

ON DECK FOR THURSDAY, FEBRUARY 28

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02/28	08:00	Fed's Clarida Remarks at Economic Policy Conference				
CA	02/28	08:30	Current Account (C\$ bn a.r.)	4Q	--	-13.3	-10.3
CA	02/28	08:30	IPPI (m/m)	Jan	--	0.1	-0.7
CA	02/28	08:30	Raw Materials Price Index (m/m)	Jan	--	--	3.8
US	02/28	08:30	GDP (q/q a.r.)	4Q A	2.7	2.2	3.4
US	02/28	08:30	GDP Deflator (q/q a.r.)	4Q A	--	1.7	1.8
US	02/28	08:30	Initial Jobless Claims (000s)	FEB 23	220	220.0	216.0
US	02/28	08:30	Continuing Claims (000s)	FEB 16	1730	1736.5	1725.0
US	02/28	08:50	Fed's Bostic Speaks on the Economic and Housing Landscape				
US	02/28	11:00	Fed's Harker Discusses Economic Outlook				
US	02/28	13:00	Fed's Kaplan to Speak in Q&A in San Antonio				
US	02/28	19:00	Fed's Mester Speaks on Women in Economics				
US	02/28	20:15	Powell speaks on Economic Developments and Longer-Term Challenges				

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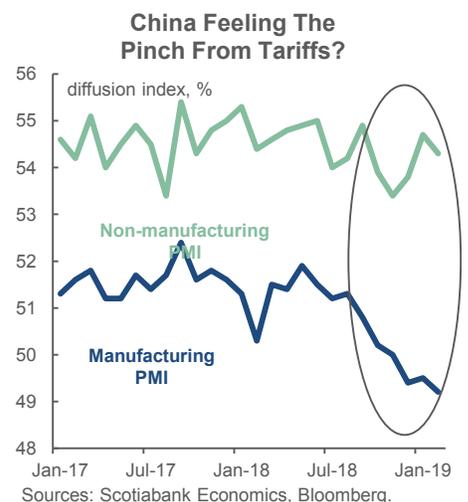
KEY POINTS:

- **Mild risk-off as markets surprised that US-NK Summit failed...**
- **...when perhaps only Trump should be surprised**
- **China PMIs slip a touch further, but take with a grain of salt**
- **US GDP: coming off a sugar high**
- **Fed's Powell, Clarida on tap**
- **European inflation moving up**
- **Krona soars on a strong GDP beat**
- **Won underperforms on failed Summit**
- **French consumers roared into the new year**
- **Colombian GDP on tap**
- **India's economy mildly decelerates; tensions with Pakistan ease**

INTERNATIONAL
A mild risk-off tone is characterizing the global risk trade this morning.

We're asked to believe that markets are surprised that North Korea won't give up all of its nukes when perhaps this should have only surprised Trump in the fall-out from a failed and sloppily organized summit with Kim Jong Un. Month-end rebalancing always clouds the market signals and this will continue tomorrow when the calendar flips over to March. A more substantive reason for mild risk aversion may be further softness in Chinese PMIs that should be taken with a grain of salt (see below). Canadian bank earnings disappointed this morning but Canada's macro risks will be sidelined until tomorrow's GDP print. US GDP and potentially key Fed-speak will inform incremental risks today. Eurozone headline inflation increased in February ahead of the Eurozone-wide tally tomorrow morning. Other regional developments were generally constructive and are highlighted below. Oil prices are consolidating gains from the past couple of days.

- The USD is depreciating somewhat on a DXY basis as the Euro, several other European currencies and the yen all appreciate against it. CAD, the Mexican peso, the A\$ and pound sterling are little changed. The won is the worst performing currency this morning given the failed Trump-Kim Summit



and against an otherwise positive data beat for industrial output. The Swedish Krona is the best performing currency after a strong GDP beat.

- US Treasuries and Canadas are attracting a mild bid with yields down by 1–2bps across both curves. European curves are generally little changed.
- Oil prices are slightly lower as yesterday's jump is consolidated. Recall WTI increased by about US\$1.50 from late Tuesday through to yesterday after private and then government reports for oil inventories showed a large draw down.
- US equity futures are down by about ¼% on average across benchmarks with TSX futures little changed. European cash markets range from being up ½% in Milan to down ½% in London. Asian equities retreated by up to 1 ¾% in Seoul after the collapse of the US-NK Summit while other regional exchanges fell by less. Tokyo sold off by ¾%, HK was off ½%, Shanghai fell by ½% but Shenzhen was up by just over ¼%.

China's state purchasing managers' indices slipped a touch further in February (see chart). The composite PMI fell by 0.8 points to 52.4 and remains in moderate growth territory about the 50 no-growth dividing line. The manufacturing PMI slipped three-tenths to 49.2. Growth is being buoyed by non-manufacturing industries that are larger than the manufacturing sector. Nevertheless, the non-manufacturing PMI slipped four-tenths to 54.3. Take the readings with a grain of salt given they can be affected by the shifting timing of the annual lunar new year. Further, if the US and China are moving toward a trade deal of sorts and with China applying yet more stimulus at the upcoming National Congress, it's entirely possible that February data is stale. In addition, underlying details were mixed as manufacturers registered weaker new export orders but stronger new total orders as domestic strength helped offset tariff effects.

European inflation readings at the country level support expectations for a mild rise in Eurozone-wide CPI tomorrow morning. Here's a rundown.

- **Germany's individual states registered pick-ups in CPI** that exceed consensus expectations for the national total but the EU harmonized reading was unchanged at 1.7% y/y.
- **French CPI increased a little less consensus expected** by rising from 1.4% to 1.5% y/y (1.7% consensus);
- **Spanish CPI ticked up to 1.1%** on an EU-harmonized basis (1.0% consensus);
- **Italian CPI climbed from 0.9% y/y in January to 1.2%** this month as expected;

French consumers shook off the yellow jackets and made up for lost time in January. Spending jumped by 1.2% m/m after dropping by 1.5% in December. That's the biggest monthly gain since February of last year.

Sweden's economy roared back in Q4. Growth of 1.2% q/q at a non-annualized pace doubled consensus expectations after a mild 0.1% dip the prior quarter. Q4 was the strongest growth rate since 2017Q2 and somewhat vindicated the Riksbank's surprise rate hike in December.

Switzerland GDP Q4 (1:45amET) averted technical recession as expected by registering mild non-annualized GDP growth of 0.2% q/q in Q4 (-0.3% prior). Both the Q4 figure and the downward revision to Q3 nevertheless fell shy of consensus expectations.

India's economy expanded by 6.6% y/y in Q4 (6.7% consensus, 7.1% prior) as generally expected. Tensions with Pakistan may be easing as the captured Indian pilot was released.

Colombia updates Q4 GDP (10amET) and consensus expects growth of 2.9% y/y.

UNITED STATES

US Q4 GDP growth will inform the magnitude to the post-stimulus slowdown. After registering an acceleration in growth to 4.2% in Q2 and 3.4% in Q3, consensus expects Q4 to come in at 2.2%. Scotia is toward the high side of consensus

expectations (2.7%) that run from as low as about 1½% to as high as nearly 3%. The Atlanta Fed's 'nowcast' estimates growth of 1.85% in Q4 but nowcasts are at least as rough a guide as the range of consensus estimates. The US government shutdown that began from December 22nd to January 25th is estimated to knock a modest 0.2% off annualized Q4 GDP growth (table 2, [here](#)) before taking 0.4% off of Q1 growth. The CBO estimates that the resumption of funding after January 25th will add 1.0% to the annualized growth rate in Q2 and play a sizeable role in the expected rebound next quarter.

Fed-speak returns with the prospect of reinforcing the Fed's improved optimism that Chair Powell communicated in his testimony to Congress this week.

- Chair Powell speaks about "Recent Economic Developments and Longer-term Challenges" tonight at 8:15pmET;
- Vice Chair Clarida speaks this morning at 8amET about the US economic outlook and monetary policy;
- Four nonvoting regional Presidents will also weigh in throughout the day including Atlanta's Bostic (8:50amET), Philly's Harker (11amET), Dallas President Kaplan (1pmET) and Cleveland's Mester (7pmET).

CANADA

Canadian bank earnings continue to roll in and both of this morning's releases missed estimates in what was generally a soft overall bank earning season. CIBC posted adjusted EPS of C\$3.01 (C\$3.09 consensus). TD Bank registered adjusted EPS of C\$1.57 (\$1.71 consensus).

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.	2.48	2.50	2.53	2.46	2.48	2.51	2.67	2.68	2.69	3.05	3.07	3.05	Canada - BoC	1.75		
CANADA	1.76	1.77	1.79	1.79	1.80	1.82	1.90	1.91	1.92	2.14	2.14	2.17	US - Fed	2.50		
GERMANY	-0.53	-0.53	-0.56	-0.30	-0.30	-0.32	0.16	0.15	0.13	0.78	0.77	0.75	England - BoE	0.75		
JAPAN	-0.15	-0.16	-0.18	-0.16	-0.16	-0.17	-0.02	-0.03	-0.04	0.61	0.61	0.57				
U.K.	0.83	0.83	0.76	1.01	1.01	0.86	1.27	1.27	1.20	1.80	1.81	1.71				
	Spreads vs. U.S. (bps):															
CANADA	-72	-72	-74	-68	-68	-69	-77	-77	-77	-91	-91	-88	Euro zone - ECB	0.00		
GERMANY	-301	-303	-309	-276	-278	-284	-251	-254	-257	-227	-230	-230	Japan - BoJ	-0.10		
JAPAN	-263	-266	-271	-262	-264	-269	-269	-271	-273	-244	-246	-248				
U.K.	-166	-167	-177	-145	-147	-165	-139	-141	-149	-125	-126	-134				
Equities	Level						% change:									
	Last			Change			1 Day		1-wk		1-mo		1-yr			
S&P/TSX	16074			6.4			0.0		0.3		3.4		4.1		Australia - RBA	1.50
Dow 30	25985			-72.8			-0.3		0.1		3.9		3.8			
S&P 500	2792			-1.5			-0.1		0.3		3.3		2.9		New Zealand - RBNZ	1.75
Nasdaq	7555			5.2			0.1		0.9		3.7		3.9			
DAX	11474			-13.7			-0.1		0.4		2.7		-7.7			
FTSE	7077			-30.1			-0.4		-1.3		1.6		-2.1			
Nikkei	21385			-171.3			-0.8		-0.4		2.9		-3.1		Canada - BoC	Mar 06, 2019
Hang Seng	28633			-124.3			-0.4		0.0		2.5		-7.2		US - Fed	Mar 20, 2019
CAC	5223			-2.4			-0.0		0.5		4.6		-1.8		England - BoE	Mar 21, 2019
Commodities	Level						% change:									
WTI Crude	56.90			-0.04			-0.1		-0.1		5.8		-7.7		Euro zone - ECB	Mar 07, 2019
Natural Gas	2.82			0.02			0.9		4.7		0.4		5.9		Japan - BoJ	Mar 15, 2019
Gold	1324.91			5.06			0.4		0.1		0.3		0.5			
Silver	15.86			0.03			0.2		-1.1		3.2		-4.5			
CRB Index	183.17			-0.05			-0.0		-0.1		2.0		-5.6			
Currencies	Level						% change:									
USDCAD	1.3170			0.0014			0.1		-0.5		0.3		2.6		Mexico - Banxico	Mar 28, 2019
EURUSD	1.1410			0.0040			0.4		0.7		-0.3		-6.4			
USDJPY	110.82			-0.1800			-0.2		0.1		1.8		3.9		Australia - RBA	Mar 04, 2019
AUDUSD	0.7136			-0.0002			-0.0		0.6		-1.9		-8.1			
GBPUSD	1.3296			-0.0013			-0.1		1.9		1.4		-3.4		New Zealand - RBNZ	Mar 26, 2019
USDCHF	0.9931			-0.0084			-0.8		-0.8		-0.1		5.1			

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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