

ON DECK FOR TUESDAY, FEBRUARY 12

<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	02/12	10:00	JOLTS Job Openings (000s)	Dec	--	6845.5	6888.0	
US	02/12	12:45	Powell Speaks in Mississippi About Rural Poverty					
US	02/12	18:30	Fed's Mester Speaks on Economic Outlook and Monetary Policy					
US	02/12	19:30	Fed's George Speaks on the U.S. Economy					

KEY POINTS:

- **Global markets buoyed by US-China & shutdown optimism...**
- **...as Brexit spins its wheels ahead of May's address**
- **US JOLTS likely remain near a record high...**
- **...as NFIB small business optimism rewinds half of the post-election surge**
- **Fed's Powell, Mester, George on tap**
- **Indian CPI vindicates RBI cut**
- **RBNZ dovish hold expected tonight**
- **Canada quiet, more insolvency charts**

INTERNATIONAL

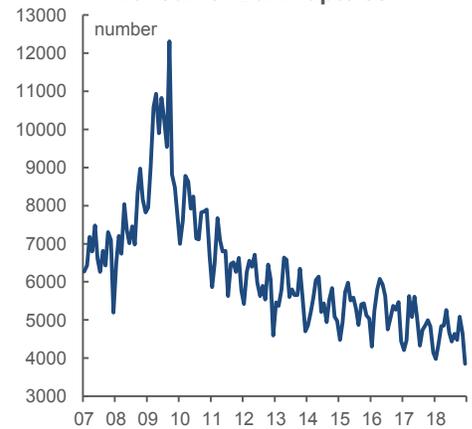
Two out of three major geopolitical risks are being constructively informed this morning and that's enough to have stocks rallying globally. Agreement in principle to secure border wall funding that would avert another US government shutdown after this Friday still requires Trump's ok or veto-proof Congressional support and then we're onto the next issue of raising the debt ceiling after the suspension lifts on March 2nd. It's unclear that Trump's base would approve of the limited funding for border fencing and so some of the risk trade may be vulnerable to Trump's first words on the agreement at some point today. Speculation is also back on again that Trump and Xi Jinping could set a date to meet in order to advance a trade deal after White House advisors indicated openness and ahead of senior level trade negotiations later this week. US Treasury Secretary Mnuchin and USTR Lighthizer have just arrived in Beijing.

The third geopolitical risk is still spinning its wheels as UK PM May is expected to address Parliament at 12:30pmGMT (7:30amET) and is expected to dig in further ahead of parliamentary debate by advising "The talks are at a crucial stage. We now all need to hold our nerve to get the changes this House has required and deliver Brexit on time." Her comments to cabinet this morning were that negotiations with the EU "need more time" and that she is seeking legally binding changes to the backstop arrangement surrounding treatment of the Irish border. There remains no indication that the EU is willing to negotiate any further on the Irish border and backstop arrangement and so either PM May knows more than is being let on in public by both sides or it's a desperate game of double dare.

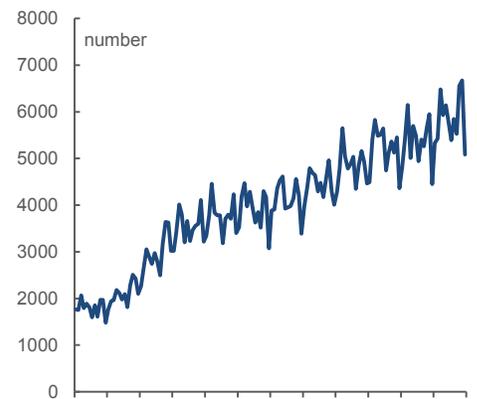
Fed-speak may be a factor against the backdrop of light US macro data. RBI watchers will focus upon India's inflation rate that fell by more than expected and RBNZ watchers will be on guard for a more dovish bias.

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Consumer Bankruptcies


Sources: Scotiabank Economics, Office of the Superintendent of Bankruptcy.

Consumer Insolvency Proposals


Sources: Scotiabank Economics, Office of the Superintendent of Bankruptcy.

- US equity futures are up by about ¾% with TSX futures up ½%. European cash markets are rallying by between 0.3% (London) and 1 ¼% (Frankfurt, Paris). Asian equities had another solid session with Tokyo up 2½%, mainland China split between gains of 0.7% (Shanghai) and 1.2% (Shenzhen) and Seoul up ½% while HK was little changed.
- Sovereign bonds are divided between cheapening in the US by about 2–3bps across the curve, flat in the UK, Germany and France with Italian spreads narrowing.
- The USD is flat on a DXY basis as the yen depreciates slightly while pound sterling and the euro are flat. CAD is appreciating again and so is the Mexican peso, A\$/NZ\$ and several Scandies.
- Oil prices are also rising with WTI and Brent both up by either side of about a buck.

RBI watchers have CPI to consider. Inflation fell to 2.05% y/y (2.2% prior, 2.5% consensus) and hence went in the opposite direction to consensus expectations. That’s the lowest reading since June 2017 and it **vindicates the RBI’s surprise rate cut** last week.

The RBNZ delivers a policy decision this evening (8pmET). RBNZ guidance is not to expect a hike until well into next year. The main risk, however, is whether the RBNZ may reintroduce more dovish language after removing talk of a rate cut at its last meeting in November. The RBA’s more dovish turn that followed the Fed could be instructive in this manner although CPI inflation has been holding at 1.9% y/y and hence close to the mid-point of the 1–3% target range.

UNITED STATES

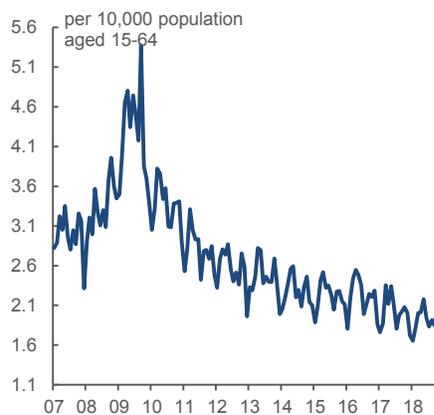
Fed-speak will include Chair Powell at 11amET and 12:45pmET but on topics not directly related to the outlook so the risk of market-relevant comments may be low. Regional Presidents Mester (6:30pmET) and George (7:30pmET) speak tonight.

US macro data only includes JOLTS job openings (10amET) that remain near a record high number of unfilled positions, as well as NFIB small business optimism. The latter fell again in the January release earlier this morning. **Small businesses are at their least optimistic since November 2016** back when the metric surged over a two month period leading up to the election. In that sense, small business optimism has only partially unwound about half of the election surge.

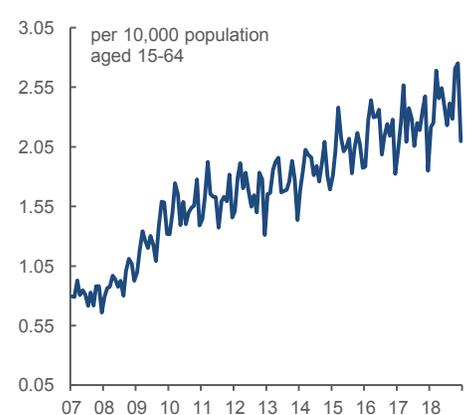
CANADA

Canada’s calendar will remain empty until Thursday when a manufacturing report is due out and then Friday with home resales. The main Canada risk is skewed to one week from Thursday when Poloz speaks about “monetary policy, its power to improve economic performance, and the scope of its effectiveness.”

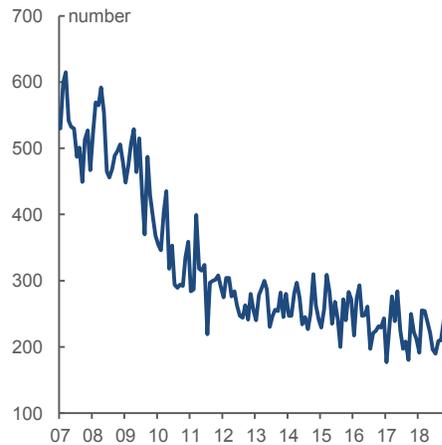
Consumer Bankruptcies



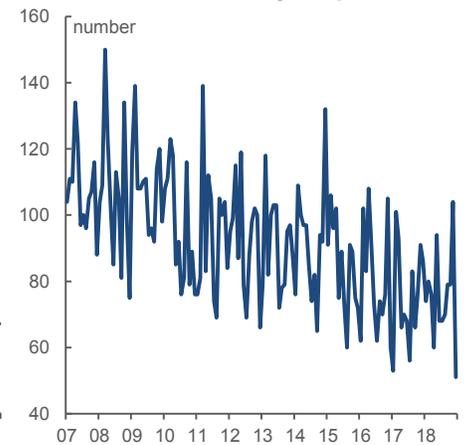
Consumer Proposals



Business Bankruptcies



Business Insolvency Proposals



Because I forgot to include the Canadian consumer bankruptcy and proposals charts that I referenced in yesterday morning's note, please see them below in both raw (000s) terms and per capita terms. I've also now included business bankruptcies and proposals that are also quite low and with business insolvency proposals dropping to a cycle low by contrast to consumer proposals. The general arguments in [this](#) note still hold.

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.	2.51	2.49	2.52	2.50	2.47	2.51	2.69	2.65	2.70	3.02	2.99	3.03	Canada - BoC	1.75
CANADA	1.81	1.79	1.83	1.84	1.81	1.85	1.94	1.90	1.94	2.18	2.15	2.18	US - Fed	2.50
GERMANY	-0.57	-0.57	-0.57	-0.34	-0.35	-0.30	0.14	0.12	0.17	0.76	0.74	0.78	England - BoE	0.75
JAPAN	-0.16	-0.16	-0.16	-0.15	-0.16	-0.16	-0.01	-0.03	-0.01	0.60	0.58	0.60	Euro zone - ECB	0.00
U.K.	0.73	0.73	0.75	0.83	0.83	0.87	1.19	1.18	1.23	1.70	1.69	1.74	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	8.25
CANADA	-70	-70	-70	-66	-66	-66	-75	-75	-76	-84	-84	-85	Australia - RBA	1.50
GERMANY	-308	-306	-309	-284	-282	-281	-255	-253	-253	-226	-225	-226	New Zealand - RBNZ	1.75
JAPAN	-267	-265	-269	-265	-263	-267	-270	-268	-271	-242	-241	-243		
U.K.	-178	-176	-177	-167	-164	-164	-150	-147	-147	-132	-131	-130		
Equities	Level						% change:						Next Meeting Date	
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	15569			-64.5	-0.4	-0.2	4.2	2.1	Canada - BoC Mar 06, 2019					
Dow 30	25053			-53.2	-0.2	-0.7	4.4	1.8	US - Fed Mar 20, 2019					
S&P 500	2710			1.9	0.1	-0.6	4.4	2.0	England - BoE Mar 21, 2019					
Nasdaq	7308			9.7	0.1	-0.5	4.8	4.7	Euro zone - ECB Mar 07, 2019					
DAX	11149			134.8	1.2	-1.9	2.4	-9.2	Japan - BoJ Mar 15, 2019					
FTSE	7150			21.1	0.3	-0.4	3.4	-0.4	Mexico - Banxico Mar 28, 2019					
Nikkei	20864			531.0	2.6	-0.1	2.5	-2.4	Australia - RBA Mar 04, 2019					
Hang Seng	28171			27.5	0.1	0.8	5.6	-4.4	New Zealand - RBNZ Feb 12, 2019					
CAC	5070			55.7	1.1	-0.3	6.0	-1.4						
Commodities	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
WTI Crude	53.39		0.98	1.9	-0.5	3.5	-10.0	England - BoE Mar 21, 2019						
Natural Gas	2.67		0.03	1.1	0.4	-13.8	4.7	Euro zone - ECB Mar 07, 2019						
Gold	1312.80		4.62	0.4	-0.2	2.0	-0.8	Japan - BoJ Mar 15, 2019						
Silver	15.71		-0.08	-0.5	-0.3	0.2	-4.0	Mexico - Banxico Mar 28, 2019						
CRB Index	177.11		-0.92	-0.5	-1.9	-0.5	-6.3	Australia - RBA Mar 04, 2019						
Currencies	Level						% change:							
			Change	1 Day	1-wk	1-mo	1-yr							
USDCAD	1.3257		-0.0045	-0.3	1.0	-0.2	5.4	New Zealand - RBNZ Feb 12, 2019						
EURUSD	1.1286		0.0010	0.1	-1.1	-1.6	-8.2							
USDJPY	110.51		0.1300	0.1	0.5	2.2	1.7							
AUDUSD	0.7087		0.0025	0.4	-2.0	-1.5	-9.9							
GBPUSD	1.2858		0.0003	0.0	-0.7	-0.0	-7.1							
USDCHF	1.0082		0.0043	0.4	0.8	2.8	7.3							

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.

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