

ON DECK FOR FRIDAY, APRIL 12

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04/12	08:30	Teranet - National Bank HPI (y/y)	Mar	--	--	1.9
US	04/12	08:30	Export Prices (m/m)	Mar	--	0.4	0.6
US	04/12	08:30	Import Prices (m/m)	Mar	--	0.4	0.6
US	04/12	10:00	U. of Michigan Consumer Sentiment	Apr P	98.5	98.2	98.4

KEY POINTS:

- Risk-on is being driven by US bank earnings, Chinese macro reports
- US bank earnings are off to a solid start
- Chinese financing accelerating...
- ...feeding the rebound narrative
- Chinese exports up 8% ytd...
- ...while soft imports may reflect tariff front-running
- Peru's CB stays on hold
- Indian CPI climbs on energy and food
- US UofM sentiment on tap
- CDN repeat sales home prices due out
- BoC's Lane on CB issuance of cyber currencies

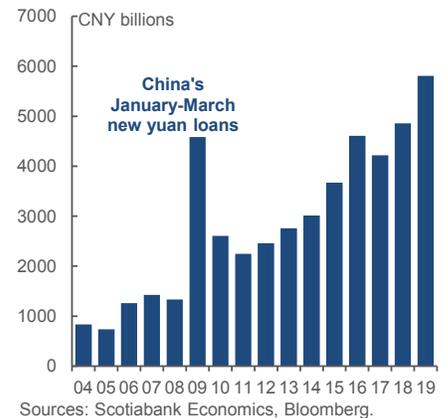
It's risk-on this morning and thanks to Chinese macro data (financing and trade, see below) and US bank earnings that got off to a ripping start ahead of next week's deluge. Incremental risk to markets should be light over the duration of the day at least by way of calendar risks with just US consumer sentiment and Canadian repeat-sales home prices on tap. **Scotiabank Economics will be releasing our full Global Outlook report including forecast revisions and accompanying articles.** I will also distribute decks explaining the Federal Reserve, Bank of Canada and bond market forecasts and narratives to accompany a full write-up.

- The USD is broadly softer this morning as part of the risk-on bias. The A\$, euro and euro-related and CAD crosses are leading the march higher against the USD while the yen also weakens on reduced safe haven appetite.
- Sovereign bonds and the Bruins have something in common this morning! US Treasury yields are up by 3–5bps in a mild 2s10s steepening move that has Canada performing similarly. Gilts are cheaper with yields up by 3–5bps across maturities. European government bond curves are steepening the most in bunds and French bonds with the 10 year German yield up 5bps (and above zero!).
- US equity futures are up by between ½% and ¾% across the exchanges with TSX futures up by less. European cash markets are up by between ¼% and ¾% across the exchanges. Asian equities got the memos on US bank earnings and Chinese credit figures later than everyone else but should rally into the Asian market open on Monday.
- Oil prices are up by just under a buck in terms of WTI and Brent.

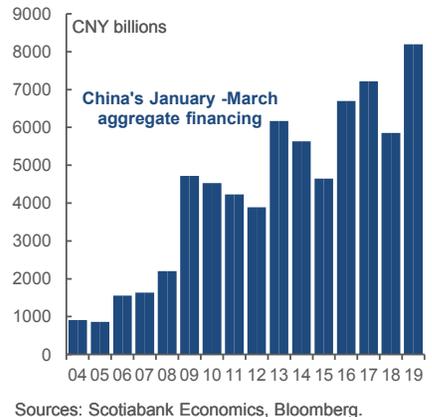
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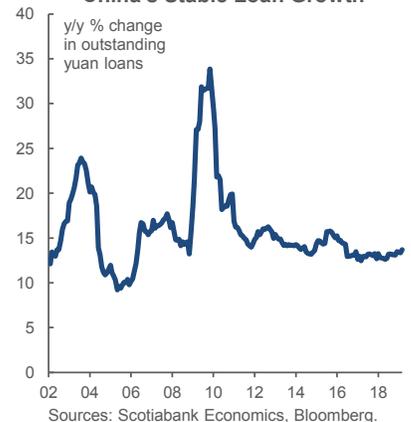
China's New Yuan Loan Growth Is At A Record High



China's Aggregate Financing Hits A New High



China's Stable Loan Growth



China macro reports are also giving a bit of a lift to the global market tone.

China financing figures for March exceeded expectations which plays to the narrative that easier financing conditions are translating into lending and ultimately economic activity. The pace of expansion in new yuan loans made it the second strongest month of March since March 2009. Aggregate financing also exceeded expectations. Overall, the way to look at Chinese data over Q1 each year is to aggregate it given the monthly volatility that is sparked by the shifting timing of the annual Lunar New Year. The two accompanying charts do so and portray the January–March tallies as the fastest on record for the change in the yuan value of local currency loans and total financing (local and FX loans, paper, bonds, equity, shadow products). Looked at another way in terms of the year-ago percentage growth rate in yuan denominated loans results in the third chart showing rock solid growth in outstandings at a high rate.

Chinese trade figures also improved. Exports on a year-to-date basis are up by 8.3% y/y which is the preferred way of looking at the figures given the Lunar New Year effect on monthly volatility over Q1 each year that is sparking wicked monthly volatility. For the month of March by itself and in local currency terms, exports were up 14.2% y/y (6.5% consensus, -20.7% prior) and imports were down 7.6% y/y (0.2% consensus, -5.2% prior). **Exports may reflect yuan depreciation as an offset to the weighted average tariff hike that the US imposed but also may serve as tentative evidence of a firming global economy.** Import softness may have a variety of influences including the possibility that **import strength was pulled forward into last year.** Imports on a year-to-date basis were soaring until November and then began weakening from December onward such that a pulled-forward effect to front-run order books ahead of tariff effects may have been occurring.

Indian CPI inflation climbed to 2.9% y/y (2.6% prior) as energy costs climbed by 2.4% y/y (1.2% prior) and food prices stopped falling (+0.3% y/y, -0.7% prior).

Peru's central bank held its reference rate at 2.75% as universally expected. The accompanying statement ([here](#)) indicated a prolonged hold including the following reference:

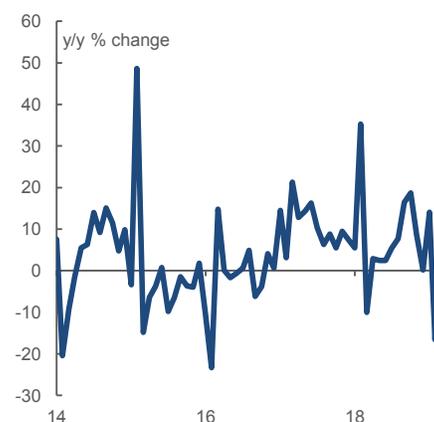
“The YoY inflation rate is projected to remain within the target range and around 2.0 percent in the forecast horizon. The Board considers that it is appropriate to maintain an expansionary policy stance while inflation expectations remain anchored, in a context in which the level of economic activity is below its potential level.

UNITED STATES

US Q1 bank earnings began rolling in this morning and so far so good. JP Morgan beat expectations with adjusted EPS of US\$2.60 (US\$2.35 consensus) and revenues beat expectations across all major lines (FICC, Equity and investment banking). Wells Fargo also beat (US\$1.20, consensus US\$1.09). PNC Financial met expectations with EPS of US\$2.61.

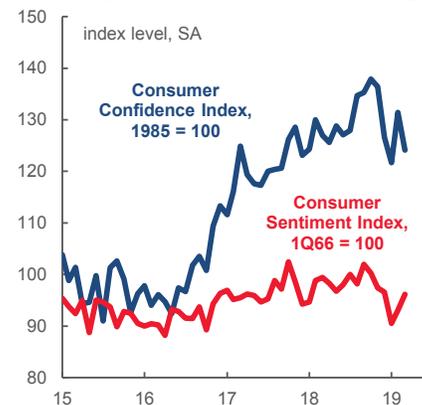
Aside from earnings, there will be modest data risk with the **University of Michigan's consumer sentiment report** for April (10amET) that is expected to hold roughly steady. As the accompanying chart depicts, the UofM gauge did not register anything close to the rise in confidence that the Conference Board's measure did from 2016 onward.

China Export Growth



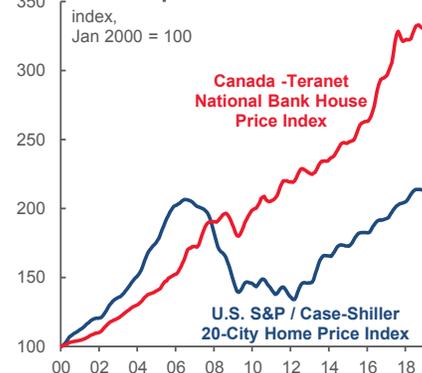
Sources: Scotiabank Economics, Bloomberg.

Divergent US Confidence Readings



Sources: Scotiabank Economics, University of Michigan, Conference Board, Haver Analytics.

Home Price Indices - Repeat Sales Metric



Sources: Scotiabank Economics, S&P/Case-Shiller, Teranet/National Bank.

CANADA

BoC Deputy Governor Tim Lane will be on a panel this afternoon (2pmET) and while the topic may interest some (“should central banks issue digital currencies”) there will be no market risk and no published remarks.

Canada’s repeat-sales house price metric for March gets updated this morning (8:30amET).

Please see [here](#) for a recap of Ontario’s budget by Scotia’s Rebekah Young and Marc Desormeaux.

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.	2.39	2.36	2.34	2.36	2.31	2.31	2.54	2.50	2.50	2.96	2.93	2.90	Canada - BoC	1.75	
CANADA	1.62	1.59	1.58	1.64	1.59	1.57	1.77	1.72	1.70	2.06	2.02	1.97	US - Fed	2.50	
GERMANY	-0.57	-0.58	-0.57	-0.38	-0.43	-0.41	0.04	-0.01	0.01	0.69	0.63	0.64	England - BoE	0.75	
JAPAN	-0.16	-0.16	-0.15	-0.17	-0.17	-0.15	-0.06	-0.06	-0.03	0.52	0.52	0.55			
U.K.	0.77	0.74	0.72	0.92	0.88	0.86	1.20	1.15	1.12	1.71	1.67	1.66			
	Spreads vs. U.S. (bps):														
CANADA	-77	-76	-76	-73	-73	-74	-77	-78	-80	-91	-91	-93	Euro zone - ECB	0.00	
GERMANY	-296	-293	-291	-275	-274	-271	-250	-251	-249	-227	-229	-226	Japan - BoJ	-0.10	
JAPAN	-255	-252	-249	-253	-248	-246	-260	-255	-253	-244	-241	-235			
U.K.	-162	-162	-163	-144	-143	-145	-134	-135	-138	-125	-125	-125	Mexico - Banxico	8.25	
Equities	Level						% change:								
	Last			Change			1 Day	1-wk			1-mo	1-yr			
S&P/TSX	16399			3.2			0.0	0.5			1.6	7.4	Australia - RBA	1.50	
Dow 30	26143			-14.1			-0.1	-0.9			2.3	6.8	New Zealand - RBNZ	1.75	
S&P 500	2888			0.1			0.0	0.3			3.5	8.4			
Nasdaq	7947			-16.9			-0.2	0.7			4.7	11.3			
DAX	12006			71.3			0.6	-0.0			4.2	-3.3			
FTSE	7439			21.2			0.3	-0.1			4.0	2.5			
Nikkei	21871			159.2			0.7	0.3			1.7	1.0	Canada - BoC	Apr 24, 2019	
Hang Seng	29910			70.3			0.2	-0.1			3.4	-3.0	US - Fed	May 01, 2019	
CAC	5504			18.1			0.3	0.5			4.4	3.7			
Commodities	Level						% change:								
WTI Crude	64.53				0.95		1.5		2.3		13.5		-3.8	England - BoE	May 02, 2019
Natural Gas	2.67				0.01		0.3		0.3		-4.0		-0.5	Euro zone - ECB	Jun 06, 2019
Gold	1294.02				1.47		0.1		0.2		-0.6		-3.1	Japan - BoJ	Apr 25, 2019
Silver	15.16				-0.09		-0.6		0.5		-0.9		-8.5		
CRB Index	188.60				1.27		0.7		0.5		4.0		-5.4		
Currencies	Level						% change:								
USDCAD	1.3323				-0.0060		-0.4		-0.5		-0.2		5.8	Mexico - Banxico	May 16, 2019
EURUSD	1.1320				0.0067		0.6		0.9		0.3		-8.2	Australia - RBA	May 07, 2019
USDJPY	111.98				0.3200		0.3		0.2		0.6		4.3		
AUDUSD	0.7178				0.0054		0.8		1.0		1.4		-7.4		
GBPUSD	1.3117				0.0059		0.5		0.6		0.3		-7.8	New Zealand - RBNZ	May 07, 2019
USDCHF	1.0004				-0.0026		-0.3		0.0		-0.7		3.9		

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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