

ON DECK FOR TUESDAY, FEBRUARY 19

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02/19	08:50	Fed's Mester Speaks on Economic Outlook and Monetary Policy				
US	02/19	10:00	NAHB Housing Market Index	Feb	--	59.0	58.0

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KEY POINTS:

- Risk-off sentiment after long NA weekend
- US auto tariffs report being kept secret...
- ...but auto stocks drop on concern toward US-EU trade war
- EU reaffirms (again) that it won't reopen withdrawal agreement...
- ...or set a time limit to the Irish border backstop...
- ...as May prepares to ask yet again tomorrow
- A\$ softens as RBA minutes reaffirm more neutral stance
- Krona falls as Swedish CPI surprises to downside
- UK wage growth accelerates again
- German investor confidence mixed
- Canada quiet today

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

- US auto tariffs
- US-China trade negotiations
- US debt ceiling
- FOMC minutes
- Fed speak
- BoC's Poloz
- Brexit negotiations
- EZ PMIs, ZEW, IFO
- CDN retail, wholesale
- US Philly, durables, home resales
- CDN earnings
- Bank Indonesia
- Australian jobs, wages
- RBA minutes, Lowe's testimony
- Banxico minutes
- CPI: Japan, Brazil, Malaysia
- GDP: Peru, Thailand
- Brazilian pension reforms
- US, CDN auctions

INTERNATIONAL

A risk-off tone is sweeping across global markets to welcome back North American markets from long weekends in the US and Canada. A defensive bias is being partly driven by concern toward US auto tariffs (see below). The EU

continues to demonstrate its resolve against UK demands (see below). Other developments are of a regional nature including dovish influences upon the RBA and Riksbank outlooks, mixed German investor confidence and the fastest UK wage growth in over ten years.

- US equity futures are down by just over ¼% while TSX futures are slipping by slightly less. European cash markets are lower by ½% to ¾%. Overnight Asian equities were mixed but little changed on average.
- A very slightly dearer front-end in the US also has longer term US yields little changed. European debt curves are rallying a touch across longer dated Treasuries.
- Oil price are mixed with WTI up 50 cents and Brent little changed.
- The USD is slightly firmer on a DXY basis as it picks up safe haven flows. The euro and related crosses are among the leading decliners among the major crosses. The A\$ (RBA minutes, see below) and Krona (Swedish inflation, see below) are depreciating. Pound sterling is flat to the USD and outperforming most other crosses partly due to wage figures (see below).

The EU repeated this morning that it won't reopen the Brexit withdrawal agreement or set a time limit to the Irish border backstop. UK PM May jets off to Brussels tomorrow to meet with EC President Jean-Claude Juncker at 12:30pmET.

The A\$ depreciated a little further after minutes to the February 4th meeting were released. The minutes confirmed the shift toward a more cautious stance and stated there was no strong case for any near term policy adjustments but left the door open to either hikes or cuts later.

German investor confidence was mixed according to the ZEW metric. The current situation reading fell by nearly half but the future expectations component remained little changed with slight improvement but still around a seven year low.

UK wage growth climbed again and is running at its fastest since November 2008. Excluding bonuses, wages were up 3.4% y/y and the prior month was revised up a tick to the same 3.4%. Wages including bonuses grew at an unchanged rate of 3.4% y/y and is at its fastest since July 2008.

Swedish CPI decelerated by more than expected and that is driving the Krona to be the worst performing currency cross versus the USD this morning on reduced bets for a Riksbank hike later this year. Headline inflation slipped back to 1.9% y/y (2.2% consensus, 2.0% prior) while underlying CPI inflation fell to 2.0% y/y (2.3% consensus, 2.2% prior). The rate of underlying inflation has been decelerating since September and is at its softest since last April but nevertheless remains on the Riksbank's target. After unexpectedly hiking in December last year, the Riksbank said on February 13th that it still planned to raise its policy rate again in H2 of this year.

UNITED STATES

The US Commerce Department delivered its report on the global auto industry with recommendations on tariffs on Sunday, but the results were not disclosed. President Trump has 90 days to react to it and then 15 days to act if he wishes to impose tariffs. Europe has warned it will retaliate against any measures. The uncertainty has global auto stocks slipping to start the week.

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.	2.50	2.52	2.51	2.48	2.49	2.50	2.66	2.66	2.69	2.99	2.99	3.03	Canada - BoC	1.75
CANADA	1.78	1.78	1.80	1.81	1.80	1.83	1.90	1.89	1.92	2.15	2.15	2.16	US - Fed	2.50
GERMANY	-0.57	-0.57	-0.57	-0.36	-0.35	-0.34	0.10	0.11	0.13	0.73	0.74	0.76	England - BoE	0.75
JAPAN	-0.18	-0.17	-0.16	-0.17	-0.17	-0.15	-0.03	-0.02	-0.01	0.59	0.60	0.60		
U.K.	0.73	0.73	0.73	0.81	0.82	0.83	1.16	1.17	1.19	1.68	1.68	1.69		
Spreads vs. U.S. (bps):														
CANADA	-72	-74	-71	-68	-70	-67	-76	-77	-77	-84	-84	-86	Euro zone - ECB	0.00
GERMANY	-307	-308	-307	-284	-284	-284	-256	-255	-256	-227	-225	-227	Japan - BoJ	-0.10
JAPAN	-268	-269	-267	-266	-266	-265	-269	-269	-270	-240	-240	-243		
U.K.	-177	-178	-177	-167	-167	-167	-150	-150	-150	-132	-131	-133	Mexico - Banxico	8.25
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	15838			142.3			0.9	1.3	3.5	2.5			Australia - RBA	1.50
Dow 30	25883			443.9			1.7	3.1	4.8	2.6				
S&P 500	2776			29.9			1.1	2.5	3.9	1.6			New Zealand - RBNZ	1.75
Nasdaq	7472			45.5			0.6	2.4	4.4	3.2				
DAX	11281			-18.4			-0.2	1.4	0.7	-8.9				
FTSE	7175			-44.3			-0.6	0.6	3.0	-1.0				
Nikkei	21303			20.8			0.1	2.1	3.1	-3.8			Canada - BoC	Mar 06, 2019
Hang Seng	28228			-118.9			-0.4	0.2	4.2	-9.3			US - Fed	Mar 20, 2019
CAC	5145			-23.2			-0.4	1.8	5.5	-2.1				
Commodities	Level						% change:						Next Meeting Date	
	Last			Change			1 Day	1-wk	1-mo	1-yr				
WTI Crude	56.09			0.50			0.9	7.0	4.3	-9.1			England - BoE	Mar 21, 2019
Natural Gas	2.62			-0.01			-0.3	-1.0	-24.9	2.3			Euro zone - ECB	Mar 07, 2019
Gold	1329.69			2.79			0.2	1.4	3.7	-1.3			Japan - BoJ	Mar 15, 2019
Silver	15.77			0.09			0.6	0.4	1.9	-6.4				
CRB Index	181.33			2.61			1.5	1.8	-0.5	-6.3				
Currencies	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
USDCAD	1.3256			0.0016			0.1	0.1	-0.3	5.5			Mexico - Banxico	Mar 28, 2019
EURUSD	1.1283			-0.0028			-0.2	-0.4	-0.7	-9.1				
USDJPY	110.76			0.1400			0.1	0.3	1.0	3.9			Australia - RBA	Mar 04, 2019
AUDUSD	0.7105			-0.0025			-0.4	0.1	-0.8	-10.2				
GBPUSD	1.2915			-0.0009			-0.1	0.2	0.2	-7.7			New Zealand - RBNZ	Mar 26, 2019
USDCHF	1.0057			0.0008			0.1	-0.1	0.9	8.2				

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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