

**ON DECK FOR MONDAY, FEBRUARY 25**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02/25	10:00	Wholesale Inventories (m/m)	Dec F	--	0.3	0.3
US	02/25	10:30	Dallas Fed. Manufacturing Activity	Feb	--	4.8	1.0
US	02/25	11:00	Fed's Clarida Speaks with Community Leaders in Dallas				

**KEY POINTS:**

- **Stocks rally, mostly in 'cheap' China...**
- **...as Trump predictably caves on March 1st...**
- **...but US-centric trade irritants remain headwinds to western markets...**
- **...as the US administration needs to clear the air on autos tariffs...**
- **...and metals tariffs that are holding up NAFTA ratification**
- **US calendar faces low risk with Chicago Fed metric, Clarida**
- **Global Week Ahead**

Please see the Global Week Ahead [here](#). The week's main risks will include:

- Key Brexit vote
- US-China tariff deadline
- Fed Chair Powell's MPR...
- ...and his fresher take
- Q4 GDP: US, Canada, India, Brazil, Colombia
- Inflation: US, Canada, Eurozone, Peru
- Chinese PMIs
- US: ISM, confidence, other macro
- UK mfrg PMI
- CDN bank earnings
- BoK

**INTERNATIONAL**

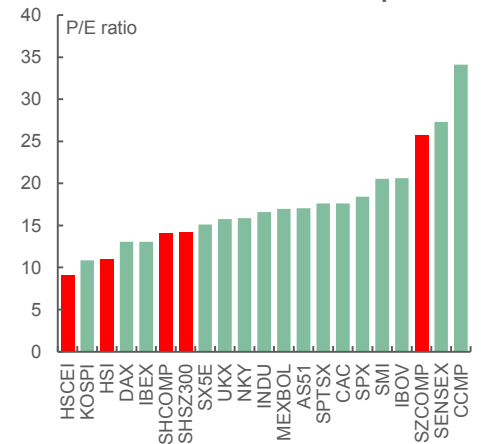
**Trade optimism is the only factor under consideration by way of fresh information to start the week.** This follows Trump's weekend tweet that lifted the March 1<sup>st</sup> tariff deadline on China which should have been among the worst kept secrets overhanging markets. Brexit risk is on hold until Wednesday's potential move to strip PM May of her March 29<sup>th</sup> deadline and the risk of a hard Brexit. Canada should be quiet until Wednesday's CPI and Friday's GDP with a two year auction also on tap for Wednesday. The US calendar is largely devoid of significant market risks today ahead of the week's focus upon macro data and possibly fresher perspectives from Fed Chair Powell. The US debt ceiling gets reinstated this weekend which will begin the process of Treasury drawing down cash reserves and potential extraordinary measures until a debt ceiling agreement is struck.

- Stocks are rallying. The real movers were stocks in mainland China where the Shanghai and Shenzhen composites were both up by about 5½%. China's broad stock markets are relatively cheap on a price-earnings basis

**CONTACTS**

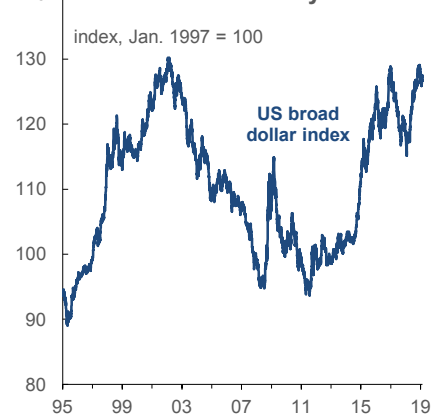
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**Chinese Stocks Still Cheap?**



Sources: Scotiabank Economics, Bloomberg.

**Is The Dollar Turning Less Disinflationary?**



Source: Scotiabank Economics, US Federal Reserve.

which might explain an out-sized reaction there versus more limited response elsewhere (see chart). The Shenzhen's smaller cap and more tech oriented index is to be compared to the Nasdaq (CCMP) whereas other Chinese indices are well below P/Es elsewhere. US equity futures are up by about ½% on average across the exchanges. TSX futures are up by about ¼%. European cash markets range from flat (London) to up by as much as about ¾% in Milan.

- The USD is losing some of its safe haven appeal this morning. On a DXY basis, the dollar is at its cheapest in just under three weeks as trade optimism has mounted. The broad dollar had begun to appreciate again this month and has only depreciated by about 2½% since the December peak. That keeps it cyclically elevated toward the richest levels in decades (see chart). What may be important, however, is that at least the appreciating trend up to November of last year has lost momentum and with that so may the dollar's disinflationary influences. This morning, the dollar is down versus all major crosses except for the yen that is also losing safe haven appeal to start the week.
- Sovereign bonds are losing a bit of their lustre this morning. The US Treasury curve is mildly bear steepening with the 10 year note yield up by about 2bps. Canada's curve is similarly steepening. European yields are similarly higher in the UK, France and Germany as Italian debt spreads narrow.
- Oil prices are down by just over 1% to start the week.

## UNITED STATES

US President Trump predictably lifted the March 1<sup>st</sup> deadline for the expiration of the US-China tariff moratorium. He cited progress in US-China trade negotiations but likely overstated the magnitude of such progress in favour of settling stock market risks much like the CUSMA/USMCA deal. Chinese stocks rallied hard as previously noted. Western markets may not be rallying as much in part because positive developments toward China do not mean US-centric trade tensions have been eliminated. Markets still need to hear what Trump intends to do with the Commerce Department's report on the auto industry and its as yet unpublished recommendations. NAFTA/CUSMA/USMCA still needs to be ratified and with a Canadian election this October suggesting risk of a minority government the US needs to lift its steel and aluminum tariffs before the Canadian parliament ratifies it.

US markets should just follow the global tone today with very light developments on the calendar. Only the Chicago Fed's national activity index (8:30amET) and Fed Chair Clarida (11amET, community bankers) are on tap.

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	2.50	2.52	2.49	2.47	2.49	2.68	2.65	2.66	3.04	3.02	2.99	Canada - BoC	1.75
CANADA	1.79	1.78	1.78	1.82	1.80	1.80	1.91	1.89	1.89	2.16	2.14	2.15	US - Fed	2.50
GERMANY	-0.56	-0.57	-0.57	-0.33	-0.35	-0.35	0.11	0.10	0.11	0.73	0.72	0.74	England - BoE	0.75
JAPAN	-0.17	-0.18	-0.17	-0.17	-0.17	-0.17	-0.04	-0.04	-0.02	0.59	0.58	0.60	Euro zone - ECB	0.00
U.K.	0.77	0.76	0.73	0.91	0.84	0.82	1.18	1.16	1.17	1.71	1.69	1.68	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
CANADA	-72	-72	-74	-67	-68	-70	-76	-76	-77	-88	-88	-84	Mexico - Banxico	8.25
GERMANY	-307	-306	-308	-282	-282	-284	-256	-256	-255	-230	-230	-225	Australia - RBA	1.50
JAPAN	-268	-267	-269	-266	-264	-266	-271	-269	-269	-245	-243	-240	New Zealand - RBNZ	1.75
U.K.	-174	-174	-178	-158	-163	-167	-150	-150	-150	-132	-132	-131	Next Meeting Date	
Equities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	16013	12.1		0.1	2.0	4.2	2.4					Canada - BoC	Mar 06, 2019	
Dow 30	26032	181.2		0.7	2.3	5.2	2.9					US - Fed	Mar 20, 2019	
S&P 500	2793	17.8		0.6	1.7	4.8	1.7					England - BoE	Mar 21, 2019	
Nasdaq	7528	67.8		0.9	1.4	5.1	2.6					Euro zone - ECB	Mar 07, 2019	
DAX	11496	38.2		0.3	1.7	1.9	-7.9					Japan - BoJ	Mar 15, 2019	
FTSE	7166	-12.2		-0.2	-0.7	5.2	-1.1					Mexico - Banxico	Mar 28, 2019	
Nikkei	21528	102.7		0.5	1.2	3.6	-1.7					Australia - RBA	Mar 04, 2019	
Hang Seng	28959	143.0		0.5	2.2	5.0	-7.4					New Zealand - RBNZ	Mar 26, 2019	
CAC	5231	15.0		0.3	1.2	6.2	-1.6							
Commodities	Level			% change:										
		Change		1 Day	1-wk	1-mo	1-yr							
WTI Crude	56.42	-0.84		-1.5	1.5	5.1	-11.2					England - BoE	Mar 21, 2019	
Natural Gas	2.76	0.04		1.6	5.1	-13.2	5.1					Euro zone - ECB	Mar 07, 2019	
Gold	1330.32	2.07		0.2	0.3	2.1	0.1					Japan - BoJ	Mar 15, 2019	
Silver	15.87	-0.04		-0.3	1.2	4.0	-3.6					Mexico - Banxico	Mar 28, 2019	
CRB Index	183.48	-0.58		-0.3	1.2	1.5	-6.4					Australia - RBA	Mar 04, 2019	
Currencies	Level			% change:										
		Change		1 Day	1-wk	1-mo	1-yr							
USDCAD	1.3134	-0.0001		-0.0	-0.8	-0.6	3.6					New Zealand - RBNZ	Mar 26, 2019	
EURUSD	1.1355	0.0020		0.2	0.4	-0.4	-7.8							
USDJPY	110.73	0.0400		0.0	0.1	1.1	3.6							
AUDUSD	0.7175	0.0046		0.6	0.6	-0.1	-8.7							
GBPUSD	1.3091	0.0038		0.3	1.3	-0.8	-6.3							
USDCHF	0.9996	-0.0008		-0.1	-0.5	0.6	6.6							

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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