

ON DECK FOR FRIDAY, FEBRUARY 22

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02/22	08:15	Atlanta Fed's Bostic Delivers Opening Remarks in New York				
CA	02/22	08:30	Retail Sales (m/m)	Dec	-0.5	-0.3	-0.9
CA	02/22	08:30	Retail Sales ex. Autos (m/m)	Dec	-0.3	-0.3	-0.6
US	02/22	10:15	Fed's Williams Discusses Inflation at Policy Forum in New York				
US	02/22	12:00	Clarida Speaks in New York on Fed Tools, Communications				
US	02/22	12:30	New York Fed's Potter Discusses Quantitative Tools				
US	02/22	13:30	Fed's Harker, Bullard, and Quarels Take Part in Panel Discussion on Balance Sheet				
US	02/22	17:30	New York Fed's Williams Gives Closing Remarks at Fed Event				

KEY POINTS:

- **Risk-on bias ahead of key risks**
- **Headline risk on US-China trade negotiations this afternoon**
- **CDN retail sales: weak headline, better core?**
- **Little market follow-through on Poloz's speech**
- **Two Fed conferences pose market risk...**
- **...with one focused on inflation, balance sheet and tools....**
- **...and the other focused upon macro/financial tools**
- **German business confidence falls to lowest since Greek debt crisis**
- **Japanese CPI remains perennially stuck far below BoJ's target**
- **CDN bank earnings season kicks off**

INTERNATIONAL

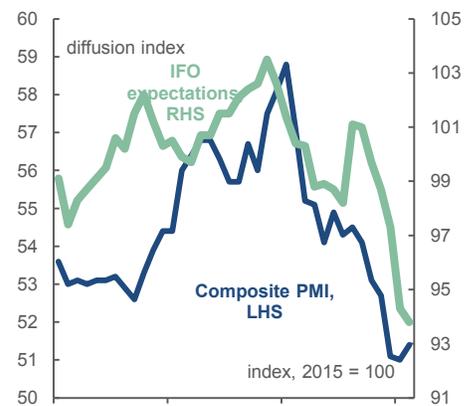
The week could well go out with a bang with plenty of market risk to consider. Potentially key Fed-speak, Trump's meeting with China's chief trade negotiator and Canadian retail sales are day-ahead risks following another dip in German business confidence, still very weak Japanese CPI and a mild start to the Canadian bank earnings season.

The USD is little changed on a DXY basis. The Mexican peso, CAD (ahead of retail) and A\$ (story reversal of China coal ban) are leading appreciating crosses while the euro, yen and pound sterling are depreciating.

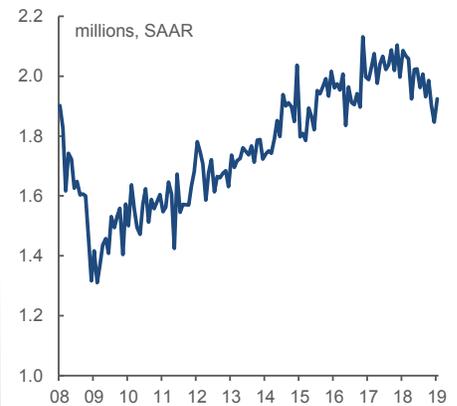
- Sovereign bond yields are slightly rallying with the US Treasury curve's yields down by about 1bp across maturities and Canada performing similarly. The gilts curve is rallying harder with yields down 2–4bps across maturities on yet more Brexit concern. The bunds curve is also picking up a gentler bid.
- US equity futures are up by about ½% and TSX futures are up by half that. European cash markets are rallying by ¼% to ½% across the exchanges. Asia was mixed with a gain of about 2% at mainland China's two main exchanges while HK rallied by less and both Tokyo and Seoul were little changed.
- Oil prices are up by about half a buck for WTI and Brent. WCS continues to trend sideways and has floated between US\$41–45 per barrel since the second week of January.

CONTACTS

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

Waning German Sentiment


Sources: Scotiabank Economics, Bloomberg.

Canadian Auto Sales


Sources: Scotiabank Economics, Haver Analytics.

German business confidence fell again this month. The IFO gauge is now at its softest since December 2014. Both of the current conditions and forward expectations components declined with the latter at its lowest reading since November 2012. The decline reinforces the drop in the ZEW investor sentiment gauge but conflicts with the rise in the composite purchasing managers' index that was driven by improvement in the services industry even as manufacturing continues to slide. See chart.

Japanese CPI inflation remains very low. The January reading was +0.2% y/y and the core measure that Japan defines to be ex-food ticked up to 0.8% y/y with CPI ex food and energy also inching higher to 0.4% y/y. Inflation remains very much below the BoJ's 2% target. With the exception of three brief episodes in 1997, 2008 and 2014 with influences from sale tax hikes, Japan has been running below 2% inflation ever since 1992. Japan plans on raising its sale tax again in October by two points to 10% but has delayed the decision twice already not least of which because of the damage that prior hikes have done to consumption.

UNITED STATES

A pair of Fed conferences will bring out numerous FOMC officials to speak about the Fed's balance sheet and quantitative tools. Headline risk may be material.

Several Fed speakers are on the docket at this **year's US Monetary Policy Forum** hosted by the Chicago Booth School of Business (agenda [here](#)). **There are three main sources of risk.** One is a discussion on "Prospects for **Inflation** with a High-Pressure Economy" including comments by NY Fed President Williams and San Fran Fed President Daly (10:15amET). Second is **the keynote speech by Vice Chair Clarida** about Fed tools and communications (noon ET). Third is the afternoon discussion on "**The Future of the Federal Reserve's Balance Sheet**" including discussion by St. Louis Fed President Bullard, Philly Fed President Harker and Vice Chair Quarles (1:30pmET).

The other conference will be co-hosted by the NY and Atlanta Feds and is titled "First Annual Joint Research Day on Quantitative Tools for Monitoring Macroeconomic and Financial Conditions" (agenda [here](#)). The topic likely poses less market risk than the Chicago conference. It will include remarks by several Fed officials.

US President Trump and China's Vice Premier Liu He will meet at 2:30pmET this afternoon. Headline risk could be material and pick up on progress in US-China trade negotiations after the latest round concluded in Washington. Trump delivers remarks tonight at a Republican Governors Association event (7:35pmET).

CANADA

Canada updates retail sales for December this morning (8:30amET). See the Global Week Ahead for a further elaboration. Regarding Canadian retail, lower auto sales and gas prices will likely weigh on the headline. That puts the emphasis upon core sales excluding autos and gasoline that focus the uncertainty. I would also emphasize volumes that fell the prior month.

Canadian bank earnings season kicked off with RBC meeting estimates for adjusted cash EPS of C\$2.19. Scotia and BMO report on Tuesday followed by Laurentian and National on Wednesday and then CIBC and TD on Thursday.

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.	2.52	2.53	2.52	2.50	2.51	2.49	2.68	2.69	2.66	3.03	3.05	2.99	Canada - BoC	1.75	
CANADA	1.79	1.79	1.78	1.81	1.82	1.80	1.91	1.92	1.89	2.16	2.17	2.15	US - Fed	2.50	
GERMANY	-0.56	-0.56	-0.56	-0.35	-0.32	-0.35	0.10	0.13	0.10	0.73	0.75	0.72	England - BoE	0.75	
JAPAN	-0.18	-0.18	-0.17	-0.17	-0.17	-0.17	-0.04	-0.04	-0.02	0.58	0.57	0.60			
U.K.	0.75	0.76	0.74	0.83	0.86	0.81	1.16	1.20	1.16	1.68	1.71	1.68			
	Spreads vs. U.S. (bps):														
CANADA	-73	-74	-74	-69	-69	-70	-77	-77	-77	-88	-88	-84	Euro zone - ECB	0.00	
GERMANY	-308	-309	-307	-285	-284	-284	-257	-257	-256	-231	-230	-228	Japan - BoJ	-0.10	
JAPAN	-269	-271	-269	-268	-269	-266	-271	-273	-268	-245	-248	-240			
U.K.	-177	-177	-178	-167	-165	-168	-152	-149	-150	-135	-134	-131	Mexico - Banxico	8.25	
Equities	Level			Change			% change:								
	Last						1 Day	1-wk	1-mo	1-yr					
S&P/TSX	16001			-30.4			-0.2	2.4	5.0	3.2			Australia - RBA	1.50	
Dow 30	25851			-103.8			-0.4	1.2	5.9	3.6					
S&P 500	2775			-9.8			-0.4	0.8	5.4	2.6			New Zealand - RBNZ	1.75	
Nasdaq	7460			-29.4			-0.4	0.5	6.3	3.5					
DAX	11481			57.4			0.5	1.6	3.5	-7.9					
FTSE	7206			38.4			0.5	-0.4	4.4	-0.6					
Nikkei	21426			-38.7			-0.2	2.5	3.9	-1.4			Canada - BoC	Mar 06, 2019	
Hang Seng	28816			186.4			0.7	3.3	6.7	-6.9			US - Fed	Mar 20, 2019	
CAC	5216			19.7			0.4	1.2	7.6	-1.8			England - BoE	Mar 21, 2019	
Commodities	Level			Change			% change:								
WTI Crude	57.56			0.60			1.1	5.8	9.5	-8.3			Euro zone - ECB	Mar 07, 2019	
Natural Gas	2.69			-0.00			-0.1	4.7	-11.4	2.3			Japan - BoJ	Mar 15, 2019	
Gold	1322.74			-0.91			-0.1	0.1	2.9	-0.7					
Silver	15.91			-0.13			-0.8	2.1	4.3	-3.2			Mexico - Banxico	Mar 28, 2019	
CRB Index	184.31			0.90			0.5	3.1	3.0	-5.6			Australia - RBA	Mar 04, 2019	
Currencies	Level			Change			% change:								
USDCAD	1.3226			-0.0006			-0.0	-0.1	-1.0	4.1			New Zealand - RBNZ	Mar 26, 2019	
EURUSD	1.1320			-0.0016			-0.1	0.2	-0.4	-8.2					
USDJPY	110.88			0.1800			0.2	0.4	1.4	3.9					
AUDUSD	0.7110			0.0018			0.3	-0.4	-0.2	-9.4					
GBPUSD	1.2974			-0.0069			-0.5	0.7	0.2	-7.0					
USDCHF	1.0021			0.0011			0.1	-0.3	0.5	7.4					

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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