Thursday and Friday. Today's developments are rather light and primarily focused upon soft UK macro data that might help to focus the minds of UK politicians. US markets only face CPI revisions, while Canada is quiet although I note below that consumer bankruptcies hit a new record low.

CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
 416.863.7707
 Scotiabank Economics
derek.holt@scotiabank.com

Consumer Bankruptcies & Proposals



- US equity futures are up by about ¼% across the exchanges with TSX futures performing similarly. European cash markets are up by about ¾% on average with Italy leading (+1½%) and the FTSE100 lagging (+¼%).
- The USD is very slightly appreciating on a DXY basis but is little changed. New information is behind mild depreciation in pound sterling (Brexit developments, macro hits, see below) and the krone (Norway CPI, see below). CAD is flat to the USD but outperforming other crosses and retaining the bid it received after Friday's blockbuster jobs report (recap [here](#)).
- Sovereign debt markets have a mild cheapening bias. The US Treasury curve has a very slight cheapening bias but Canada's curve is underperforming post-jobs with the long-end up by just over 2bps. European sovereign bonds are 1–2bps cheaper in the UK, France and German but Italian spreads are narrowing by around 6–7bps over bunds.
- Oil prices have a slight negative bias with WTI down half a buck to US\$52.25 and Brent down by less and just under US\$62.

Pound sterling must be used to bad news because it shook off even more of it this morning. The currency is roughly flat to Friday's close in the wake of a series of soft macro reports. They include:

- Q4 GDP decelerated to 0.2% q/q non-annualized (0.3% consensus, 0.6% prior);
- that softness was led by a 1.4% drop in business investment for the fourth consecutive quarterly decline in the face of Brexit uncertainty;
- brighter spots included a 0.4% rise in consumption, 0.9% export increase and a 1.4% surge in government spending which was the largest rise in about seven years;
- Industrial output fell 0.5% m/m in December (+0.1% consensus) for the fifth consecutive decline;
- within the industrial figures was a 0.7% m/m drop in manufacturing output (+0.2% consensus) for the sixth consecutive drop and tenth time in 2018. Construction output fell by 2.8% m/m for the largest decline since June 2012;
- the service sector also stumbled at year-end, with a monthly output metric dipping by 0.2% m/m and dropping for only the third time in 2018.

Norway's krone is depreciating in the wake of a downside surprise to January CPI. Headline inflation fell to 3.1% y/y (3.5% prior, 3.3% consensus) and underlying inflation that excludes energy and taxes was unchanged at 2.1% but expected to rise by two-tenths.

CANADA

Canadian consumer bankruptcies hit a new all-time record low as a share of the adult population. The Office of the Superintendent of Bankruptcies reported December figures late last week. The accompanying chart depicts the outcome. Recall that insolvencies equal bankruptcies plus proposals to alter the original loan terms. Even proposals dipped in December and while they've risen over time, they really haven't budged over the past year. Go here for more of a recap of the issues in a prior note.

UNITED STATES

US CPI revisions back to January 2014 will be delivered this morning (8:30amET) and could affect estimates for Wednesday's CPI reading for January. The purpose behind the revisions is to capture recalculation of seasonal adjustment factors which is an annual exercise.

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.	2.47	2.47	2.54	2.46	2.45	2.54	2.65	2.64	2.72	2.99	2.98	3.05	Canada - BoC	1.75
CANADA	1.79	1.77	1.84	1.82	1.79	1.87	1.91	1.88	1.96	2.16	2.14	2.20	US - Fed	2.50
GERMANY	-0.58	-0.58	-0.57	-0.36	-0.37	-0.30	0.11	0.09	0.18	0.73	0.70	0.78	England - BoE	0.75
JAPAN	-0.16	-0.16	-0.17	-0.16	-0.16	-0.17	-0.03	-0.03	-0.01	0.58	0.58	0.61	Euro zone - ECB	0.00
U.K.	0.72	0.71	0.79	0.82	0.80	0.91	1.17	1.15	1.28	1.68	1.67	1.79	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-68	-70	-70	-64	-66	-67	-74	-76	-76	-83	-84	-86	Mexico - Banxico	8.25
GERMANY	-304	-305	-311	-282	-281	-284	-254	-255	-255	-226	-228	-227	Australia - RBA	1.50
JAPAN	-263	-263	-271	-262	-261	-270	-268	-266	-273	-241	-240	-244	New Zealand - RBNZ	1.75
U.K.	-175	-176	-175	-164	-165	-162	-148	-148	-145	-131	-131	-127		
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	15633		-70.0		-0.4		0.8		4.6		4.0		Canada - BoC	Mar 06, 2019
Dow 30	25106		-63.2		-0.3		0.2		4.6		3.8		US - Fed	Mar 20, 2019
S&P 500	2708		1.8		0.1		0.0		4.3		3.4		England - BoE	Mar 21, 2019
Nasdaq	7298		9.8		0.1		0.5		4.7		6.2		Euro zone - ECB	Mar 07, 2019
DAX	10998		91.4		0.8		-1.6		1.0		-9.2		Japan - BoJ	Mar 15, 2019
FTSE	7112		40.7		0.6		1.1		2.8		0.3			
Nikkei	20333		-418.1		-2.0		-2.2		-0.1		-4.9		Canada - BoC	Mar 06, 2019
Hang Seng	28144		197.5		0.7		1.8		5.5		-4.6		US - Fed	Mar 20, 2019
CAC	5002		40.4		0.8		0.0		4.6		-1.5		England - BoE	Mar 21, 2019
Commodities	Level						% change:							
WTI Crude	52.32		-0.40		-0.8		-4.1		1.4		-11.6		Euro zone - ECB	Mar 07, 2019
Natural Gas	2.69		0.11		4.2		1.2		-13.1		4.2		Japan - BoJ	Mar 15, 2019
Gold	1306.46		-8.04		-0.6		-0.4		1.5		-0.7			
Silver	15.78		0.07		0.4		-1.4		0.9		-3.5			
CRB Index	178.04		-0.06		-0.0		-1.4		-0.0		-5.6			
Currencies	Level						% change:							
USDCAD	1.3280		0.0002		0.0		1.3		0.1		5.6		Mexico - Banxico	Mar 28, 2019
EURUSD	1.1306		-0.0017		-0.2		-1.2		-1.4		-8.0		Australia - RBA	Mar 04, 2019
USDJPY	110.20		0.4700		0.4		0.3		1.6		1.4			
AUDUSD	0.7072		-0.0016		-0.2		-2.1		-2.0		-10.0			
GBPUSD	1.2900		-0.0044		-0.3		-1.1		0.4		-6.8		New Zealand - RBNZ	Feb 12, 2019
USDCHF	1.0039		0.0034		0.3		0.6		2.1		6.9			

Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing. While this source is believed to be reliable, Scotiabank cannot guarantee its accuracy.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia’s regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.