

**ON DECK FOR WEDNESDAY, MARCH 13**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03/13	07:00	MBA Mortgage Applications (w/w)	MAR 8	--	--	-2.5
CA	03/13	08:30	Teranet - National Bank HPI (y/y)	Feb	--	--	2.2
US	03/13	08:30	Durable Goods Orders (m/m)	Jan P	-0.5	-0.4	1.2
US	03/13	08:30	Durable Goods Orders ex. Trans. (m/m)	Jan P	0.4	0.1	0.1
US	03/13	08:30	PPI (m/m)	Feb	0.2	0.2	-0.1
US	03/13	08:30	PPI ex. Food & Energy (m/m)	Feb	0.2	0.2	0.3
US	03/13	10:00	Construction Spending (m/m)	Jan	--	0.5	-0.6

**KEY POINTS:**

- Sterling gains on Brexit optimism...
- ...that may be misplaced...
- ...ahead of a no-deal vote this afternoon...
- ...as amendments are being debated
- How the EU and polls are constraints...
- ...against whatever the British parliament decides today and tomorrow
- US investment data on tap
- US producer prices, construction spending also due
- US to auction 30s
- Canada only faces Teranet

**INTERNATIONAL**

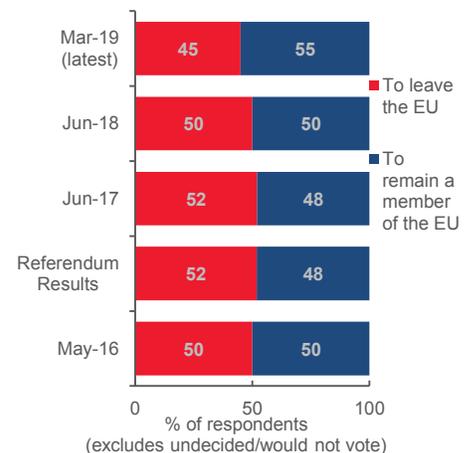
Well that was so much fun, let's do it all over again! US macro data (see below) will be a modest distraction ahead of the next Brexit vote this afternoon. What exactly they will vote upon is unclear as several amendments have been proposed. See below for a broader discussion on the amendments and the implications of recent polling. Canada will be quiet ahead of the speech by BoC SDG Wilkins tomorrow.

- Pound sterling is the best performing currency versus the USD and other pairs this morning. The Euro, CAD and yen are all little changed.
- Sovereign bond yields are up by 1–3bps across each of the curves in the US, UK, Germany and Canada.
- Oil prices are rallying with WTI up 50 cents due to yesterday's US private industry report that showed a decline in crude inventories.
- US equity futures are little changed but slightly positive alongside TSX futures. European cash markets range from flat in London and Frankfurt to slightly higher elsewhere. Asian equities sank with Tokyo falling by about 1%, HK down 0.4%, Shanghai and Shenzhen down by 1% and 2.3% respectively and Seoul off 0.4%.

The British Parliament votes on whether to reject the 'no deal' or 'hard Brexit' option shortly after 3pmET today. Exactly what will be voted upon is not entirely clear as several amendments are being proposed. First, here is the wording of the vote as it presently stands free of any amendments:

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**Second Thoughts on Brexit**


Sources: Scotiabank Economics, YouGov, Panelbase.

“That this House declines to approve leaving the European Union without a Withdrawal Agreement and a Framework for the Future Relationship on 29 March 2019; and notes that leaving without a deal remains the default in UK and EU law unless this House and the EU ratify an agreement.”

The proposed amendments are as follows, starting with the two that stand the best chance of going anywhere.

**Spelman/Dromey amendment:** This proposes straight out rejection of a no-deal departure from the EU on March 29<sup>th</sup>. This amendment differs from the original proposed wording because it removes reference to how “leaving without a deal remains the default in UK and EU law.” This amendment has cross-party support.

**Malthouse amendment:** This would extend EU membership until May 22<sup>nd</sup>—a day before European parliamentary elections begin. This extension would be followed by a long pregnant pause stretching to the end of 2021 (one year later than present transition arrangements) while a free trade deal is negotiated with the EU, the UK continues to contribute to the EU budget and the rights of EU citizens in the UK are guaranteed. This amendment is a no-deal Brexit but after a long transition period and it may appeal to the hard Brexit supporters. The proposed amendment would essentially negate the purpose of tomorrow’s vote to extend the deadline. This amendment nevertheless assumes that the EU-27 would go along with it which is anything but clear!

**SNP amendment:** revoke Article 50 entirely and thereby eliminate Brexit plans. This is unlikely to go anywhere.

**Plaid Cymru amendment:** Extend Article 50 until 2021 to conduct more negotiations and follow them with another referendum. There is no support for this outside of the Plaid Cymru party that advocates Welsh independence.

**TIG amendment:** Call for a second referendum. There is no support for this amendment outside of the eleven MPs who defected to form The Independent Group.

**TIG and Plaid amendment:** Simply rule out no-deal Brexit. This amendment is not supported by MPs outside of the Plaid Cymru party and TIG groups.

**Whatever the final wording, they will probably reject a hard Brexit departure today.** This will be followed by a likely vote tomorrow at about the same time on whether to delay the March 29<sup>th</sup> Article 50 deadline. A delay also has to be unanimously approved by all members of the EU27 and so whatever the British Parliament decides over the next two days still needs unanimous support across EU27 capitals. The British Parliament is not exclusively in control of its own destiny whatever it does today and tomorrow. Several – such as the EU’s chief negotiator Michel Barnier and the Dutch PM – have stated that an extension would be conditional upon a firmer understanding of what the UK would seek over this extension period. Good on them, since it’s anything but clear what the British Parliament wants, whether they reflect what British voters want and what good an extension would do.

So what do British voters want? Fresh polling results offer cautions for British politicians. First, going into yesterday’s vote, note that British voters were entirely divided in nearly equal chunks over whether PM May’s Brexit deal should have been accepted with roughly one-third saying accept, another third reject and another third clueless ([here](#)). Men were more likely to favour rejecting the deal. So were the relatively young, especially within the 18–24 age bracket. 54% of those who voted Conservative in the 2017 election favoured accepting the deal versus 19% who voted for Labour. The European Research Group faction within the Conservatives that favours a hard Brexit whatsoever the cost would perhaps do well to pay attention to what those who voted for the Conservative Party desire. Indeed, a case can be made for how the Brexit faction has hijacked the party against its base and could pay a steep price should another general election result from all of this. PM May herself lost sight of this point by aligning her goals so closely with the most strident Brexit supporters.

As for how polling may inform next steps, a second referendum could very well yield a different result. In separate polling ([here](#)), note that 48% of respondents now think the vote in favour of leaving the EU was a mistake with 40% still thinking it was the right thing to do and 12% undecided despite having over two and a half years to mull it over. Click on ‘remove don’t knows’ to see how a second referendum might actually shape up and the result is 55% think the initial vote was wrong versus 45% who think it was the right thing to do (see chart).

**UNITED STATES**

US investment data will offer markets some data fixes before all of that with producer prices for February (8:30amET), durable goods orders for January (8:30amET) and construction spending for January (10amET). Headline durable goods orders are likely to be weak given a sharp drop in Boeing orders (can't catch a break it seems...). Watch core orders (ex-defense and air) more closely for signs of momentum in equipment spending and especially since they've fallen for four of the past five months. As the accompanying chart demonstrates, the implications to investment contributions to GDP growth depend upon the timeline. Shipments—that influence current GDP growth—have held up as prior strength in new orders is still resulting in product going out the factory door. New orders have weakened which might portend weaker future shipments and hence weakened investment tallies going into future GDP over subsequent quarters.

The US Treasury auctions US\$16 billion of 30s at 1pmET.

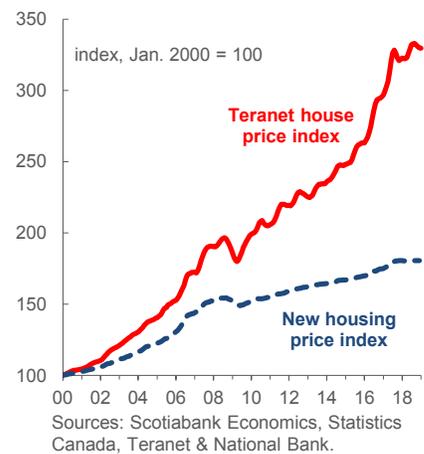
**CANADA**

Canada only releases the Teranet repeat-sales house price gauge for February (8:30amET). The measure has fallen for the past four months but the aggregate movements in average nationwide house prices have been tiny (see chart).

**US Non-Defence Capital Goods ex. Aircrafts**



**No House Price Disaster Here**



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.	2.46	2.45	2.52	2.43	2.41	2.50	2.62	2.60	2.69	3.01	2.99	3.07	Canada - BoC	1.75
CANADA	1.66	1.65	1.68	1.65	1.63	1.69	1.75	1.74	1.82	2.04	2.02	2.12	US - Fed	2.50
GERMANY	-0.54	-0.54	-0.52	-0.35	-0.36	-0.31	0.07	0.06	0.13	0.74	0.72	0.78	England - BoE	0.75
JAPAN	-0.15	-0.15	-0.14	-0.16	-0.15	-0.15	-0.04	-0.03	0.00	0.58	0.60	0.63	Euro zone - ECB	0.00
U.K.	0.74	0.72	0.75	0.92	0.89	0.94	1.19	1.16	1.23	1.71	1.69	1.71	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-80	-80	-84	-78	-78	-81	-87	-87	-87	-97	-97	-95	Mexico - Banxico	8.25
GERMANY	-301	-300	-303	-278	-277	-281	-255	-255	-257	-227	-227	-229	Australia - RBA	1.50
JAPAN	-262	-260	-266	-259	-256	-264	-267	-263	-270	-244	-240	-244	New Zealand - RBNZ	1.75
U.K.	-172	-173	-176	-151	-152	-156	-144	-144	-147	-130	-130	-136		
Equities	Level						% change:							
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	16137	30.4		0.2	0.3	3.3	3.1							
Dow 30	25555	-96.2		-0.4	-1.0	0.0	2.2							
S&P 500	2792	8.2		0.3	0.1	1.4	0.9							
Nasdaq	7591	33.0		0.4	0.2	2.3	1.1							
DAX	11532	8.0		0.1	-0.5	3.3	-5.6							
FTSE	7160	8.7		0.1	-0.5	-0.4	0.3							
Nikkei	21290	-213.4		-1.0	-1.4	0.7	-3.1							
Hang Seng	28807	-113.4		-0.4	-0.8	1.1	-8.8							
CAC	5292	22.2		0.4	0.1	4.3	0.9							
Commodities	Level						% change:							
WTI Crude	57.46	0.59		1.0	2.2	6.6	-5.4							
Natural Gas	2.79	0.00		0.1	-1.9	8.3	0.1							
Gold	1308.04	6.44		0.5	1.7	0.1	-1.4							
Silver	15.45	0.15		1.0	2.2	-2.3	-6.1							
CRB Index	181.71	0.40		0.2	0.3	1.7	-6.5							
Currencies	Level						% change:							
USDCAD	1.3355	0.0001		0.0	-0.6	0.8	3.0							
EURUSD	1.1300	0.0012		0.1	-0.1	0.3	-8.8							
USDJPY	111.41	0.0500		0.0	-0.3	0.4	4.5							
AUDUSD	0.7065	-0.0017		-0.2	0.5	-0.4	-10.1							
GBPUSD	1.3150	0.0075		0.6	-0.2	2.4	-5.8							
USDCHF	1.0060	-0.0017		-0.2	0.1	-0.3	6.6							
													Next Meeting Date	
													Canada - BoC	Apr 24, 2019
													US - Fed	Mar 20, 2019
													England - BoE	Mar 21, 2019
													Euro zone - ECB	Apr 10, 2019
													Japan - BoJ	Mar 15, 2019
													Mexico - Banxico	Mar 28, 2019
													Australia - RBA	Apr 01, 2019
													New Zealand - RBNZ	Mar 26, 2019

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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