

ON DECK FOR THURSDAY, APRIL 11

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04/11	08:30	New Housing Price Index (m/m)	Feb	--	0.0	-0.1
US	04/11	08:30	Initial Jobless Claims (000s)	APR 6	205	210	202
US	04/11	08:30	Continuing Claims (000s)	MAR 30	1720	1735	1717
US	04/11	08:30	PPI (m/m)	Mar	0.3	0.3	0.1
US	04/11	08:30	PPI ex. Food & Energy (m/m)	Mar	0.2	0.2	0.1
US	04/11	09:30	Fed's Clarida Speaks at Annual IIF Meeting in Washington				
US	04/11	09:40	Fed's Bullard Speaks on Economy and Monetary Policy				
US	04/11	11:50	Fed's Quarles Takes Part in FSB Roundtable				
US	04/11	14:00	Fed's Kashkari to Hold Q&A Via Twitter				
US	04/11	16:00	Fed's Bowman Speaks on Community Banking				

KEY POINTS:

- Treasury yields rising as the cut case gets scaled back
- Fed's Clarida to deliver US outlook...
- ...that should be broadly consistent with the fresh FOMC forecasts
- Brexit extension returns the focus to the May & Corbyn dance
- China CPI has gone to the hogs
- Oil prices soften on US inventories, take petro-currencies down
- Ontario's budget: a place to grow debt
- BoC's Wilkins, Lane offer low risk today & tomorrow
- US jobless claims lowest since October 1969
- CDN new home prices were flat again...
- ...as both new and resale prices are little changed on average so far
- Peru's CB expected to hold but watch the bias

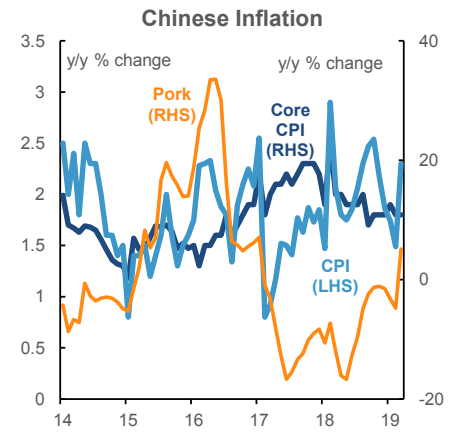
INTERNATIONAL

A mild but uneven risk-on session is unfolding across global markets into the North American open. Yesterday's FOMC minutes did not offer any ammunition to the cut camp (recap [here](#)). The EU Summit ended with a longer extension than UK PM May's preferred June 30th option but a shorter one than other major EU members were advocating as France dug in while favouring a moderate extension to the end of October. The material information is nevertheless that clearly neither side has appetite for a hard Brexit and they're willing to keep extending and adjusting to avoid one which is favourable for the risk trade at least for now. This returns us to monitoring progress in May's negotiations with Corbyn and there is nothing additional to consider thus far. Key today will be Fed Vice Chair Clarida's speech on the economic outlook and monetary policy this morning. Canadian markets will consider Ontario's budget and low risk from BoC communications and data (see below). Chinese CPI didn't contain any real surprises (see below).

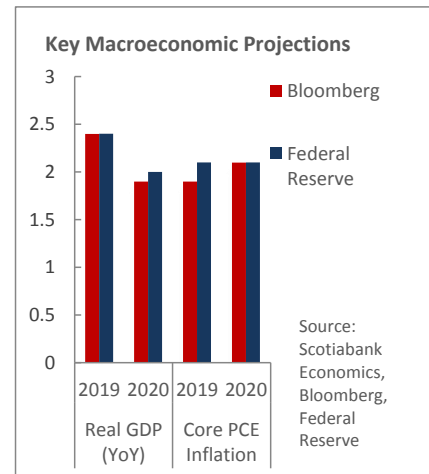
- The USD is broadly stronger against most crosses. Petro currencies are among the worst performers including CAD and the Mexican peso. The Euro and pound sterling are relatively little changed.

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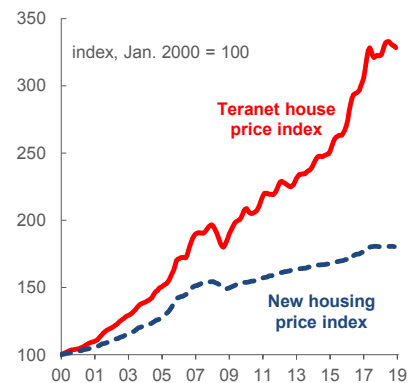


Sources: Scotiabank Economics, National Bureau of Statistics of China, Bloomberg.



Source: Scotiabank Economics, Bloomberg, Federal Reserve

No House Price Disaster Here



Sources: Scotiabank Economics, Statistics Canada, Teranet & National Bank.

- Sovereign bond yields are under mild upward pressure. US Treasury yields are 1–2bps higher across the curve and Canada is slightly outperforming. Yields on gilts are up by about 3bps across maturities. EGBs are relatively little changed.
- Oil prices are down by about 75 cents in terms of WTI and Brent. Yesterday's second consecutive run-up in US oil inventories isn't helping.
- US equity futures are up a smidge and TSX futures are up by about ¼%. European cash markets range from a slight gain in the FTSE100 to a rise of ¾% in the CAC40. Asian equities were soft including a 1.6–2.1% drop in mainland China's exchanges, a 0.1% gain in Tokyo, a 0.9% drop in HK and a flat Kospi.

Chinese CPI was bang in line with expectations as inflation has gone to the hogs. The March reading was 2.3% y/y (1.5% prior). Core CPI was unchanged at 1.8% y/y and has been much less volatile over the past year than headline CPI. The reason for that is that food prices have been volatile. All three measures are shown in the accompanying chart. More specifically, the price of pork has been very volatile and its rise was a partial contributor to the pick-up in broader inflation last month. Food prices were up 4.1% y/y (0.7% prior) and pork prices were up 5.1% (-4.8% prior). Non-food price inflation was fairly stable at 1.8% y/y (1.7% prior). Services inflation was also stable at 2.0% (2.1% prior). The yuan has been little affected by the release.

Banco Central de Reserva del Peru delivers a policy decision tonight (7pmET). While a hold is expected there is the possibility that the recent inflation report may reinforce expectations for a rate hike this year. The central bank has been on hold since the end of an easing cycle in March of last year. Peru's inflation rate unexpectedly jumped higher to 2.25% y/y (2.0% prior, 2.1% consensus) in March for the fastest pace of inflation since September 2017. That pushed inflation somewhat above the midpoint of the central bank's 1–3% target range with core CPI running higher at 2.4% (2.2% prior). The figures reinforced the more hawkish elements in recent remarks by President Julio Velarde that were delivered before the inflation update: "The scenario maintained is that either there's an increase or it will depend entirely on the data. We don't see a cut at this moment because we're still seeing relatively strong domestic demand." The central bank has been projecting 2% inflation this year.

UNITED STATES

Fed vice chair Richard Clarida will speak on the US economic outlook and monetary policy this morning (9:30amET) and so will St. Louis Fed President Bullard (voting member, 9:40amET). I would expect Clarida to largely repeat the party line that the base case outlook is positive, that a pause makes sense to evaluate data and binary risks, and that they see inflation returning to or slightly above target but not in any pressing way. Clarida will likely repeat his message that should international risks materially sour relative to their base case, then past precedent in response to such international developments supports easing but that the Fed doesn't have this expectation in its base case outlook. In fact, the accompanying chart shows that there really isn't much difference right now between the FOMC's median projections ([here](#)) and Bloomberg's consensus US outlook for GDP and core PCE inflation. I don't think the Fed would wish to rock the boat at this fragile juncture by tilting too aggressively in either direction.

US markets are digesting **producer prices** during March with core prices slipping a tick to 2.4% y/y but in line with expectations. Weekly jobless claims fell to the lowest since October 1969 and came in at 196k. **The claims decline is now extending into the April nonfarm reference period which is the pay period that includes the 12th of each month; as such, while it's just one reading, it's bullish for April nonfarm payrolls.**

CANADA

Ontario issues the inaugural budget of Premier Doug Ford's administration after the market close today. Scotia's Rebekah Young and Marc Desormeaux will be in the lock-up and have their assessment available tonight. As is often the case, a considerable portion of the budget's content has already been floated including the C\$13.5 billion deficit for the just ended fiscal year. The exact path back to balance that is required by law will be important including concomitant debt issuance plans. The newly branded 'place to grow' (precisely what being an entertaining side discussion) will present a blend of sizeable deficits under pressure from rating agencies, pre-announced commitments like expanded subway and transit service and a seniors' dental care program, large cuts to education jobs and a daycare rebate and uncertain additional tax measures.

Canadian markets will otherwise be dominated by external developments for the rest of the week. Markets usually ignore the releases, but housing observers may have an interest. **Statistics Canada updated new house prices for February that were flat again. New house prices have been unchanged for ten of the past fourteen months since the beginning of 2018 and the other months were minor ups or downs. Tomorrow we'll get Teranet repeat-sale existing home prices for March.** Both measures have experienced relatively little change recently and it remains the case that the resale side of the picture is where most of the house price inflation occurred over the full cycle (see chart).

A pair of low-risk panel appearances by Bank of Canada officials will be on tap. Today it will be SDG Wilkins' turn on a Fintech panel but there will be no published remarks (1pmET). Tomorrow it will be Deputy Governor Lane's turn on a digital currencies panel but again with no published remarks.

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.	2.35	2.32	2.34	2.31	2.27	2.32	2.50	2.47	2.52	2.91	2.89	2.92	Canada - BoC	1.75
CANADA	1.59	1.56	1.58	1.58	1.55	1.57	1.71	1.68	1.70	2.00	1.98	1.98	US - Fed	2.50
GERMANY	-0.59	-0.59	-0.58	-0.43	-0.44	-0.41	-0.02	-0.03	-0.01	0.63	0.62	0.63	England - BoE	0.75
JAPAN	-0.16	-0.16	-0.16	-0.17	-0.17	-0.17	-0.06	-0.05	-0.04	0.52	0.54	0.52	Euro zone - ECB	0.00
U.K.	0.73	0.70	0.69	0.87	0.84	0.83	1.13	1.10	1.08	1.65	1.63	1.63	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
CANADA	-77	-76	-76	-73	-72	-75	-79	-79	-82	-92	-92	-94	Mexico - Banxico	8.25
GERMANY	-294	-291	-292	-274	-271	-273	-251	-249	-252	-228	-227	-229	Australia - RBA	1.50
JAPAN	-251	-249	-249	-247	-244	-249	-255	-252	-256	-240	-236	-240	New Zealand - RBNZ	1.75
U.K.	-162	-162	-165	-143	-143	-149	-136	-137	-143	-126	-126	-129	Next Meeting Date	
Equities	Level			Change			1 Day			% change:				
	Last													
S&P/TSX	16396			59.8			0.4	0.7		1.8	7.5			
Dow 30	26157			6.6			0.0	-0.2		2.0	8.1			
S&P 500	2888			10.0			0.3	0.5		3.8	9.3			
Nasdaq	7964			55.0			0.7	0.9		5.4	12.7			
DAX	11944			37.9			0.3	-0.4		3.5	-2.8			
FTSE	7424			1.8			0.0	0.3		4.1	2.3			
Nikkei	21711			23.8			0.1	-0.1		2.8	0.1		Canada - BoC	Apr 24, 2019
Hang Seng	29839			-280.1			-0.9	-0.5		4.7	-3.4		US - Fed	May 01, 2019
CAC	5496			46.4			0.9	0.6		4.4	4.1		England - BoE	May 02, 2019
Commodities	Level			Change			1 Day			% change:				
WTI Crude	63.87			-0.74			-1.1	2.9		12.5	-4.4		Euro zone - ECB	Jun 06, 2019
Natural Gas	2.69			-0.01			-0.4	1.8		-3.0	0.6		Japan - BoJ	Apr 25, 2019
Gold	1296.35			-11.75			-0.9	0.3		0.2	-4.2		Mexico - Banxico	May 16, 2019
Silver	15.25			-0.01			-0.1	0.5		0.9	-7.6		Australia - RBA	May 07, 2019
CRB Index	188.47			-1.20			-0.6	0.8		4.4	-5.2		New Zealand - RBNZ	May 07, 2019
Currencies	Level			Change			1 Day			% change:				
USDCAD	1.3388			0.0069			0.5	0.2		-0.0	6.4			
EURUSD	1.1256			-0.0018			-0.2	0.3		0.1	-9.0			
USDJPY	111.31			0.3000			0.3	-0.3		0.1	4.2			
AUDUSD	0.7139			-0.0032			-0.4	0.4		1.0	-7.9			
GBPUSD	1.3068			-0.0023			-0.2	-0.1		-0.6	-7.8			
USDCHF	1.0046			0.0019			0.2	0.5		-0.6	4.9			

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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