

ON DECK FOR MONDAY, MARCH 11

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03/11	08:30	Retail Sales (m/m)	Jan	-0.3	0.0	-1.2
US	03/11	08:30	Retail Sales ex. Autos (m/m)	Jan	0.2	0.2	-1.8
US	03/11	10:00	Business Inventories (m/m)	Dec	--	0.6	-0.1
US	03/11	19:00	Powell Gives Welcome Remarks at Conference in Washington				

KEY POINTS:

- A slight risk-on bias across global markets
- Fed Chair Powell guides rates at “roughly neutral”, still patient
- Chinese CPI softens as expected...
- ...with financing at a record year-to-date high in 2019
- Norway’s CPI all but guarantees Norges Bank will hike
- German macro data better than it appears
- US retail sales: soft headline, rebound ex-autos and gas?
- Canada starts the week quietly

Please see the Global Week Ahead — Break March [here](#). Key risks include:

- Brexit vote
- BoJ
- Fed Chair Powell
- China financing, macro reports
- CPI: US, China, India, Brazil, Argentina...
- ...Norway, Sweden, EZ revisions
- US retail sales, durables
- BoC’s Wilkins
- CDN manufacturing, housing

INTERNATIONAL

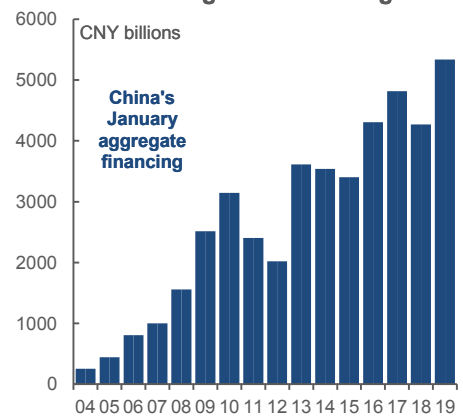
Global asset classes are little changed on balance but with glimmers of a slight risk-on bias. Fed Chair Powell’s weekend comments added some support (see below). I thought German macro data was a bit better than it appeared (see below). China CPI slipped in line with expectations and financing data softened on pulled-forward Lunar New Year effects (see below). Norges Bank is all but guaranteed to hike on March 21st following hawkish inflation data. US retail sales should post a soft headline on autos and gas but hoped for gains in core sales; shutdown and weather effects lend caution whatever the outcome. Canada starts off the week quietly.

- The USD is flat on a DXY basis with very little movement across most major currencies from the euro to yen, CAD, the AUD and Mexican peso. The strongest upside performer is the Norwegian krone (CPI, see below). The weakest downside performer is pound sterling that is slightly depreciating ahead of tomorrow’s vote in what is likely to be a deterministic week for Brexit risks. I believe the removal of hard Brexit risk that gives way to Brexit purgatory is the most likely outcome.

CONTACTS

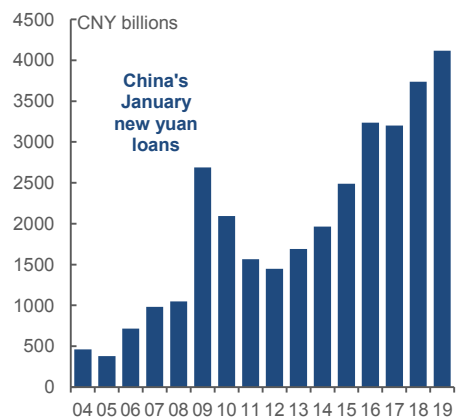
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China's Aggregate Financing Hits A New High



Sources: Scotiabank Economics, Bloomberg.

China's New Yuan Loan Growth Is At A Record High



Sources: Scotiabank Economics, Bloomberg.

- Sovereign bond yields are mixed with gilts dearer as yields are down by 1–2bps across the curve but US Treasuries cheaper with yields up by 2bps in 10s. Canadas are very slightly outperforming.
- Oil prices are up by half a buck in terms of Brent and WTI. Notwithstanding announcements of late – including Line 3 postponement and Alberta’s curtailed cutbacks – Canada Western Select has been resilient with prices closing out last week at about US\$44.85. The WCS price is trending around the highest level since July and the discount to WTI ended last week at –US\$11.
- US equity futures are mixed with the Dow selling off by 0.5% but the S&P500 and Nasdaq exchanges very slightly positive. Boeing is distorting the Dow with another weekend crash of its 737 Max plane and China grounding the model. TSX futures are also slightly positive. European cash markets are up by as much as ½% in London. Mainland China’s stocks rallied by about 4% in Shenzhen and 2% in Shanghai overnight.

German exports beat consensus expectations but only came in flat (0% m/m, -0.5% consensus, +1.5% prior). The fact they didn’t decline after a large gain that was retained without revision is a positive. Imports posted a second consecutive strong monthly gain of 1.5% m/m (-0.1% consensus, 1.2% prior). In volume terms, exports were up 0.1% m/m and imports were up 1.8% m/m.

German industrial output fell 0.8% m/m (consensus +0.5%). The drop wasn’t as bad as it appeared, however, because it was primarily driven by a sharp upward revision to the prior month that is now reported as a 0.8% m/m rise (-0.4% previously).

China macro data was soft over the weekend. Inflation edged lower to 1.5% y/y as expected (1.7% prior) with producer prices flat as expected (+0.1% y/y, 0.2% consensus, 0.1% prior).

China financing data was softer than consensus had guessed. I wouldn’t read a whole lot into that. As noted in the Global Week Ahead, January’s financing figures were abnormally strong; in fact, January hit a record high for aggregate financing and new yuan loans. I think the timing of the Lunar New Year played a role. Being on February 5th and often later than that, the usual pre-holiday demand for liquidity and credit was probably more concentrated upon January than normally and hence pulled forward some demand from February. The updated year-to-date comparisons for both metrics are shown in the accompanying charts and they continue to show that both measures of financing activity are at record highs this year as a reflect of efforts to ease lending conditions.

Amidst the global wave of sudden dovishness into the new year, at least one central bank faces the opposite problem. Norway’s underlying inflation rate unexpectedly shot higher to 2.6% y/y (2.1% consensus, 2.1% prior). Headline inflation eased by less than expected to 3% y/y (3.1% prior, 2.8% consensus). Underlying inflation has been trending higher ever since a trough of 0.9% y/y in August 2017 and has more than doubled since mid-2018. Leading sources of the pick-up in inflation pressures came from food and drinks, clothing and footwear, household items, alcohol and tobacco. Housing inflation eased but remains high. Currency softness has motivated some of this. **Norges Bank guided in December that after having raised its policy rate for the first time in September that it was “most likely” to raise again in March.**

UNITED STATES

So much for Fed black-outs. It used to be only Richard Fisher who could be reliably counted upon to ignore them. Now it’s the top of the house. The black-out began on Saturday at midnight ahead of the March 20th decision. Chair Powell delivered a pre-taped ‘60 Minutes’ interview last evening and delivers welcoming remarks at a community reinvestment forum this evening (7pmET). Governor Brainard speaks at the same event tomorrow morning.

Powell’s remarks on Friday evening and in last night’s interview stated that the present 2 ¼% to 2 ½% fed funds target range with interest on excess reserves set at 2.4% is at “roughly neutral” which is a little stronger guidance. Many confuse this with guidance toward a cyclical rate peak which confuses concepts. Neutral is a long-run guidepost. Beyond that, Powell just reiterated ‘patient’ guidance with an eye on domestic activity and inflation measures plus developments across the global economy including Brexit. He concluded by guiding “we’re going to wait and see how those conditions evolve before we make any changes to our interest-rate policy.”

US markets will be focused upon retail sales data for January (8:30amET). The figures are expected to be soft, but not as soft as the prior month. Consensus expects no headline growth and I'm at a touch weaker (-0.3% m/m) with sales ex-autos expected to rise 0.3% m/m ((Scotia 0.2%). The main points of softness to the headline reading come from already known auto sales and gasoline price figures. Excluding those factors, sales are expected to reverse some of the 1.4% m/m drop in December. Harsher than usual winter storms and temperatures plus the effects of the US government shutdown from December 22nd to January 25th lend caution to over-interpreting the figures in either direction and will require more data over the remainder of Q1 into Q2 in order to get a cleaner reading on consumer spending.

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	2.46	2.54	2.44	2.43	2.53	2.65	2.63	2.72	3.04	3.01	3.09	Canada - BoC	1.75
CANADA	1.66	1.65	1.74	1.65	1.65	1.76	1.77	1.76	1.89	2.06	2.05	2.17	US - Fed	2.50
GERMANY	-0.54	-0.53	-0.51	-0.35	-0.35	-0.29	0.07	0.07	0.16	0.72	0.71	0.80	England - BoE	0.75
JAPAN	-0.15	-0.15	-0.14	-0.15	-0.15	-0.14	-0.03	-0.03	0.00	0.59	0.59	0.64	Euro zone - ECB	0.00
U.K.	0.73	0.75	0.78	0.89	0.91	0.98	1.17	1.19	1.27	1.68	1.70	1.78	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-82	-81	-80	-79	-78	-77	-88	-87	-83	-97	-96	-92	Mexico - Banxico	8.25
GERMANY	-301	-300	-305	-280	-278	-282	-258	-256	-257	-232	-230	-229	Australia - RBA	1.50
JAPAN	-262	-261	-268	-259	-258	-267	-268	-266	-272	-245	-243	-245	New Zealand - RBNZ	1.75
U.K.	-175	-171	-176	-155	-152	-155	-148	-144	-145	-135	-131	-131		
Equities	Level						% change:						Next Meeting Date	
	Last	Change		1 Day		1-wk		1-mo		1-yr				
S&P/TSX	15996	-60.3		-0.4		-0.4		2.7		2.7		Canada - BoC	Apr 24, 2019	
Dow 30	25450	-23.0		-0.1		-2.2		1.6		0.5		US - Fed	Mar 20, 2019	
S&P 500	2743	-5.9		-0.2		-2.2		1.2		-1.6		England - BoE	Mar 21, 2019	
Nasdaq	7408	-13.3		-0.2		-2.5		1.4		-2.0		Euro zone - ECB	Apr 10, 2019	
DAX	11501	43.6		0.4		-0.8		4.4		-6.8		Japan - BoJ	Mar 15, 2019	
FTSE	7145	41.1		0.6		0.2		0.2		-1.1				
Nikkei	21125	99.5		0.5		-3.2		3.9		-1.6				
Hang Seng	28503	274.9		1.0		-1.6		1.3		-8.0				
CAC	5247	15.3		0.3		-0.8		4.6		-0.5				
Commodities	Level						% change:							
	Change		1 Day		1-wk		1-mo		1-yr					
WTI Crude	0.38		0.7		-0.2		7.7		-9.0					
Natural Gas	-0.09		-3.0		-2.7		5.2		1.8					
Gold	-3.28		-0.3		0.7		-1.0		-2.1					
Silver	0.04		0.3		-2.9		-4.2		-8.3					
CRB Index	0.08		0.0		-0.2		2.1		-7.4					
Currencies	Level						% change:							
	Change		1 Day		1-wk		1-mo		1-yr					
USDCAD	0.0010		0.1		0.9		0.9		4.5					
EURUSD	0.0010		0.1		-0.8		-0.3		-8.8					
USDJPY	-0.0200		-0.0		-0.5		0.7		4.4					
AUDUSD	0.0004		0.1		-0.6		-0.2		-10.5					
GBPUSD	0.0010		0.1		-1.2		1.3		-6.3					
USDCHF	0.0010		0.1		1.0		0.5		6.5					

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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